Deutsche Postbank
2010 Group Annual Report

2010

Postbank

Postbank Group in figures 2010

		Jan. 1 – Dec. 31, 2010	Jan. 1 – Dec. 31, 2009[1]
Consolidated income statement			
Total income	€m	3,805	3,097
Administrative expenses	€m	−2,934	−2,864
Profit/loss before tax	€m	315	−398
Consolidated net profit	€m	138	76
Total cost/income ratio	%	77.1	92.5
Return on equity			
before tax	%	5.7	−7.8
after tax	%	2.5	1.5
Earnings per share	€	0.63	0.35

		Dec. 31, 2010	Dec. 31, 2009
Consolidated balance sheet			
Total assets	€m	214,684	226,609
Customer deposits	€m	116,201	111,067
Customer loans	€m	109,303	108,971
Allowance for losses on loans and advances	€m	1,764	1,641
Equity	€m	5,627	5,251
Tier 1 ratio	%	8.1	6.6
Headcount (FTEs)	thousand	20.36	20.86
Long-term ratings			
Moody's		A1 / outlook negative	Aa3 / outlook rating under review
Standard & Poor's		A / outlook stable	A– / outlook positive
Fitch		A+ / outlook stable	A+ / outlook stable
Information on Postbank shares		Dec. 31, 2010	Dec. 31, 2009
Share price at the balance sheet date	€	20.80	22.88
Share price (Jan. 1 – Dec. 31)	high €	27.80	26.86
	low €	19.47	6.81
Market capitalization on December 31	€m	4,551	5,006
Number of shares	million	218.8	218.8

[1]Prior-year figures adjusted (see Note 6)

Milestones in fiscal year 2010

February 25, 2010	The Postbank Group announced its business results for 2009, concluding the year with a consolidated net profit of €76 million.
March 24, 2010	Postbank successfully issued its fourth mortgage *Pfandbrief* with a volume of €1 billion.
April 29, 2010	The Annual General Meeting of Postbank was held in Frankfurt am Main. All motions were approved by large majorities.
June 22, 2010	Postbank announced that it would acquire 277 retail outlets of Deutsche Post as of July 1, 2010, as part of its "Postbank4Future" strategy program.
September 12, 2010	Deutsche Bank AG announced a voluntary public takeover offer to Postbank shareholders of the free float, combined with the goal of consolidating Postbank in 2010.
October 7, 2010	Deutsche Bank published the offer document for the Postbank takeover bid. The offer price is €25.00 per Postbank share.
November 29, 2010	Deutsche Bank announced that the voluntary public offer was accepted for a total of 23,080,965 Postbank shares, which corresponded to about 22.02 % of share capital and voting rights at Postbank.
December 1, 2010	Postbank announced the sale of its Indian subsidiary Deutsche Postbank Home Finance Ltd. to a buyer consortium led by Dewan Housing Finance Ltd. The transaction is expected to be concluded during the first quarter of 2011 and is still subject to approval by the Indian regulatory body National Housing Bank.
December 10, 2010	Deutsche Bank AG announced that U.S. anti-trust officials had approved the takeover of Deutsche Postbank AG. Its stake in Postbank now totaled 51.98 %.
December 17, 2010	The Supervisory Board appointed Rainer Neske as its Chairman effective January 1, 2011.

Financial Calendar 2011

March 30, 2011	Publication of 2010 Group Annual Report
May 11, 2011	Results as of March 31, 2011
May 24, 2011	Annual General Meeting, Frankfurt am Main
August 4, 2011	Results as of June 30, 2011
November 9, 2011	Results as of September 30, 2011

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

Deutsche Postbank AG
2010 Group Annual Report

The Postbank Group, with approximately 14 million customers and more than 20,000 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.

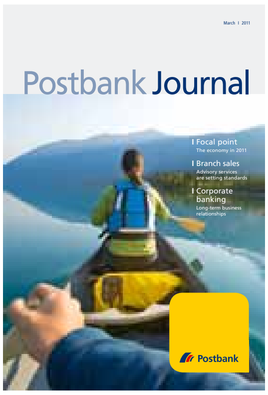
The positive development of our operating business in the past few years can be attributed in particular to an attractive range of products tailored to the needs of our target groups and the structure of our sales organization, which is unique on the German banking market. We intend to build on these 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 how we see our role as a customer-oriented service company and how we fulfill this role, both with our employees and in cooperation with strong partners.

Contents

Postbank Group 2010

Postbank Journal



Fiscal Year 2010

Key

123 Cross-reference with page number

@ Reference to Internet

Reference to service

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Ladies and gentlemen,

Postbank made a clear turnaround in 2010. With a profit before tax of €315 million, we have left the losses of the past two years behind us. Compared with fiscal year 2009, we improved profit by more than €700 million. This satisfying performance resulted primarily from a sharp rise in our total income, which climbed 23 % year-on-year. The increase was largely generated by the strong growth of net interest income from our customer business. One other positive development had an effect as well: The impact of the financial market crisis – as expected – has significantly waned in the past fiscal year compared with previous ones. The need for the allowance for losses on loans and advances in the lending business eased significantly as well, reaching a level that was at the lower end of our expected range and once again well below the average level of European banks.

The solid performance of fiscal year 2010 is reflected in particular by the results of our operating business divisions – Retail Banking, Corporate Banking and Transaction Banking.

In Retail Banking, we boosted profit before tax by 25.1% to €897 million. The key factor here was growth in net income from the interest-bearing customer business. Postbank is the market leader in Germany in the areas of savings and demand deposits as well as in the customer loan business – particularly in mortgage lending with our brands BHW and DSL. Thanks to the systematic, value-oriented management of new business and existing business, Postbank succeeded in considerably increasing the contribution that these product areas made to total comprehensive income. In this regard, initiatives carried out as part of the "Postbank4Future" strategy program that we introduced at the end of 2009 had a positive effect. The goal of this program is to make the Bank more appealing to customers by focusing even more intensely on customer needs, increasing service quality and substantially streamlining our product range. One critically important milestone in 2010 was the acquisition of an additional 277 retail outlets of Deutsche Post AG, which gives Postbank a network of more than 1,100 branches. Because of this move and the partnership with Shell and OBI regarding cash-withdrawal opportunities, we have once again succeeded in increasing our presence in Germany. Thanks to our network of approximately 13,000 contact points, the much-distinguished Internet banking service and telephone banking, our customers have access nationwide. In taking these steps, we further bolstered our position as Germany's No. 1 retail bank and laid the foundation for future growth.

In Corporate Banking, which we conduct with about 30,000 customers based in Germany, we generated a profit before tax of €382 million in 2010. This is an increase of €413 million compared with 2009. Here, too, we profited from solid trends in volume and a further attractive margin level. A key reason for this improved performance was a considerable drop in the need for the allowance for losses on loans and advances. Here, we profited from the very satisfying development in the macroeconomic environment, especially in Germany and in international real estate markets. Altogether, our lending business with corporate customers and our commercial real estate lending business totaled a good €30 billion. Over the past few years, our business with corporate customers has evolved into a solid second earnings pillar at Postbank. As a result of our commitment to being the "bank for the essentials" and to being highly reliable, even during difficult market phases, we have laid the cornerstone for successful growth in this business division as well.

In Transaction Banking, we processed more than 8 billion payment transactions and raised profit to €61 million. With a market share of about 20 %, Postbank is the largest provider of payment transaction services in Germany. In addition to handling payment transactions for our own customers, other highly respected lending institutions entrust us with the processing of their payment transactions on our highly efficient IT platform.

We also made substantial progress during the past fiscal year in the effort being led by the Financial Markets Business Division to reduce our capital market portfolios and risk. We approved a program on this issue in the third quarter of 2008. Overall, we decreased our investment securities portfolio by 27 % to €59 billion in 2010. The structured credit substitution business was reduced even more steeply – by 41 % to €3.7 billion. As a result of this reduction, the earnings situation of Postbank will depend much less on capital market performance than it did in the past and will be dominated to a much larger extent by the stable contributions of our customer business.

During this past fiscal year, the Tier 1 capital ratio also profited from the reduction of the investment securities portfolio. The Tier 1 ratio rose significantly from 6.6 % to 8.1 % – also as a result of the introduction of improved models to measure risks. In so doing, we have been able to considerably strengthen the Bank's capital resources since the outbreak of the financial market crisis and will continue to go down this path – as previously announced – by taking such steps as retaining all earnings through fiscal year 2012.

Ladies and gentlemen, with the conclusion of the voluntary public takeover bid and Deutsche Bank's acquisition of a stake of about 52 % in our company, Postbank became in December 2010 a member of the Deutsche Bank Group, one of the world's highest-performing and most stable financial institutions. Postbank will actively use the opportunities arising from this acquisition to further expand its business with private, business and corporate customers on behalf of all stakeholders. In the process, it will remain an autonomous brand and retain its legal form. In the months ahead, we will conduct intensive discussions about the structure of our future working relationship and define ways to generate income and cost synergies. We are entering this new phase of our partnership with self-confidence. Postbank does not view the acquisition of a majority stake as a threat to its identity. Rather, we see a promising foundation for the further development of our core competencies in the new company structure.

A key factor here will be the support of our employees, whose hard work made it possible last year for Postbank to manage the impact of the financial market crisis all on its own and measurably expand its customer business. In the name of the entire Management Board, I would like to express my sincere gratitude to them.

In 2011, we will not diminish our efforts. We are determined to build on the successes we achieved in 2010 and to enable Postbank – on the basis of further solid performance in our customer business and a systematic continuation of our efforts to reduce capital market investments and our exposure to the associated risks – to achieve a sustainable improvement in its earnings situation.

Bonn, March 30, 2011

Sincerely,

Stefan Jütte
Chairman of the Management Board

Management Board of Deutsche Postbank AG

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

Shareholders and Stock:
Deutsche Bank acquires majority share in Postbank

DAX boosted by economic upswing in Germany

Shareholders can take satisfaction in the overall positive performance of German shares in 2010. The DAX rose 16 %, driven by the favorable economic climate in Germany. At the same time, the EURO STOXX 50, the blue-chip index for the euro zone, was unable to keep pace with the positive development of the DAX and dropped 6 %. This is attributable in part to economic forecasts, which are less optimistic for the euro zone as a whole than for Germany. In addition, the debt situation faced by a number of European countries in the past year was a dominant topic on the markets and had an especially negative impact on shares in the European banking and insurance sector.

Special influences on the performance of the Postbank share

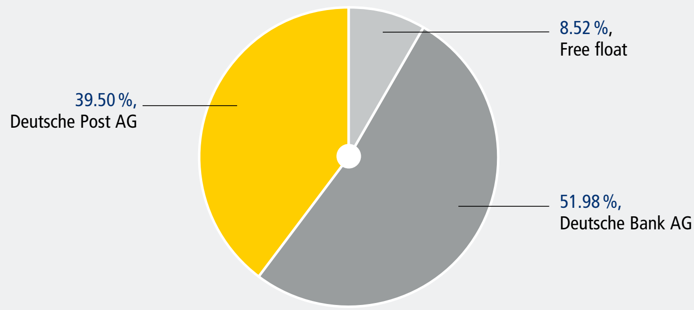
The performance of the Postbank share in 2010 was substantially influenced by speculation regarding acquisition of Postbank by Deutsche Bank AG (hereinafter: Deutsche Bank) and ultimately by the voluntary takeover bid made public on September 12, 2010. During the offer period ending on November 24, 2010, the share price hovered at approximately the offer price of €25. The Postbank share began moving upwards after the takeover offer expired, tracing the path already taken by the European banking index. Overall, the Postbank share price sank 9 % in 2010 after climbing 48 % in the prior year.

Takeover bid for free float shares

During the course of the takeover bid, over 21 % of Postbank shares were offered for sale to Deutsche Bank. That corresponds to approximately two-thirds of the shares in free float at the time. As a result, Deutsche Bank was able to increase its shareholding to nearly 52 %. Deutsche Post AG (hereinafter: Deutsche Post) continues to hold 39.5 % of Postbank shares. Because less than 10 % of Postbank shares were left in free float, the Arbeitskreis Aktienindizes (Stock Indices Working Group) of Deutsche Börse decided to remove the Postbank share from the MDAX index. The share has not been included in any Deutsche Börse AG index since December 8, 2010.

The following diagram illustrates the Deutsche Postbank AG share structure as of December 31, 2010. Following Deutsche Post's announcement regarding the conclusion of an agreement on the sale of its Postbank shares to Deutsche Bank in September 2008, the two parties published 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. The two parties agreed to implement the transfer of

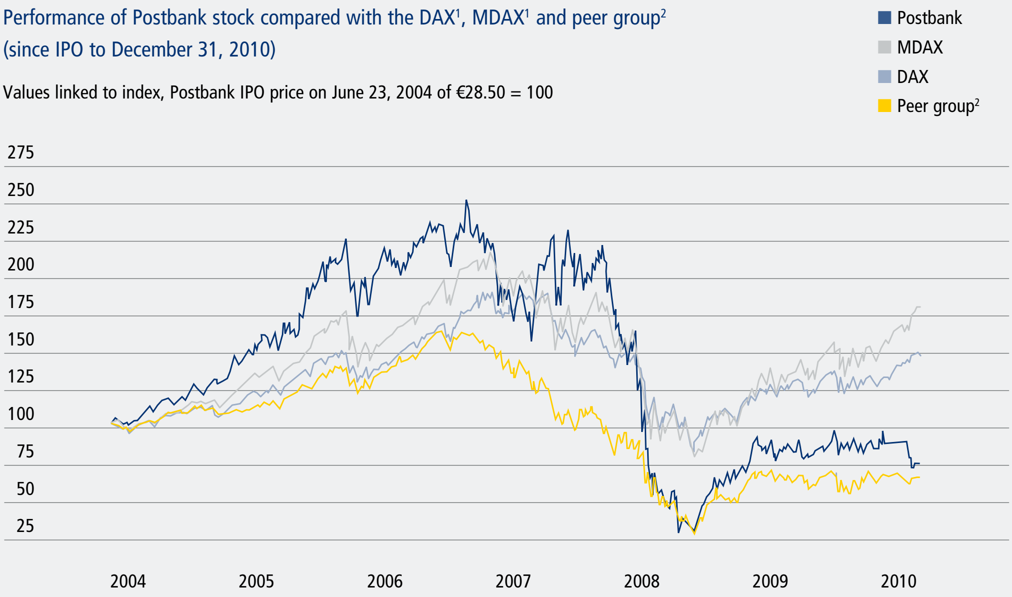
Shareholder structure of Deutsche Postbank AG
As of December 31, 2010



Deutsche Post's remaining share package of 39.5 % via a mandatory exchangeable bond (amounting to 27.4 %) and option rights (12.1 %).

Performance of Postbank stock compared with the DAX[1], MDAX[1] and peer group[2]
(since IPO to December 31, 2010)

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



Source: EcoWin

[1] DAX and MDAX each as price index
[2] Banco Popular Español, Banco Popolare, Unicredit, Banco Espirito Santo, Erste Bank, Svenska Handelsbanken, Swedbank, Royal Bank of Scotland each in local currency

Our stock data		2004	2005	2006	2007	2008[1]	2009[1]	2010	+/– in 2010
Year-end closing price	€	32.50	49.00	63.97	60.75	15.50	22.88	20.80	–9.1 %
High[2]	€	34.18	50.84	65.45	74.72	67.10	26.86	27.80	3.5 %
Low[2]	€	27.73	32.16	48.21	43.41	12.19	6.81	19.47	185.9 %
Earnings per share	€	2.65	3.00	4.24	5.22	–5.26	0.35	0.63	80.0 %
Price/earnings ratio[3]		12.3	16.3	15.1	11.6	–	65.37	33.0	
Number of shares	million	164.0	164.0	164.0	164.0	218.80	218.80	218.80	unchanged
Market capitalization[3]	€m	5,330	8,036	10,491	9,963	3,391	5,006	4,551	–9.1 %
Equity including revaluation reserve	€m	4,766	5,061	5,207	5,225	4,952	5,251	5,627	7.2 %
Return on equity before taxes		14.0 %	14.9 %	18.9 %	19.2 %	–23.3 %	–7.8 %	5.7 %	
Total dividend (2010: proposal)	€m	205	205	205	205	0	0	0	0
Dividend per share (2010: proposal)	€	1.25	1.25	1.25	1.25	0	0	0	0

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

Retail Banking:
Service quality further improved

In the retail banking business Postbank made solid gains in profit in particular and thus contributed substantially to the clear rise in consolidated net profit. The savings, home-savings and mortgage lending business especially generated important momentum here. The customer-focused upgrading of the checking account model and installment loans had a positive effect as well.

The Bank's success in Retail Banking is based on our large number of customers – some 14 million – who find all the banking products essential to their daily needs on offer at Postbank. We also intend to use the "Postbank4Future" strategy program introduced at the end of 2009 to further sharpen our profile in the retail banking business. The focus here will be on increasing the quality of our service and concentrating our product range on the needs of our customers.

One key element of the work to improve our customer service in 2010 was the continued expansion of our service infrastructure. Around the middle of the year we acquired 277 Deutsche Post AG retail outlets and our cash-dispensing machines were installed in the last of about 1,300 Shell filling stations and 180 OBI do-it-yourself stores – as planned under our partnerships. As a result, the total number of cash sources in our network climbed to around 3,000.

Checking accounts more attractive; demand deposits rise

Last year, we significantly enhanced Postbank checking accounts once again by improving additional features. After we lowered the minimum limit for monthly deposits from €1,250 to €1,000, a measurably higher number of customers are profiting free of charge from the benefits of the Postbank Giro plus account. For the Giro extra plus premium account, cash withdrawals made by credit card at ATMs located outside Germany are now free of charge. The fill-up discount offered to our customers as part of our partnership with Shell benefits all checking-account holders equally.

The total number of private checking accounts at the end of 2010 was unchanged at 4.9 million. As a result, Postbank maintained its position as the largest provider in the German market in 2010 as well.

Demand deposits continued the positive trend that emerged during the previous year: With an increase of €1.4 billion to €20.1 billion at year's end, we exceeded the previous year's level by 7.5 %.

Additional Retail Banking information

		Book 2010		Market shares in the book 2010
Checking accounts	million	4.94	%	5.2*
Savings deposits	€bn	56.8	%	6.4
Home savings deposits	€bn	17.0	%	13.1
Private mortgage lending book incl. portfolio acquisitions	€bn	74.0	%	9.3
Private loan book	€bn	3.9	%	2.5
Volume of securities accounts	€bn	12.4	%	n.a.

* Last available market data as of Dec. 2009, presumed constant market volume for the end of 2010

Savings business has high deposit stability

The focal point of sales and marketing activities throughout 2010 was placed on two products with attractive interest rates: "Postbank Aktiv-Sparen", which offers an additional bonus for increasing deposits, and "Postbank SparCard direct", which can be obtained exclusively through telephone and Internet sales channels.

After generating record growth in 2009, Postbank made a conscious decision against continuing the strategy of massively increasing volume. Instead, it concentrated in 2010 on stabilizing its book at a high level. The book of savings deposits and overnight money totaled about €56.8 billion at the end of 2010, just 0.7 % below the volume of €57.2 billion reported at the end of the previous year.

As expected, total gross new business in the overall savings segment was €6.3 billion, well below the record level of €17.1 billion in 2009. Postbank was also able to maintain its market share in the deposit business at the same level as the previous year, 6.4 %.

Mortgage loan portfolio stable at a high level

Postbank employs a two-brand strategy in its mortgage lending business. The Postbank subsidiary BHW Bausparkasse and DSL Bank, operated as a business division of Postbank, have their own, complementary business models. Whereas BHW as a mortgage lender for Postbank focuses on private customers, DSL Bank acts as a partner bank of financial service providers.

To eliminate overlapping products and sales processes and to exploit potential synergy, both brands were more closely dovetailed with each other in 2010 when various areas were organizationally merged. To make it easier for our customers to select products, we sharpened the profile of our product range and coordinated the various elements with one another. As a result, Postbank is prepared in the best possible way to bolster and expand its market share in the important business division of home savings and mortgage financing. We continue to believe that general economic conditions for this will remain favorable.

The volume of new business in private mortgage lending totaled €8.0 billion, about 3.6 % below the previous year's level. The decrease resulted from an adjustment to new-business management in which we are increasingly concentrating on low-risk business suitable for cover funds and pursuing less aggressive definition of terms.

One notable development was the share of forward loans in the overall business, a share that climbed a strong 57 % compared with the total in 2009. Numerous customers took advantage of low interest rates in order to secure favorable terms for the future.

The total volume of mortgage loans at Postbank was €74.0 billion at the end of 2010 and was nearly stable in comparison with the level recorded at the end of 2009. Our market share was 9.3 %.

Upswing in the home savings business

The German market for home savings products was characterized by a very positive trend in 2010. Postbank, which does business in this market through its subsidiary BHW Bausparkasse, measurably increased the new total home savings written business by 12.0 % compared with the previous year's level, reaching a total of €12.1 billion. In the process, it outgrew the overall market, which rose by 10.9 %.

Essential momentum here was generated by business growth in the branch sales channels and the cooperation-partner business, both of which are increasingly supplementing the primary sales channel, the agents of Postbank Finanzberatung AG .

The quality of our home savings products was confirmed once again in 2010. In one reflection of this, BHW Bausparkasse was named the best savings bank in 2010 by the German news network n-tv and the independent financial consultant FMH. It was also honored by the German business newspaper "Handelsblatt" for having the best Riester home-savings rate.

Installment loan business remains successful

For the banking industry, the year of 2010 was characterized by the implementation of the Consumer Credit Directive. For banks, this involves extensive information and explanation requirements as well as a restriction on information provided to consumers about interest rates. These changes also expand cancellation options for borrowers.

Against this backdrop and with the goal of strengthening our customers' perception of us as a fair and reliable partner, Postbank made 2010 the year of "transparency and flexibility" in the installment loan business. This effort resulted in a series of measures to further improve the quality of our advisory services and in the development of particularly customer friendly terms, including no-fee unscheduled repayments, extended revocation periods and a competition-based fine-tuning of the price structure.

The increase of new business volumes to €1.36 billion was a clear recognition of this effort. In particular, the partnership business with such providers as the comparison portal check24 and Deutsche Bank grew strongly and reached a share of new business totaling 16 %. The DSL business, which concentrates on selling special products tailored to customers' individual needs, continued to grow as well. With a total of about €388 million, its share of new business rose to about 30 %.

With the installment loan book at €3.9 billion, a rise of 8.3 % over 2009, Postbank's market share at the end of 2010 was 2.5 %.

In the installment loan business, Postbank's performance was also recognized by independent parties. In October, Postbank was named the best branch bank in this area by the German Institute for Service Quality in cooperation with n-tv. Postbank – the study found – excels by offering the best credit-related installment loans, high quality needs analysis and short waiting times. As part of the review of the cooperation partners conducted by check24, Postbank finished first in the category of customer satisfaction with its installment loans.

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

Volume of securities accounts rises

The German capital market was impacted by two divergent factors in 2010: on the one hand, by the very positive economic trend and the favorable stock-market performance that was related to it. And, on the other hand, by a long-term feeling of uncertainty among private investors that arose from the debt crisis of some industrial countries.

This was reflected in Postbank's new business with securities, which in 2010 was slightly below the previous year's level (–5 %) at around €1.9 billion. By contrast, the total volume of securities held in our customers' accounts climbed by about 11.7 % to €12.4 billion above the previous year's level.

Postbank used the year of 2010 to further improve its position in the securities business. This included concentrating on a more clearly defined product range. The reduction of unnecessary complexity will have a positive effect on the quality of advisory services offered in the securities business.

The trend toward defensive investments in the securities business continued to be strongly felt in 2010. As a result, demand was strong for such securities as step-up bonds and floating-rate bonds offered by Postbank and X-Markets, a business unit of Deutsche Bank, particularly in the first half of the year. These securities made a significant contribution to new business for the first time by generating a total of €270 million. By contrast, new business with open-end real estate funds declined. The closing of various funds and the announcement of planned legal changes resulted in a noticeable hesitancy to invest in this asset class.

Retail Banking[1]

Segment result	2010 €m	2009 €m
Total income	3,473	3,222
Administrative expenses	–2,232	–2,189
Profit before tax	897	717
Cost/income ratio	64.3 %	67.9 %
Return on equity before taxes	39.4 %	32.5 %

57 141

[1] see Segment comments in the Group Management Report, p. 57, and/or Note 42, p. 141.

Corporate Banking:
Positioned as a core bank meeting the basic needs of SMEs

In the Corporate Banking segment, Postbank bundles all the services it provides for its business with corporate customers, the majority of whom are in Germany, and those it renders in the field of national and international commercial real estate finance.

Further strengthening of our SME business

Postbank offers a portfolio of payment transaction and investment products designed to meet the needs of its approximately 30,000 corporate customers. This portfolio is augmented by standardized credit products as well as selected factoring and leasing solutions. In individual cases, Postbank also offers standardized solutions in the area of derivative hedges. The main target group consists of traditional German SMEs, which Postbank serves as a reliable, high-performance partner across Germany. Postbank intends to strengthen and expand its position as the core bank that covers the basic daily needs of small and mid-sized German enterprises. To this end, the structure of our sales organization is being continually further developed and interlinked with the retail platform, making it possible to achieve both synergies and economies of scale.

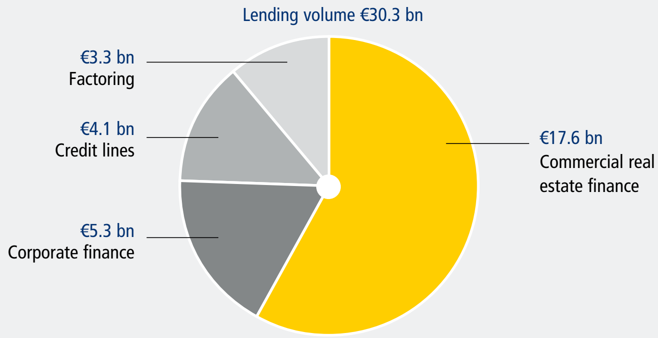
Concentration on a standardized product and service offer

Efficient and smooth handling of both a high volume of individual solutions and standardized payment transactions remains one of Postbank's core competencies – a key component of our service promise to our corporate customers. Postbank's ability to deliver such high-performance solutions is based on the capabilities of our transaction platform and the competence of our payment transaction specialists.

In keeping with our strategy, the corporate loan business has expanded noticeably over the past several years, propelled in part by the excellent development of classic standardized financing options such as short-term money market loans, investment and development loans as well as syndicated loans and participation in promissory note loans. Postbank's loan business continues to be based upon our established principle of risk-conscious lending; in fact, we appropriately adjusted our risk assessment criteria in light of a market environment that has been turbulent since 2008. In the area of corporate finance, Postbank has also been on request the arranging bank for structured financing transactions for SMEs in selected cases since 2008.

The standardized product range is rounded off by classic investment options, primarily in the form of overnight money and term deposits products as well as derivative hedging instruments for interest and currency management.

Corporate Banking: Lending volume in 2010



Commercial real estate finance

In addition to the core activities outlined above, commercial real estate finance is a further pillar of Postbank's corporate banking business. Postbank is active primarily in Central and Western Europe in this field. We also operate in the United States through a branch office in New York and in Great Britain through a branch in London.

With expertise recognized by the market and established business relationships, we have forged a solid foundation for continued risk-conscious growth both in Germany and abroad.

These sales units outside of Germany focus on supporting institutional and commercial investors in investment projects in Continental Europe. In addition, we participate in financing consortiums led by well-known national and international banks represented on location. We conducted new business in particular in the units outside Germany only very selectively in 2010. Overall, €2.6 billion in the commercial real estate finance business was generated in the year under review compared with €4.0 billion in the previous year.

Organizational improvements are currently being made to further optimize management in this business division, a process that includes the merging of four portfolios – New York, London, EU and Germany – under unified leadership.

Corporate Banking business stable in 2010

At €30.3 billion, the portfolio of loans to corporate customers at the end of 2010 remained at approximately the same level as compared with the close of the prior year (€30.4 billion). The share of commercial real estate financing loans in this portfolio declined by €0.4 billion to €17.6 billion. In contrast, investment volumes from corporate customers increased sharply, rising 17.4 % to €22.3 billion. The number of transactions processed by the Payment Transactions business division rose as well, climbing 1.4 % to 820 million.

Expanding our position as core bank

Our goal in Corporate Banking is to bolster and further expand our position as an important and reliable partner to German SMEs.

We stand by our strategy of establishing ourselves as "the bank meeting the daily needs of SMEs". To do this, Postbank will continue to provide its some 30,000 corporate customers with need-based products for financing, payment transaction processing and investing as well as asset/liability management in selective cases. We seek to secure, expand and lastingly strengthen our customer base while of course retaining our risk-conscious lending policy.

Corporate Banking[1]

Segment result	2010 €m	2009 €m
Total income	762	456
Administrative expenses	–172	–185
Profit before tax	382	–31
Cost/income ratio	22.6 %	40.6 %
Return on equity before taxes	65.2 %	–5.7 %

58 141

[1] see Segment comments in the Group Management Report, p. 58, and/or Note 42, p. 141.

Transaction Banking:
Further growth in 2010

Drawing on state-of-the-art technology, Postbank's Transaction Banking business offers all processing services for payment transactions, accounts and loans. We have been providing payment transaction processing services through our subsidiary Betriebs-Center für Banken AG (BCB), also on behalf of third parties, since 2004.

Modest rise in transaction volume

In fiscal year 2010, BCB processed some 8 billion transactions, an increase of 0.4 billion in volume as compared to the previous year. Effects from declines in volume and revenue were less pronounced than expected for the business division, and were compensated for by an increase in payment transactions and new business resulting from the economic environment.

New business and restructuring

BCB has also had HSH Nordbank as its customer since February 2010. The IT migration and gradual assumption of payment transactions proceeded according to plan, allowing BCB to use its IT platforms to process all domestic and international payment transactions for HSH Nordbank since late 2010.

After supporting its client Deutsche Bank in the migration of Berliner Bank in the first half of 2010, BCB has also been processing certain aspects of payment transactions for Berliner Bank since the third quarter.

In early 2010, Commerzbank announced its intention to once again begin processing payment transactions for Dresdner Bank, which it recently took over. Gradual reintegration has been underway since mid-2010 and is expected to be completed in the second quarter of 2011. Relevant restructuring measures within BCB have begun. The Postbank subsidiary BCB took over payment transaction processing for Dresdner Bank in 2004.

Trend toward paperless payment transactions uninterrupted

Assuming that economic development remains positive, the BCB Group expects a moderate increase in volume-induced payment transactions among its existing clients in 2011 as well. As in 2010, a further decrease in volume is expected in paper-based payment operations and a slight increase in paperless transactions. The progressive substitution of European standard transfers with SEPA payments is continuing to have an impact as well. In 2010, already some 98.2 % of payment transactions handled via Postbank have been paperless.

The loss of the client Commerzbank will be offset primarily by restructuring measures that will gradually have an impact and thus provide some relief on the cost side, as well as – to a lesser extent – by new business with existing clients.

Transaction Banking[1]

Segment result	2010 €m	2009 €m
Total income	350	350
Administrative expenses	–308	–317
Profit before tax	61	39
Cost/income ratio	88.0 %	90.6 %
Return on equity before taxes	–	–

58 141

[1] see Segment comments in the Group Management Report, p. 58, and/or Note 42, p. 141.

Financial Markets:
Successful in retail funds and *Pfandbrief* launch

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

New department: the Financial Markets Chief Operating Office

Financial Markets is divided into three departments. The Treasury department manages market price risks resulting from the customer business and is also responsible for handling the major share of Postbank's investment securities on the capital market. The Liquidity and Capital Management department safeguards the Bank's solvency at all times and ensures it by the issuing of *Jumbo Pfandbriefe* and placement of uncollateralized bonds, among other things. The Financial Markets Chief Operating Office, the third department, was created in 2010 and ensures coordinated action with the subsidiaries in the administration of investment securities and manages the portfolio of structured loan products, which is to be further reduced in line with the defined risk minimization strategies.

The subsidiaries in Frankfurt am Main and Luxembourg, which are allocated to the Financial Markets segment, are responsible for the administration and management of retail and special funds. In addition, Deutsche Postbank International S.A. in Luxembourg as a registered universal bank does business with retail and corporate customers, among other things.

Postbank retail funds are good performers

2010 was a very successful year for Postbank retail funds. The performance of all stock-oriented funds actively managed by PFS (Deutsche Postbank Financial Services) was not only highly satisfactory in absolute terms; these funds also outperformed the market average. We were especially pleased by the good placement of Protekt Plus II as the successor product to a very successful fund oriented on absolute return. With a yield of over 3 %, it clearly surpassed the performance of interest-bearing investments in its first year, which was marked by low interest rates, and thus assumed a very good position among the competition.

Successes in net income from investment securities and risk reduction

The year 2010 was strongly influenced by the crisis in European government bonds. The movement of interest rates helped reduce investment securities holdings substantially from €72.4 billion to €59.0 billion as part of our program to scale back our capital market investments and our exposure to the associated risks. Reductions in the structured credit substitution business, which was trimmed from €5.8 billion to €3.7 billion, are included here. The Bank will continue to reduce these holdings in 2011.

Pfandbriefe a good source of refinancing

In late March 2010, Postbank issued its first *Jumbo Hypothekenpfandbrief* with a ten-year term and a volume of €1 billion. The *Jumbo Hypothekenpfandbrief* was given the top AAA rating by the rating agencies S&P, Moodys and Fitch. Since acquiring the *Pfandbrief* license, Postbank has already successfully issued *Jumbo Pfandbriefe* valued at €7.0 billion and thus established itself as one of the most significant issuers in this market segment.

Financial Markets[1]

Segment result	2010 €m	2009 €m
Total income	159	178
Administrative expenses	–87	–90
Profit before tax	85	60
Cost/income ratio	54.7 %	50.6 %
Return on equity before taxes	10.5 %	8.1 %

58 141

[1]see Segment comments in the Group Management Report, p. 58, and/or Note 42, p. 141.

Report of the Supervisory Board

Dear shareholders,

The economy, particularly in Germany, rebounded strongly in fiscal year 2010 from the effects of the financial and economic crisis. Despite these positive trends, the financial-service industry continued in 2010 to be shaken by disruptions in the capital market. The debate about stronger regulation of financial markets and measures arising from this discussion will also be a central issue for the financial-services industry over the next few years.

As a result of the continuing systematic introduction of the Group "Postbank4Future" strategy program that was initiated in 2009, Deutsche Postbank AG (hereinafter also referred to as Postbank) strengthened its market position sustainably in a business environment that remains challenging for banks.

Access to Postbank was expanded further through the acquisition of 277 retail outlets of Deutsche Post DHL, the continuation of the successful partnership with OBI and Shell as well as the increase in the number of automated teller machines. In doing so, Postbank exploited its traditional strength in the areas of savings and checking accounts.

Another major development in fiscal year 2010 was the acquisition of a majority of shares in Postbank by Deutsche Bank AG. The capital majority was exceeded at the beginning of December 2010. This step provides Postbank with security for its growth in a strong Group of companies. The cooperation project launched with Deutsche Bank AG in 2008 was effectively continued during 2010. The new majority ownership of Postbank is the starting point for further expanding the successful working relationship in the future as well.

In the past fiscal year 2010, 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 2010, 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 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. When it was necessary to consider issues outside regularly scheduled meetings, decisions were made by means of written procedures. The Chairman of the Supervisory Board was also informed by the Management Board 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 of discussion by the Supervisory Board

During fiscal year 2010, the Supervisory Board met seven times. Two of the discussions were held during an extraordinary meeting and one during a teleconference. In all regularly scheduled meetings, we were informed by the Management Board about the bank's current economic, business and strategic situation, the performance of the individual business divisions, risk trends, compliance and active risk management. Other focal points of discussions during the year under review were the course of the financial crisis and the impact of future regulatory changes. The members of the Supervisory Board were regularly provided up-to-date information about the company.

In addition, the Management Board provided us with information about Deutsche Postbank AG's important commitments, their possible impact on the Bank's risk situation and countermeasures undertaken. We scrutinized and discussed the individual topics.

All Supervisory Board members, with the exception of Henry B. Cordes, attended more than half of the meetings of the Supervisory Board that took place in the fiscal year during their time in office.

During the first meeting on March 10, 2010, we intensely discussed the payment of variable remuneration to the Management Board and the goals of the Management Board for fiscal year 2010. In response to its own request, the Management Board received no annual bonus for 2009. Following a thorough examination and the earlier discussion and recommendations by the Audit Committee, the Supervisory Board approved the annual and consolidated financial statements of Deutsche Postbank AG for 2009. In addition, we were informed by the Management Board and auditor about the results of an examination conducted by the Prüfstelle für Rechnungslegung DPR e.V. (German Financial Reporting Enforcement Panel) and about significant conclusions in 2009. As part of regular reporting about risks, we discussed with the Management Board changes that had been made to the risk strategy and about the introduction of refined risk models. Other focal points of discussions and decisions by the Supervisory Board were the joint report on corporate governance, and the agenda and proposed resolutions for the Annual General Meeting in 2010. We were also advised about the status of the cooperation project with Deutsche Bank, and we discussed it.

The topic discussed during the second Supervisory Board meeting held on June 10, 2010, was the performance of the Group’s business. The Management Board reported to us about the current financial situation and explored the position of individual business segments. Other topics considered during the discussion were risk reporting, including the risk strategy, the extension of the Management Board contracts of Ralf Stemmer and Horst Küpker, the annual compliance and audit reports as well as the results of the efficiency review conducted by the Supervisory Board. We also received information about the status of the “Postbank4Future” strategy program and the cooperation projects with Deutsche Bank and discussed them.

Topics for discussion and resolution in the third Supervisory Board meeting of the year held on September 24, 2010, included both such standard subjects as business performance and risk reporting as well as the human resources and social report and the checking account strategy of Deutsche Postbank AG. In addition, we dealt with changes in the Bylaws of the Supervisory Board made necessary by the new minimum requirements for the compliance function (MaComp) and additional rules of conduct, and organizational and transparency obligations laid down by section 31 ff. of the *Wertpapierhandelsgesetz* (German Securities Trading Act) for securities trading companies. We also dealt with developments in the cooperation project with Deutsche Bank AG.

During the last regularly scheduled meeting of the fiscal year that was held on November 26, 2010, the key topics of discussion were a report about the current business situation, business planning for 2011 and the future strategic direction of Deutsche Postbank AG. We thoroughly examined and discussed the business planning, including the segment planning, with the Management Board. Other topics of the meeting were the Management Board’s target components for fiscal year 2011 and changes resulting from the *Institutsvergütungsverordnung* (InstVergV – Regulation Governing Supervisory Requirements for Remuneration Systems of Institutions) that took effect on October 13, 2010. We also were informed about changes in the German Corporate Governance Code and approved the annual Declaration of Compliance in accordance with section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act). During the meeting, the Management Board also reported to us about the opportunities to partner with Deutsche Bank AG in the area of core banking. We also approved the planned disposal of Deutsche Postbank Home Finance Ltd.

During an extraordinary meeting held on September 15, 2010, the Supervisory Board intensively discussed the announcement of the voluntary public takeover bid made by Deutsche Bank AG. A special committee was set up and asked to examine the offer. This committee met twice during the fiscal year and was dissolved after completing its assignment.

Following thorough discussions by the specially formed committee, we were presented in detail the results of the assessment of Deutsche Bank AG's voluntary public takeover bid – which we then intensely discussed during an extraordinary meeting on October 19, 2010. Following the discussions, the Management and Supervisory Boards' position on Deutsche Bank AG's takeover bid was announced.

Topics addressed in the Supervisory Board's telephone conference held on December 21, 2010, were the election of the new Supervisory Board Chairman and replacement appointments to the Human Resources Committee.

By means of five circulated documents, we exercised codetermination rights at subsidiaries of the Postbank Group, conducted the election for the Deputy Chairman of the Supervisory Board and held committee votes.

Conflict of interest

Tessen von Heydebreck and Werner Steinmüller informed the Supervisory Board about possible conflicts of interest concerning decisions about the acquisition of the majority of shares in Deutsche Postbank AG by Deutsche Bank AG and the election of the Supervisory Board Chairman and the replacement appointments to the Human Resources Committee. They did not take part in any discussion or vote that the Supervisory Board or its committees held on these topics. Frank Appel, Lawrence A. Rosen, Edgar Ernst, Hans-Dieter Petram and Rolf Bauermeister reported to the Supervisory Board a potential conflict of interest concerning decisions on the acquisition of the majority of Deutsche Postbank AG shares by Deutsche Bank AG. They abstained from voting on the decision regarding this issue.

Work of the committees

To intensify our work, we formed six committees in addition to the previously discussed special committee created to assess the takeover bid by Deutsche Bank AG. Their task is on the one hand to prepare the passing of resolutions in the Supervisory Board by offering decision-making recommendations. On the other, certain decision-making powers are transferred to the respective committees insofar as it is legally permissible and within their competence. The committee chairs report regularly to the full Supervisory Board about the work of their committees.

Members of the Deutsche Postbank AG Supervisory Board and its regular committees as of February 1, 2011:

Supervisory Board

Rainer Neske (chair)	Rolf Bauermeister	Tessen v. Heydebreck	Lawrence A. Rosen
Frank Bsirske (deputy chair)	Wilfried Boysen	Peter Hoch	Eric Stadler
Wilfried Anhäuser	Edgar Ernst	Elmar Kallfelz	Werner Steinmüller
Marietta Auer	Annette Harms	Ralf Krüger	Gerd Tausendfreund
Hugo Bänziger	Timo Heider	Hans-Dieter Petram	Renate Treis

Executive Committee (section 10 of the Supervisory Board Bylaws)

Rainer Neske (chair)	Tessen v. Heydebreck
Frank Bsirske (deputy chair)	Eric Stadler

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

Frank Bsirske (chair)	Hans-Dieter Petram
Rainer Neske (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)

Rainer Neske (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)

Rainer Neske (chair)	Tessen v. Heydebreck
Frank Bsirske (deputy chair)	Elmar Kallfelz

The Executive Committee is responsible for, among other things, preparing the appointment and withdrawal of members of the Management Board; agreeing, amending and terminating the employment contracts for members of the Management Board; and granting loans to members of the Management Board and Supervisory Board. It also addresses issues of overriding importance and fundamental questions about the company's strategic direction. The committee met four times last year. The meetings focused on Management Board issues, the renewal of loans extended to executive bodies and a review of the efficiency of the Supervisory Board's activities.

The Loan and Equity Investments Committee is responsible for credit decisions, fundamental questions about the granting of loans, 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 five 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 discussed them – as well as the credit risk strategy itself – regularly with the Management Board. 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. During the meetings, agreed-upon portfolio structures were closely examined and risk-lowering measures discussed. In addition, the committee intensely explored risk projects related to regulatory requirements. To be able to efficiently address overarching topics, the Loan and Equity Investments Committee worked closely with the Audit Committee. In addition, the Loan and Equity Investments Committee passed resolutions by means of 49 circulated documents.

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. Furthermore, the Audit Committee thoroughly examined the risk controlling and compliance of Deutsche Postbank AG. The committee was involved in the issuance of audit contracts and defined the focal points of the audit for the fiscal year. In the process, the committee assured itself of the independence of the auditors pursuant to the guidelines of the German Corporate Governance Code. During its meeting, it conducted a thorough examination of the results of the DPR audit and of the Internal Auditing Department and of the auditors' findings as well as intensely supported the actioning of findings during the entire fiscal year. The committee kept abreast of changes in the regulatory environment and their impact on Deutsche Postbank AG. In addition, it was kept continually up to date by the Management Board about the status of ongoing projects being conducted for this purpose and critically examined them. The committee also discussed the potential consolidation of Deutsche Bank AG's participation in Deutsche Postbank AG and its impact on the Deutsche Postbank Group. Pursuant to the recommendations of item 7.1.2 of the German Corporate Governance Code, the Audit Committee discussed the half-yearly report and the quarterly reports for 2010 with the Management Board before publication.

The Human Resources Committee addressed Deutsche Postbank AG's human resources structures and human resources development policies. The committee met twice in fiscal year 2010. 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 planned educational and training concepts.

The Nomination Committee prepares the recommendation of the Supervisory Board for the election or appointing of shareholder representatives. It held one meeting in the past fiscal year.

The Mediation Committee is a committee required by statutory law. It submits personnel recommendations to the Supervisory Board in case the statutorily required two-thirds majority in the Supervisory Board is not achieved for the appointment or dismissal of Management Board members. Fiscal year 2010 evinced no need here. For that reason, the Mediation Committee did not meet in the period under review.

The special committee set up for the purpose of assessing Deutsche Bank AG's takeover bid met twice during fiscal year 2010. It addressed the selection of a provider to prepare a fairness opinion and the choice of a law firm to support the process. In its second meeting, the committee held an in-depth discussion about the fairness opinion submitted by the service provider, asked questions about it and submitted a recommended decision to the Supervisory Board.

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 2010 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 AktG. 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,
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 early warning system to be set up in accordance with section 91 (2) of the AktG and confirmed that the Management Board had 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 that is able to recognize developments early on that jeopardize the continued existence of the Bank.

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 auditors' reports were made available to all Supervisory Board members and were examined by us.

The discussions were conducted in the presence of representatives of the auditors. They reported on the execution and key findings of the audit during the Supervisory Board meeting and were available to provide supplemental information and answer 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 own examination did not give rise to any objections to Deutsche Postbank AG's annual financial statements or the consolidated financial statements, which we both approved. Deutsche Postbank AG's annual financial statements are thus adopted. After our own examination, we agree with the proposal from the Management Board for the appropriation of the net retained profit that was sent to us and explained. 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

No changes occurred in the makeup of the Management Board of Deutsche Postbank AG during fiscal year 2010.

The following changes occurred in the makeup of the Supervisory Board:

Michael Sommer and Torsten Schulte resigned from their seats on the Supervisory Board of Deutsche Postbank AG effective June 30, 2010. As their successors, Frank Bsirske and Timo Heider were appointed to the Supervisory Board by the Bonn Local Court (Amtsgericht Bonn). The Supervisory Board elected Frank Bsirske as Deputy Chairman of the Supervisory Board and of the Executive and Mediation Committees as well as Chairman of the Human Resources Committee. In addition, Henry B. Cordes left the Supervisory Board effective November 5, 2010.

In December 2010, Frank Appel resigned from his seat on the Supervisory Board of Deutsche Postbank AG effective as of the end of December 31, 2010. After Rainer Neske was appointed to the Supervisory Board of Deutsche Postbank AG by the Bonn Local Court on December 17, 2010, we elected him Chairman of the Supervisory Board and Deputy Chairman of the Human Resources Committee effective January 1, 2011. As part of his board chairmanship duties, he also became head of the Executive, Nomination and Mediation committees.

In addition, Hugo Bänziger was appointed to the Supervisory Board of Deutsche Postbank AG effective February 1, 2011, by the Bonn Local Court.

We would like to thank the Supervisory Board members who have left for their dedication and many years of support.

Corporate governance

The German Corporate Governance Code (DCGK) in the version dated May 26, 2010 replaced the version of 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 November 26, 2010. It was supplemented in fiscal year 2011 on February 8, 2011. After each Declaration was issued, it was made permanently available to shareholders on the Company's website.

An additional accentuation in the new version of the German Corporate Governance Code is the recommendation for the consideration of diversity when filling Supervisory Board positions (Section 5.4.1 of the DCGK) and the recommendation to the Supervisory Board to define concrete objectives to meet the diversity requirement.

The recommendation of the revised Section 5.4.1 of the DCGK had not yet been complied with at the time of issuance of the Declarations of Compliance on November 29, 2010, and February 8, 2011. The subject matter must be handled in the Supervisory Board in a manner that is suited to its special significance and to an extent that has not yet been possible. This should occur in fiscal year 2011.

In its meeting on March 15, 2011, the Supervisory Board once again discussed the recommendations in section 5.4.1 of the DCGK and named relevant objectives. A decision was also reached on updating the Declaration of Compliance. The objectives for the composition of the Supervisory Board are explained in greater detail in the Corporate Governance Report on page 28 of this Annual Report.

28

On December 17, 2010, Rainer Neske became a member of the Supervisory Board as a new shareholder representative. On February 1, 2011, Hugo Bänziger became one as well. According to Section 5.4.2 (4) of the DCGK, members of Supervisory Boards shall not perform advisory tasks or exercise directorships with important competitors of the company. Rainer Neske is a Board Member of Deutsche Bank AG, Head of Private & Business Clients. Hugo Bänziger is a Board Member of Deutsche Bank AG, Chief Risk Officer. The Supervisory Board intensively discussed a potential deviation from the recommendations of the DCGK, which these new members made conceivable.

From the point of view of the Supervisory Board, it is reasonable to compose the Supervisory Board of elected representatives of the majority shareholder or its subsidiaries even if they are major competitors of the Company. In intragroup relations, it is without exception a customary practice that representatives of the parent company are members of the Supervisory Board of the Company.

Even if in the opinion of the Supervisory Board section 5.4.2 (4) of the DCGK does not address intragroup relations and applies rather to representatives of an enterprise's external competitors, the Management Board and Supervisory Board have nevertheless decided in the interest of full transparency to make a declaration of deviation from the German Corporate Governance Code as a precaution.

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

Bonn, March 15, 2011

The Supervisory Board

Rainer Neske
Chairman

Corporate Governance Report including Annual Corporate Governance Statement

In this statement Deutsche Postbank AG (hereinafter also referred to as Postbank) reports on its principles of corporate governance, pursuant to section 3.10 of the *Deutscher Corporate Governance Kodex* (DCGK – 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.

Code revisions

The provisions of the German Corporate Governance Code published by the Government Commission of the German Corporate Governance Code on June 18, 2009, have been revised by the Commission to reflect the new version of the code it published on May 26, 2010.

The revised provisions concerned numerous topics, including, among other issues, the clarification contained in section 4.1.1 of the DCGK, which stipulates that the Management Board must manage the company according to the objective of sustainable value creation. Sustainability already has a long tradition in the corporate governance of Postbank. In addition to clear corporate values in daily business, other reflections of sustainability at Postbank can be found in the Company's remuneration structure for employees, executives, Management Board members and Supervisory Board members, which is based on sustainability precepts that aim to ensure the Company's success (you can find additional information at www.postbank.com/sustainability).

An additional accentuation in the new version of the DCGK is the call for the consideration of diversity when filling executive positions in the Company (section 4.1.5 of the DCGK), appointing Management Board members (section 5.1.2 of the DCGK) and determining the composition of the Supervisory Board (section 5.4.1 of the DCGK). The focus here is on the appropriate degree of female representation.

Considering high-potential female employees for, among other activities, such executive-development programs as the Junior Management Program is becoming increasingly significant at Postbank. Participating in the German Federal Ministry of Education and Research's project "Women in Careers" is a way for Postbank to become involved in the newest developments and findings in order to implement these in Company practices.

The Management Board and Supervisory Board have stated their intention to take diversity into account when filling board and executive positions and to strive especially for an appropriate degree of female representation for these positions. In its meeting on March 15, 2011, the Supervisory Board named concrete objectives for the composition of the Supervisory Board within the meaning of section 5.4.1 of the DCGK, as had been previously announced in the Declaration of Compliance issued on November 29, 2010.

These objectives designate in particular that the Supervisory Board will attend to an appropriate degree of female representation when election proposals are made to the Annual General Meeting. In the case of pending new elections for or successors to Supervisory Board positions that are to become vacant, qualified women are to be integrated into the selection process and appropriately considered during election proposals. Since Supervisory Board elections in 2003, 15 % to 20 % of the members of our Supervisory Board have been women. Currently, three women serve on the Supervisory Board, which corresponds to 15 % of the members. The Supervisory Board will strive to maintain this number at minimum and to increase it to 30 % by 2017.

In addition, the Supervisory Board's composition should include an appropriate number of members with international experience. Here, management activities at an internationally acting company can also be taken into consideration. With regard to Postbank's orientation, the Supervisory Board has set itself the goal of maintaining the existing international profile.

Moreover, these objectives designate that the Supervisory Board should be composed so that the members as a whole have the requisite knowledge, skills and professional experience to duly conduct their tasks and that qualified monitoring and advising of the Management Board in a broadly positioned bank is ensured. The aim is to provide the Supervisory Board overall with the knowledge and experience deemed essential to the activities of the Deutsche Postbank Group.

Particular attention is to be paid to the integrity, personality, motivation, professionalism and independence of the individuals proposed for election. The Supervisory Board should be composed of a sufficient number of independent members and no more than two former members of the Deutsche Postbank AG Management Board. The members of the Supervisory Board shall not perform advisory tasks or exercise directorships with important competitors of the Company. Deutsche Bank AG as the ultimate parent company and its Group subsidiaries are not important competitors of the Company in this sense. Both fundamental and temporary conflicts of interest are to be avoided.

Supervisory Board members are to have sufficient time to fulfill the duties of their office. Those Supervisory Board members who are management board members of a listed stock corporation are not to hold more than three supervisory board offices at external companies or offices in supervisory bodies of companies with similar requirements.

A standard age limit of 72 years exists for Supervisory Board members, as it did previously. In justified exceptions a Supervisory Board member may be elected or appointed for a period of time that lasts at the latest to the end of the third Annual General Meeting that takes place after the completion of his or her 72nd year of life.

To ensure that the Supervisory Board duly carries out its tasks as a supervisory body, the German Corporate Governance Code (section 5.4.1 of the DCGK) stipulates that supervisory board members shall take responsibility for completing necessary training and further-education measures. To this extent, Postbank supports members in selecting topics and, if necessary, in arranging suitable seminar programs.

Declaration of compliance

For Postbank, good corporate governance is the prerequisite for the responsible, values-oriented management of companies. In this respect the management bodies at Postbank attach importance to implementing the German Corporate Governance Code (DCGK) as comprehensively as possible.

During the past fiscal year, the bodies of Deutsche Postbank AG have discussed the revisions in the DCGK and reviewed their governance in light of the modifications.

In view of the recommendation to consider diversity in the composition of supervisory boards and the recommendation to them to define concrete objectives to realize diversity, the Management Board and Supervisory Board first declared a deviation from the recommendations of the DCGK in the past fiscal year.

On November 29, 2010, the Management Board and Supervisory Board made the following joint declaration:

"The Management Board and the Supervisory Board of Deutsche Postbank AG declare that all recommendations of the "Government Commission of the German Corporate Governance Code" (version June 18, 2009) have been complied with since the revised declaration of compliance on December 18, 2009, and that the intention exists to comply in the future with the recommendations of the Code in the applicable version as of May 26, 2010, with the following qualification:

According to the revised section 5.4.1 of the German Corporate Governance Code, the Supervisory Board shall specify concrete objectives regarding its composition which, while considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, an age limit to be specified for members of the Supervisory Board, diversity, and an appropriate degree of female representation. The requirements of the revised section 5.4.1 of the DCGK have not yet been complied with at the time of issuance of this declaration. The subject matter must be handled in the Supervisory Board in a manner that is suited to its special significance and to an extent that was not yet possible. This shall occur in fiscal year 2011."

At its meeting on March 15, 2011, the Supervisory Board named concrete objectives for its composition. The deviation from section 5.4.1 of the DCGK declared on November 29, 2010, no longer exists since the March date.

The DCGK also recommends that potential conflicts of interest with respect to members of executive bodies are to be avoided. In the interest of complete transparency, the Management Board and the Supervisory Board decided on February 8, 2011, to issue a declaration of deviation to the DCGK with regard to this topic:

"According to section 5.4.2 (4) of the DCGK, members of the Supervisory Board shall not perform advisory tasks or exercise directorships with important competitors of the Company. As of December 3, 2010, Deutsche Bank AG holds more than 50 % of Postbank shares and is thus the parent company of Deutsche Postbank AG. On December 17, 2010, Rainer Neske, Board Member of Deutsche Bank AG, Head of Private & Business Clients, became a member of the Supervisory Board of Deutsche Postbank AG. On February 1, 2011, Hugo Bänziger, Board Member of Deutsche Bank AG, Chief Risk Officer, became a member as well. From the point of view of the Company, it is reasonable to compose the Supervisory Board of elected representatives of the majority shareholder or its subsidiaries even if they are major competitors of the Company. In intercompany relations, it is without exception a customary practice that representatives of the parent company are members of the Supervisory Board of the Company.

It is the opinion of the Management Board and Supervisory Board of Deutsche Postbank AG that section 5.4.2 (4) of the DCGK does not address intragroup relations. The meaning of that section rather applies to representatives of an enterprise's external competitors. The Management Board and the Supervisory Board have nevertheless decided to make a declaration of deviation from section 5.4.2 (4) of the DCGK as a precaution.

The Management Board and the Supervisory Board of Deutsche Postbank AG declare that they intend to comply in the future with the recommendations of the Code in the applicable version from May 26, 2010, with the above-mentioned qualifications."

The recommendations of the DCGK will also be implemented with the exception that the Annual General Meeting will be broadcast on the Internet only up to the point the plenary discussions begin and that Company proxies for shareholders who are not personally participating in the Annual General Meeting can be reached until the evening before but not during the Annual General Meeting due to technical reasons. For shareholders participating in the Annual General Meeting, company proxies can be reached up until the vote is taken.

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 the Management Board, executives and employees.

Deutsche Postbank AG's corporate values are recorded in a Code of Conduct and a Supplier Code of Conduct, and provide principles to guide the business activities of employees in the Postbank Group. The codes are binding for 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 work and business life. The codes mirror Postbank's obligation to act responsibly, ethically and lawfully.

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

Furthermore, Deutsche Postbank AG places a high value on the issue of sustainability. The principles of sustainability have been laid down in a mission statement on the topic.

Ensuring continued viability is the goal of Deutsche Postbank AG. In this respect, the focus is primarily on promoting social aspects, protecting the environment and contributing to a stable economic environment. Making active positive contributions to climate protection and the social environment of the Bank are constituent elements of Postbank's vision of itself. This is why sustainability is a significant part of the business strategy. By taking this approach, Postbank intends to secure the long-term success of the Company and impart the principles of sustainability to each and every employee. According to our self-concept, sustainability must transcend the realm of ideas and be lived out in daily life.

Deutsche Postbank AG is committed to providing its employees attractive and safe working conditions as well as to conserving natural resources. Postbank, as a company, is an integral component of the society in which it operates. For that reason, it aims at creating added value for its stakeholders.

As the largest retail bank in Germany, Deutsche Postbank AG feels obliged to achieving the objectives of this vision. To do this, Postbank replaced the old sustainability strategy that was centered on four focal points (shareholders, customers, employees, society) with a three-pillar model in 2010, restructuring the strategy to focus on three areas: social, ecological and economic sustainability. You can find further information on sustainability at Postbank on its website at www.postbank.com/sustainability.

Operating principles of the Management Board and Supervisory Board

The Management Board and the Supervisory Board work closely together for the collective good of the Company. In accordance with its responsibilities as outlined by stock corporation law, the Management Board performs managerial duties. The Supervisory Board fulfills its supervisory and advisory duties. The shareholders – that is, the owners of Deutsche Postbank AG – exercise their rights prior to or during the Annual General Meeting.

Management Board

The Management Board has sole responsibility for the management of the Company. It represents the Company externally and conducts business. The Management Board members share joint responsibility for corporate management. The Chairman of the Management Board coordinates the work of the board members.

In the fiscal year under review, the Management Board of Deutsche Postbank AG consisted of seven members. It currently consists of eight members, each of whom is responsible for a board department. The responsibilities are divided among the board departments: Group Management, Finance, Retail Banking, Branch Sales, IT/Operations, Financial Markets, Resources/Lending and, as of 2011, Chief Risk Office. In fiscal year 2010, the position of the Chief Risk Officer was placed within the board department Group Management.

In the collective interest of the Company, the members of the Management Board ensure that uniform objectives are pursued. Coordinating and determining joint plans, goals and the measures to realize these are a matter of course as are developing and implementing binding company-wide policies. The Management Board develops the business goals, basic strategic focus, corporate policy and organizational structure of the Group.

The Management Board regularly consults with the Supervisory Board about the goals and the associated progress toward their achievement as well as about implementing strategy.

The majorities required for adopting resolutions within the Management Board, the issues requiring discussion by the entire Management Board, and the board department 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 newly created Bank Risk Committee was entrusted in 2010 with the tasks of advising the Group Management Board within the context of determining the Bank's risk appetite, risk-bearing capacity and overall risk strategy as well as deciding on recommendations to limit and manage the Bank's risk position as a whole.

Supervisory Board

The Supervisory Board appoints, monitors and advises the Management Board. Its members possess the knowledge, skills and professional experience needed to properly carry out their responsibilities. The Supervisory Board is directly involved in decisions of fundamental importance for the Company. Pursuant to the provisions of the Company's Articles of Association, business transactions of this nature are subject to approval. The Chairman of the Supervisory Board coordinates the work of the 20-member Supervisory Board. Ten of them are elected by the Annual General Meeting in individual elections or appointed by the courts as replacements until the election by the next Annual General Meeting, 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 members of the Supervisory Board are employees of the Company, including one executive employee. Three additional members of the Supervisory Board are 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, Nomination and Mediation Committees. 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 20).

20

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

Effective cooperation between the Management Board and Supervisory Board rests on the ample flow of information about company issues to the Supervisory Board. Ensuring the smooth exchange of information is the responsibility and common objective of the Management Board and Supervisory Board. In doing so, the Supervisory Board expresses its need for information, while the Management Board provides information on all aspects of planning and business development that are pertinent to the Company as well as information on relevant topics of interest in an appropriate manner and without prompting.

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, its committees 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, monitoring 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 may not pursue any personal interests in their decisions. Any conflicts of interest are to be disclosed to the Supervisory Board. Fundamental conflicts of interest, and not only temporary ones, in the person of a Supervisory Board member normally lead to a termination of the period of office. 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.

Annual General Meeting and shareholders

The shareholders exercise their rights before or 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 up to 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. Company proxies may be appointed up until the evening before the Annual General Meeting. For shareholders who participate in the Annual General Meeting, Company proxies 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.

The Annual General Meeting of Deutsche Postbank AG approved the online transmission of information to shareholders. Since then, this procedure has been laid down in section 3 of the Articles of Association of Deutsche Postbank AG.

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 stakeholders 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.com). 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.

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

167

A list of the offices held by members of the Management and Supervisory Boards can be found on page 167, Note 60.

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 2010 by last year's Annual General Meeting. The auditors' independence is reviewed and ensured, including for services already delivered or agreed. The Deutsche Postbank AG's auditors are also subject to internal rotation. In addition, the auditors are required to inform the Company's executive bodies directly of any anomalies, and to document any errors in their audit. In particular, they must report immediately any grounds for impaired independence during the audit and any findings that affect the Supervisory Board or indicate inaccuracies in the compliance declaration. Details of the auditors' total fee can be found on page 171, Note 61.

171

Compliance

Deutsche Postbank AG 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. In its advisory role, the Compliance Office helps members of the Management Board and employees avoid unwanted rule violations; in its controlling function, its goal is to prevent, uncover and, if necessary, impose sanctions in response to willful violations. The business-oriented advisory support is given high priority because it ensures that regulatory guidelines are addressed early on and that focus is placed on customer interests and the Company's reputation. The Compliance Office has issued a detailed set of guidelines that, among other topics, explains to members of executive bodies and employees the legal requirements governing employee transactions and insider law. In order to sharpen the awareness for compliance-relevant issues and to provide basic knowledge of compliance provisions, employees receive instruction through classroom training or learning clips. The Management Board regularly receives essential information. In addition, the Management Board and the Compliance Officer report to the Supervisory Board 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 regulatory 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.

61 For further explanations and information on risk management, please see the Risk Report on page 61 of the Annual Report.

Remuneration report for 2010

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 German 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 2010

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

At the suggestion of the Executive Committee, the Supervisory Board determines 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 Management 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 amount of remuneration paid is performance-linked.

Overall remuneration consists of fixed and performance-related components.

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

The annual bonus is the performance-related component.

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 is capped on the basis of individual agreements.

The annual bonus is not paid out in full on an annual basis, even when the targets agreed have been reached.

Forty percent of the annual bonus calculated in accordance with the degree to which the target was reached is paid out directly in the following year (short-term component).

Sixty percent of the annual bonus calculated on the basis of the degree to which the target was reached depends on the Group's sustainable performance (long-term component). The sustainability of the Group's performance is determined three fiscal years after the base year (sustainability phase). The long-term component is not paid out until after the sustainability phase has ended and then only if the relevant sustainability criterion to be established by the Supervisory Board has been met. If the sustainability criterion is positive in the aggregate over the sustainability phase, or if it is the same or better than in the base year during the final year of the sustainability phase, the long-term component is paid out in the fourth year following the base year. Otherwise, the payment is forfeited without compensation. Remuneration of the Management Board is thus affected by any negative performance by the Company during the entire measurement period (malus system).

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

In accordance with the recommendation of the German Corporate Governance Code, the Company will provide compensation for no more than the remainder of the contract term in instances in which a member of the Management Board ends his or her service on the Board prematurely without cause, and will limit the payment to a maximum of two base-pay installments in addition to a maximum of 40 % of twice the maximum annual performance-related remuneration (severance-payment cap).

If the contract of a Management Board member is terminated prematurely as a result of permanent incapacity to work or death, the remuneration shall be paid pro rata up to the end of the agreed term of the contract, for a maximum of six months. In derogation of the above, three months' remuneration is payable to Management Board members Marc Hess and Ralf Stemmer in the period up to February 28, 2011 and June 30, 2011 respectively in the event of their deaths.

In the case of the Chairman of the Management Board, Stefan Jütte, three months' remuneration is payable in the event of the premature termination of his contract due to his death. If Stefan Jütte terminates his work on the Management Board prematurely due to incapacity to work, he is entitled to claim a pension. In the case that his contract is terminated prematurely without good cause, Stefan Jütte will receive a transitional allowance in the amount of his pension entitlement as of the time of his departure.

The amendments to the remuneration system required as a result of the *Institutsvergütungsverordnung* (InstVergV – Regulation Governing Supervisory Requirements for Remuneration Systems of Institutions) and other regulatory measures are currently being examined in detail and implemented.

Remuneration of the Management Board in fiscal year 2010

The seven members of the Management Board active in fiscal year 2010 received total remuneration of €6,640.2 thousand (previous year: €4,159.8 thousand) in the period under review. €4,564.0 thousand of this total amount relates to fixed remuneration components (previous year: €4,159.8 thousand) and €2,076.2 thousand to non-deferred performance-related components (previous year: €0). The Supervisory Board is expected to resolve the 2011 payment modalities for the non-deferred performance-related components for fiscal year 2010 on March 15, 2011. The total amount of the deferred performance-related component with a long-term incentive effect for fiscal year 2010 is €3,114.3 thousand (previous year: €0). The amount will be paid in fiscal year 2014 if the sustainability criterion has been met; if not, it will be forfeited.

The fixed component includes "other compensation" totaling €164.0 thousand (previous year: €196.2 thousand). This additional remuneration relates primarily to the use of company cars, the reimbursement of travel costs, and contributions to insurance schemes. In principle, the additional remuneration is available to all members of the Management Board equally; the amount varies depending on their different personal circumstances.

The total remuneration for the seven members of the Management Board active in fiscal year 2010 amounted to €6,640.2 thousand (previous year: €4,159.8 thousand).

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

Deutsche Postbank AG does not currently have a share-based compensation program.

Management Board remuneration in 2010

	Fixed remuneration component		Performance-related component	Total
	Fixed component € thousand	Other compensation € thousand	Short-term component[1] € thousand	€ thousand
Stefan Jütte (Chairman)	900.0	15.4	359.7	1,275.1
Mario Daberkow	600.0	21.4	280.0	901.4
Marc Hess	600.0	26.9	280.0	906.9
Horst Küpker	600.0	34.5	320.0	954.5
Michael Meyer	600.0	28.9	280.0	908.9
Hans-Peter Schmid	500.0	19.2	276.5	795.7
Ralf Stemmer	600.0	17.7	280.0	897.7
Total	4,400.0	164.0	2,076.2	6,640.2

[1] The Supervisory Board is expected to resolve the 2011 payment modalities on March 15, 2011.

Management Board remuneration in 2009

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

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. Exceptions to this minimum waiting period requirement exist in some cases for disability.

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. A cap on the pensionable base pay has been specified except in the cases of Management Board members Marc Hess and Horst Küpker. The basic rule is that pension benefits of 50 % of the 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 % of the 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; in this case, his maximum pension benefits amount to 50 % of his pensionable income. He will reach this level of benefits when he turns 65. Due to the fact that his contract of service on the Management Board has been extended beyond this age, his claim to an old-age pension will only arise at the end of his contract of service.

In addition, the pension commitments include rules governing the payment of a transitional allowance for Management 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 contracts of Mario Daberkow, Hans-Peter Schmid, and Ralf Stemmer be terminated by Postbank prior to the expiration of their regular contract terms, their pensions shall be calculated as if their contracts had been fulfilled until their regular expiration. This shall not apply if Postbank terminates the employment relationship for good cause. The length of service of Management Board member Mario Daberkow shall be measured from the first time a Management Board employment contract was signed with him 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 for the first time after March 31, 2007 and to replace the previous final salary-based pension system by a defined contribution plan. The pension commitments of the members of the Management Board newly appointed after that date, Marc Hess, Michael Meyer, and Horst Küpker, are therefore based on the following basic system: A benefit contribution in the amount of 25 % of the pensionable basic pay is granted for each eligible year of service. The benefit contributions are credited to a virtual pension account that bears annual interest at the interest rate used in the assessment for tax purposes of direct pension commitments from the time of the grant until the insured event. An additional amount was credited to Marc Hess’s pension account in the period under review; this replaced a pension commitment made by the Company before he became a member of the Management Board. In the case of Michael Meyer, his contract specifies that special contributions shall be granted. 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 the entitlements from pension commitments vest immediately. The pensions have a 1% p.a. adjustment rate.

Members of the Management Board Marc Hess, Horst Küpker, and Michael Meyer 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, 2010 %	Maximum percentage of final salary %	Service cost for pension obligation €
Stefan Jütte	26.50	50.00	574,486
Mario Daberkow	50	60.00	133,709
Hans-Peter Schmid	50	60.00	249,048
Ralf Stemmer	52	60.00	82,351

A positive service cost arose in comparison to the previous year in the case of the Chairman of the Management Board, Stefan Jütte, due to the fact that his pensionable age has been increased to the end of his contract of service. Management Board members Mario Daberkow and Hans-Peter Schmid fulfilled the waiting period in fiscal year 2010 and reached the pension benefit level of 50 % of their final salary.

	Contribution amount for 2010 €	Pension account balance as of Dec. 31, 2010 €	Service cost for pension obligation €
Marc Hess	696,996	1,038,314	122,696
Horst Küpker	150,000	513,086	114,665
Michael Meyer	225,000	748,715	102,309

Contractually agreed grants of special amounts increased the contribution amounts in the case of Marc Hess and Michael Meyer.

The remuneration paid to former members of the Management Board and their surviving dependants amounted to €6.02 million (previous year: €4.68 million).

The defined benefit obligation (DBO) for current pensions and entitlements on the part of former members of the Management Board calculated in accordance with the International Financial Reporting Standards amounted to €47.54 million (previous year: €43.88 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 a fixed and an annual performance-related component, 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 Chairman and Deputy Chairman as well as the 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 annual 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 annual 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 of the full Supervisory Board or of one of the committees receives an attendance allowance of €250 per meeting.

The amount of the Supervisory Board's remuneration is capped in a number of ways: Neither of the two variable components may exceed the amount 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 their remuneration after the Annual General Meeting. Persons who are members of the Supervisory Board for only part of a fiscal year receive the corresponding pro rata amount.

In line with Deutsche Bank AG's internal policies, Deutsche Bank Group employees do not receive any remuneration for supervisory board positions held at Group companies. Consequently, no remuneration will be paid to Rainer Neske and Werner Steinmüller for the period since Deutsche Bank AG acquired a majority interest in the capital of Deutsche Postbank AG. Rainer Neske and Werner Steinmüller have furnished Deutsche Postbank AG with a corresponding waiver.

The total remuneration paid to members of the Supervisory Board for fiscal year 2010 amounted to €547.2 thousand including attendance allowances (previous year: €536.3 thousand). The members of the Supervisory Board will not receive any variable (performance-related) remuneration for the past fiscal year.

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

Members of the Supervisory Board	Remuneration for fiscal year 2010				Remuneration for fiscal year 2009			
	Fixed remun-eration € thousand	Variable remun-eration[1] € thousand	Attend-ance allowance € thousand	Total € thousand	Fixed remun-eration € thousand	Variable remun-eration[1] € thousand	Attend-ance allowance € thousand	Total € thousand
Frank Appel	52.5	–	3.3	55.8	52.5	–	2.8	55.3
Frank Bsirske	16.8	–	2.0	18.8	–	–	–	–
Michael Sommer	22.3	–	0.8	23.1	45.0	–	1.8	46.8
John Allan	–	–	–	–	10.0	–	0.3	10.3
Wilfried Anhäuser	22.5	–	3.3	25.8	22.5	–	2.5	25.0
Marietta Auer	22.5	–	3.5	26.0	22.5	–	2.0	24.5
Rolf Bauermeister	15.0	–	1.8	16.8	15.0	–	1.0	16.0
Wilfried Boysen	15.0	–	2.0	17.0	15.0	–	1.0	16.0
Henry B. Cordes	12.7	–	0.5	13.2	15.0	–	0.8	15.8
Edgar Ernst	30.0	–	4.8	34.8	30.0	–	3.8	33.8
Annette Harms	15.0	–	1.8	16.8	15.0	–	1.0	16.0
Timo Heider	7.6	–	1.3	8.9	–	–	–	–
Tessen von Heydebreck	22.5	–	1.8	24.3	14.9	–	2.0	16.9
Peter Hoch	30.0	–	4.0	34.0	32.3	–	3.0	35.3
Elmar Kallfelz	30.0	–	5.0	35.0	27.0	–	2.5	29.5
Ralf Krüger	22.5	–	3.5	26.0	28.6	–	2.5	31.1
Rainer Neske[2]	–	–	–	–	–	–	–	–
Hans-Dieter Petram	22.5	–	1.3	23.8	22.5	–	1.3	23.8
Bernd Pfaffenbach	–	–	–	–	4.6	–	0.0	4.6
Lawrence A. Rosen	15.0	–	1.8	16.8	4.6	–	0.5	5.1
Elmo von Schorlemer	–	–	–	–	4.6	–	0.3	4.9
Torsten Schulte	7.4	–	0.5	7.9	26.8	–	2.3	29.1
Eric Stadler	22.5	–	3.3	25.8	16.6	–	1.5	18.1
Werner Steinmüller[2]	33.8	–	3.5	37.3	24.5	–	2.8	27.3
Gerd Tausendfreund	22.5	–	3.8	26.3	22.5	–	3.0	25.5
Renate Treis	30.0	–	3.0	33.0	24.1	–	1.5	25.6
Total	490.6	–	56.6	547.2	496.1	–	40.2	536.3

[1] The reported variable remuneration comprises the short- and long-term remuneration to be paid to the Supervisory Board member for the relevant fiscal year.
[2] Under the Articles of Association of Deutsche Postbank AG, Rainer Neske and Werner Steinmüller also have a claim to remuneration for the period following the acquisition of the majority interest in the Bank's capital: Rainer Neske in the amount of €0.9 thousand and Werner Steinmüller in the amount of €4.5 thousand. Both members have waived their claim to remuneration in line with Deutsche Bank AG's internal Group policies.

Peter Hoch received remuneration of €26.2 thousand for his Supervisory Board work at the BHW Group, whereas Timo Heider received €19.5 thousand.

No further remuneration or benefits were granted to members of the Supervisory Board in return for services provided individually in addition to their 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 2010, 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 €863.1 thousand (previous year: €950.4 thousand) had been granted to members of the Management Board and members of the Supervisory Board. 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 effective January 1, 2010 in line with the requirements of section 93 of the AktG and section 3.8 of the German Corporate Governance Code.

Employees:
Postbank is a "Top Employer" in Germany

The exclusive seal "Top Employer" that has been awarded for the third consecutive year to Postbank by the independent market research company CRF (Corporate Research Foundation Düsseldorf) confirms that Postbank remains one of Germany's most attractive employers. This is reflected in the staff turnover rate at the Postbank Group, which has remained very moderate for many years and was approximately 5 % in the year under review. At the same time, the length of a person's employment at the company averaged around 22 years. These figures demonstrate how strongly employees identify with the company as well as how much they value the Postbank Group as an employer.

Supporting junior staff with targeted training

The development of junior staff members is an important issue for Postbank. Professionally qualified and well-integrated junior staff members are a critical factor for the success of the company.

As of December 31, 2010, 905 trainees were employed at the Postbank Group. A number of features make the vocational-training opportunities at our company especially attractive, including the chance to study at the Frankfurt School of Finance and Management while working. College students also have the chance to complement their professional experience by gaining theoretical knowledge at Weserbergland University in Hameln.

Strong commitment to professional development

The needs-oriented approach to personnel development at Postbank provides targeted support in line with the Bank's strategic parameters for every employee in his or her area of work. This approach is underpinned by a binding system for evaluating performance and setting targets, which determines individual professional qualification plans for each employee.

In our professional development program, blended-learning concepts are increasingly being used – these range from learning programs on the PC to training sessions and receiving individual support from a coach. Through our eLearning platform, a majority of employees have access to a wide range of interactive learning programs with company-specific contents (products, processes), general banking knowledge and behavior-related subjects (e.g., time management). eLearning encourages self-directed professional development and offers an environment for situational learning. To implement this wide range of options, Postbank takes advantage of Postbank Akademie und Service GmbH, a subsidiary in which all of the training opportunities of the Postbank Group are incorporated.

In addition, the Junior Management Program prepares talented Postbank employees to carry out future managerial duties. In one of the opportunities offered by the program, participants get a chance to observe the relevant areas of work and gain necessary expertise through appropriate qualification modules. With this program, we are taking a decisive step toward being able to fill open positions with internal applicants.

Diverse programs support work-life balance

People who feel good about their job situation identify more strongly with their company and make positive contributions to the success of the company. This includes, in particular, an appropriate work-life balance that corresponds to the needs of the individual. Postbank supports its employees in a wide variety of ways to find the balance that works best for them:

Individualized working hours

Already 24 % of our employees – among them a growing number of men – take advantage of the opportunity to work part-time. In addition, we are developing flexible working-hour models that include guidelines about the location and the length of working time to create a balance between business requirements and personal needs.

Family service

Postbank supports increasing the number of child-care options in the immediate vicinity of its locations and was able to expand its offer in 2010 once again. These efforts reflect our desire to contribute to the harmonization of work and family, and focus in particular on employees who would like to return to their jobs after taking parental leave.

Health management

The health of our employees is vital concern to us. This is why our health and occupational safety program does not simply address the factors leading to illness – we also support our employees in taking preventative action for their health. In doing so, we work with such expert partners as the German company health insurer Deutsche Betriebskrankenkasse and the accident insurer Unfallkasse Post und Telekom. From the yearly Group-wide health-care days and beyond, we offer a complete lineup of activities and consultation opportunities to promote health through the year.

Workforce develops as expected

At the end of 2010, the Postbank Group employed 20,361 full-time equivalents, 496 fewer than at the end of 2009. Of this group, 6,622 were civil servants, which is equivalent to about 33 % of the workforce. 24 % of our employees work part time. A total of 97 % of our employees work in Germany, and the rest are dispersed among our locations in the United States, Great Britain, Italy, Luxembourg and India. The average age of our workers at the end of 2010 was around 43.

Cooperation with Deutsche Bank

Thanks to their expertise and great dedication, Postbank employees have substantially contributed to the success of Postbank over the last few years. They are important ambassadors of Postbank in the retail business and have continually improved the products and processes of the Bank thanks to their high level of innovativeness. After Deutsche Bank's acquisition of the shareholder majority and the closer ties with the Deutsche Bank Group that are expected, the employee-specific strengths of Postbank can be integrated into this globally acting group.

The cooperation projects with Deutsche Bank pursued since 2008 show that two banks are merging here that will benefit from one another exactly because of their different business models.

In the phases of cooperation that are to follow, we will ensure in our HR work that the needs and concerns of employees are taken into consideration, including the early integration of Postbank employee representatives into the committee work of Deutsche Bank.

Employees

	Dec. 31, 2010	Dec. 31, 2009
Number of employees (full-time equivalents)	20,361	20,857
Part-time employees	5,397	5,507
Percentage of female FTEs	58 %	58 %
Percentage of male FTEs	42 %	42 %
Percentage of civil servants	33 %	33 %

Sustainability:
Repositioning our commitment to sustainability

In accordance with its mission statement on sustainability, Postbank has defined principles for sustainable action for the entire company. They address the need to assume corporate social responsibility, protect the environment and promote a stable economic setting. All guidelines aim at ensuring that Postbank remains a thriving enterprise in the future.

The three-pillar model

In the past, Postbank's sustainability strategy was based on the focal points of stockholders, customers, employees and society. In 2010, to promote our growth in this area, we completely reconsidered the principles that underpin our thinking and activities and organized them into a three-pillar model. In response to this new model, we will provide information in the following report that addresses these three topics:

- Social sustainability
- Ecological sustainability
- Economic sustainability

This new model will enable Postbank to pinpoint sustainability issues more quickly and to address them with precision.

Social sustainability

We are aware of our social responsibility and act accordingly on behalf of our employees, our customers and society. One aspect of Postbank's philosophy focuses on our employees and expresses our commitment to the compatibility of personal and professional lifestyles. It aims at promoting a good work-life balance. Our commitment to our customers is reflected, for example, in the development and introduction of new products and business processes. Here Postbank appropriately weighs the desires and needs of our customers as well as their different lifestyles and income situations. The many years of support we have provided to secondary schools and institutions of higher learning in Germany is just one example of our commitment to the society in which we live and operate.

Our employees have also demonstrated a deep commitment to others. In 2010, for instance, they conducted multiple fund-raising drives to help the victims of the earthquake in Haiti and of the catastrophic flooding in Pakistan, among other people, as well as our annual Christmas drive to support Welthungerhilfe (World Hunger Relief), a German organization that we have been supporting for three decades. Thanks to this effort, about €400,000 has been raised on behalf of this organization over the years. In addition, a Christmas tree wish list campaign was conducted at the end of 2010 for the first time. During this campaign, Postbank employees from all parts of Germany donated 1,500 presents that were handed out at all locations of "Die Arche e.V." (The Ark), a Christian organization that supports children and adolescents.

Ecological sustainability

Living out a commitment to protect the environment means more than just complying with regulatory requirements. Postbank's commitment goes far beyond these obligations: To reduce the detrimental impact that our business operations have on the environment, we voluntarily introduced an environmental management system based on DIN ISO 14001 in 2009. During the second year of certification, we focused on reaching the goals of our environmental program, here for example in the areas of environmental controlling, procurement, mobility and carbon emissions.

To lower energy consumption and, as a result, to measurably reduce the carbon emissions generated by our business operations, we signed a 10-year service contract – which is also known as energy contracting – with HOCHTIEF Energy Management in 2010. As part of the service pledge to us, Postbank will reduce its CO_2 emissions by 4,500 tons a year. To help reach this goal, the heating equipment, ventilation units and central building control systems are being upgraded at eight major Postbank locations. In addition, HOCHTIEF Energy Management will centrally manage and monitor the operation of heating and ventilation systems. This form of environmental protection will also promote economic sustainability.

Economic sustainability

The pillar of economic sustainability encompasses all of Postbank activities that are designed to keep the company competitive and profitable over the long term. After all, this forms the basis for creating secure jobs, offering added value to our customers, employees, stockholders and suppliers, and making a contribution to the economy as a whole.

For this purpose, we focus closely on such issues as quality management, compliance and risk management. As the cornerstone of our corporate culture, we have also composed a set of corporate values that apply to all employees in the Postbank Group: These "7 Values" define the requirements placed on each individual in terms of such aspects as quality of work, the creation of added value for customers, entrepreneurial actions and personal integrity. For all executive employees – in addition – the Postbank Code of Conduct represents a binding version of the corporate values. Postbank also places a high priority on Corporate Governance, that is, the management and oversight of the company in terms of responsible, value-focused leadership – also as it applies to the establishment of our sustainability management.

Sustainability reporting

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As part of our restructuring work in the area of sustainability, we have redesigned that part of our website devoted to this issue. At www.postbank.de/nachhaltigkeit and www.postbank.com/sustainability, we offer an overview of Postbank's entire commitment to sustainability. Detailed information is also available in the annual sustainability report – which appears in both German and English. Postbank's website also provides up-to-date information about this topic as well.

Outlook

Postbank has set itself the goal of strengthening and deepening its commitment to all three of the company's pillars of sustainability. In 2011, the focal point is social sustainability. We are also expanding the certification of our environmental management system to our business locations in Berlin and Dortmund. As a result, the seven largest business locations of Postbank will be integrated in the certification.

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

March I 2011

Postbank Journal

Focal point
The economy in 2011

Branch sales
Advisory services are setting standards

Corporate banking
Long-term business relationships

Postbank

Contents

Ladies and Gentlemen,

When our customers are satisfied with our products and services, when they trust us and we can see this in the results of our operating business, then it is clear to me whom we truly have to thank. Our employees. The people who use their knowledge and dedication every day, whether face-to-face or behind the scenes, to serve our customers. But they are not the only ones. We also have to thank our strong cooperation and sales partners; they are an outstanding complement to our products and services.

I am pleased that the Postbank Journal offers us the opportunity to report on one as well as the other, and in a way that the regular Annual Report does not allow: multi-faceted, up close and alive.

I wish you pleasant reading.

Sincerely,

S. Jü

Stefan Jütte
Chairman of the Management Board

The economy in 2011:

Sunny with scattered clouds

Marco Bargel, Chief Economist at Postbank

At the beginning of 2011, the German economy was in very good shape. Up 3.6 % in 2010, Germany's gross domestic product grew at its fastest pace since reunification thanks to company investments in equipment and machinery, investments in residential construction and the funding of public infrastructure projects, in addition to exports. And no signs currently point to a rapid end of the upswing. On the contrary: Business confidence has reached a new record high, providing reason to believe that more solid growth will occur in industrial production, exports, corporate investments and private residential construction in 2011. But private consumption in Germany may turn out to be the real surprise. After years of restraint, consumers could unleash a true boom, generated primarily by job-market improvements. Unlike most other countries, Germany's job market weathered the crisis virtually unscathed because of far-reaching reforms and years of wage restraint. The country's employment rate has even climbed above its pre-crisis level. As a result, gross wages and salaries will rise steeply this year, fueling domestic demand and creating a much broader base for the upswing in Germany. Overall economic growth in 2011 may reach 2.4 % even in the face of a foreseeable slowdown in the rising export rate, and Germany will remain a critically important economic locomotive in Europe.

The economic recovery is also being underpinned by sweeping government programs to boost the economy and the banking industry. The flip side: exploding government deficits and rapidly expanding public-sector debt. At 3.3 % of GDP, the government deficit in Germany was low in 2010 compared with other countries. The United States, by contrast, ended the year with a record deficit of 8.9 %. In the euro zone, Ireland is the cheerless leader with a deficit of more than 30 %. In 2010, only Luxembourg and Finland remained below the 3 % deficit level set by the Stability and Growth Pact. The apex of government deficits, however, may have been reached. An improving economy and broad budget-consolidation efforts mean that nearly all countries will see their deficits decrease in 2011. Nonetheless, the EU's "periphery members" – Greece, Ireland, Spain and Portugal – are still far from long-term acceptable deficit levels. For this reason, the debt crisis will remain a critical issue for markets in 2011.

In mid-2013, a long-term crisis mechanism for euro countries is to replace the rescue umbrella and create the option of an "orderly insolvency" process for member states. Funds from the European Stability Mechanism (ESM) will be linked to strict budget-consolidation requirements and will require private-sector creditors to play a role in the restructuring of public-sector debt. This mechanism can make a substantial contribution to market stabilization only if the conditions for financial help and the stipulations governing

involvement by private-sector creditors are spelled out as precisely as possible in advance to give bond creditors the planning security they need for calculating risk costs. Another issue, critical to maintaining investors' confidence, is that these new regulations only apply to the new debt issued by euro countries following ESM implementation in mid-2013.

Action is also being taken in regulatory or supervisory conditions. As part of Basel III, a higher capital ratio will be required as well as the creation of a capital-conservation buffer designed to protect banks in difficult times. These measures aim at making financial institutions more able to weather crises and widely prevent critical economic situations from developing similar to the one that followed the bankruptcy of the U.S. bank Lehman Brothers in 2008. To avoid limiting bank's risk tolerance too greatly and to preserve leeway to issue loans, the new regulations will be gradually introduced over several years. In 2011, German banks must also pay a banking levy for the first time, calculated on the basis of each institution's liabilities. The money will flow into a restructuring fund that will finance actions to save or close down banks during a crisis. Sweden is the only other country to date besides Germany to introduce a similar levy.

Long term, these steps should increase the stability of the banking industry and financial markets while reducing the risks faced by government budgets during future crises. What must also be considered for any of these steps, however, is that they be coordinated at the international level so that the requirements for all banks are as equal as possible in the global competition for customers and capital. The decisive challenge in coming years will be to reduce government budgets to levels that can be sustained long term. Consolidating these budgets, however, is akin to tightrope walking: Make cuts too quickly or steeply and economies could slip into recession. Shrink deficits too slowly and the bonds of affected countries could fall back under pressure on the capital market. The associated interest charge would in turn make reaching consolidation targets more difficult and increase incentives to seek monetary relief from other countries or the IMF.

The situation is no less difficult for monetary policy. At some point, benchmark interest rates must return to a somewhat normal level to offset the long-range threat of inflation and prevent the renewed formation of a bubble on credit and capital markets. Here, major central banks may take a rather cautious approach. If rates rise too quickly or steeply, they could choke economic growth and worsen the financial market situation.

Generally speaking, 2011 promises sunny economic conditions. It is hoped, though, that the scattered clouds will not gather and darken.

Sign of a good partnership

Cooperation with Deutsche Bank enjoys two years of success

Deutsche Bank AG has held a majority interest in Deutsche Postbank AG since 2010. But a good two years earlier when the cooperation was announced, both companies already agreed: the product ranges of Postbank and Deutsche Bank complement one another exceptionally. Both have been taking advantage of the opportunities associated with the cooperation, especially the reciprocal selling of each other's financial products – an effort that has met with good success.

From the beginning, the sales cooperation has focused on investment and loan products. One of the biggest success stories in the first year was the sale of around €330 million in Deutsche Bank step-up bonds through Postbank. A profitable arrangement for both sides: Deutsche Bank gained access to an enticing new sales channel, and Postbank acquired an ideal complement to its product range, one that meets Postbank customers' key needs in terms of security, return and availability.

Portfolio of products complement each other ideally

With the sale of DWS products at Postbank branches, products tailored to the needs of Postbank customers, the success story continued. "With the DWS products, we were able to create greater added value for many Postbank customers," stated Michael Meyer, a member of the Postbank Management Board.

In return, Deutsche Bank customers benefit from Postbank's online installment loans and online car loans. Since 2009, Deutsche Bank has been offering them online. They are especially attractive for Deutsche Bank because the bank can offer Internet-oriented customers (and potential customers) the option of concluding installment loan contracts on the Internet. Product details and processes could largely be adopted from Postbank. Only the steps leading to the conclusion – the application section – were adapted to the look and feel of Deutsche Bank.

Procurement, IT and operations: achieving more together

Procurement at both companies is also benefiting from the cooperation. And it makes complete sense: If you order 2,000 computers instead of 1,000, you have a significantly better position from which to negotiate prices. Of course, the relevant restrictions are strictly observed, those related to antitrust, competition and company law, as well as the individual contract terms. The procurement goals set at the beginning were not only achieved but exceeded: the savings to date have reached the double-digit millions.

After these successes, both banks now intend to expand the cooperation. An important step in this direction was taken when a framework paper elaborating cooperation in the areas of IT and Operations was signed in October 2010. The plans formulated in the framework paper have already been fleshed out in an important subsection through binding contracts. "This is the largest IT cooperation ever on the German banking market," explained Wolfgang Gaertner, CIO of Core Banking at Deutsche Bank.

Mutual basis – mutual opportunities

Cooperation participants at both companies agree: teamwork has been open, collegial and on equal footing. Both banks benefit from the other's products and expertise. "Despite their differences, both banks have a common basis," said Frank Strauß, Head of Consumer Banking at Deutsche Bank, indicating an essential foundation of their success. "In our work together, we continuously observe that Deutsche Bank and Postbank share a similar sense of self as well as the same values."

Two strong brands on the market, each with its own business model and customer profile, have created the ideal prerequisites for growth – for both businesses and their customers.

Branch team fully focused on the customer

High-quality advisory services are setting standards

"As the initial point of contact for customers, our counter employees are in an ideal position to turn Deutsche Post customers into Postbank customers."

A salesman through and through: Two days each week, Hans-Peter Schmid, Management Board member who oversees branch sales, travels to Postbank branches across Germany. There he talks with counter employees and customer advisers about the daily job routine and to branch managers about sales-related issues. Being there and listening closely – to Schmid, these form the cornerstone of his work to support and improve "his team."

Mr. Schmid, what were the most significant developments in branch sales in 2010?

To us, the most important issue was improving the quality of our advisory services. We invested heavily here. For instance, our 1,800 advisers attended a training course to learn to focus more closely on the customer in the advisory process. The central goal is: The basis for every recommendation made by employees must be a correct assessment of the customer's overall situation, wishes and goals. Advisers should focus completely on this to find the best-possible individual solutions. This is our quality standard.

That is a crucial issue. The fact that we also offer postal services at all of our branches provides us a sea of potential customers: 700 of every 1,000 people visiting our branches are not yet Postbank customers – but they could be. This makes one point clear: As the initial point of contact for customers, our counter employees are in an ideal position to turn Deutsche Post customers into Postbank customers.

By telling customers about the services provided by Postbank?

Yes. But not initially. They prepare the ground by providing quality postal services. Customers will be willing to hear about Postbank's services once they are satisfied with the postal assistance they have received. That's why we work intensely with our local employees on service orientation and advisory expertise.

This must be particularly true for the 277 retail outlets that Postbank acquired from Deutsche Post in mid-2010?

Correct. We will invest in 30 highly qualified and experienced advisers in 2011 and in each of the next four years. After all, we are determined to offer the best possible service at these locations. This is of great importance for us. And it involves much more than offering the longest branch hours in the German banking business.

What conclusions would you draw about the new branches after the first six months?

A very pleasant one. The first thing I've noticed is this: Even though the employees are still legally part of Deutsche Post, they already feel like "Postbankers" and are very comfortable in the team – as I saw repeatedly during my branch visits. The second thing is that the sales results at these locations have made much headway in meeting our targets. We are proud of being able to prepare new colleagues for new jobs in

Providing training to 1,800 advisers – that involves a fairly substantial effort …

Yes, it took some time. But it is also one of the most important investments in our future. The same goes for the four new regional centers. There, four to five customer advisers can spend a month working with very experienced colleagues and learn first hand. This is very effective.

A major push to achieve more quality. What sort of progress was made in the effort to gain new customers?

such a short time. They are all very dedicated and quickly familiarized themselves with the new tasks. Our local managers will continue to train them intensely. Together, this is working out really well.

Is this also true of the Deutsche Bank – Postbank team?

I think Deutsche Bank is the best partner Postbank could wish. In our alliance, we are opening up our own sector, so to speak, in Germany's retail banking business – next to the savings banks and the cooperative banks. With our combined customers, we have a significant market share. And we will draw on this size to create benefits that we can pass on to customers. Both brands will remain unchanged and continue to exist side by side – both sides will emerge as winners from this alliance.

Where are the two banks already working together?

We are already working together in areas where costs can be saved. For example: if both Deutsche Bank and Postbank want to remodel their branches, it makes sense to jointly issue the call for bids and contracts. Greater procurement power creates cost synergies. This is also true of investments like the purchase of automated teller machines.

Postbank Finance Centers in figures

1,104 branches

5,057 counter employees

1,810 customer advisers

160 home savings and mortgage loan specialists

Do you see any benefits in a shared working relationship in business?

Yes, definitely. Just consider employee training as an example. I think Postbank can learn from Deutsche Bank particularly in the area of securities advising – in return, Postbank's expertise with installment loans and mortgage lending can benefit Deutsche Bank. In this way, we profit from each other step by step.

This leads to the outlook for 2011: What are your objectives for the year?

We intend to press forward with our satisfying achievements in 2010. This goes for the number of customers who use us as their main bank as well as to the good performance in the savings, mortgage lending and financing business.

This also means one other thing: The quality of our advisory services and customer orientation will remain critical topics in 2011. In addition to the 30 customer advisers in the new branches, we plan to strengthen the teams at the remaining branches. By 2015, we intend to acquire 200 new advisers. We will also continue to train our employees – both our advisers and counter staff. All of them are critical to our company's success. One focus of this training will be interrelationships. Which is why team-building is a top priority. After all: It is the team that wins.

Exceptional protection for financial transactions on the Internet

Security system with cutting-edge technologies

Conducting banking transactions online or using a credit card on the Internet – Postbank customers have long been able to enjoy the freedoms of electronic banking without worry thanks to a comprehensive security concept employed by Postbank. This system guarantees customers the highest level of security for online transactions.

Postbank continuously develops new standards to provide its customers with exceptional services and optimal security – including in online banking. The Bank's ability to combine effectiveness with convenience was demonstrated in 2010 by the "chipTAN comfort" – the latest alternative to the iTAN list. The chipTAN comfort process is conducted with a TAN generator, a reading device with optical sensors.

The Postbank Card is inserted into the reading device after data for a transaction have been entered. When the customer holds the generator against his or her computer monitor, the device issues a unique TAN (transaction number) that is valid for a short time. For the TAN to be received, the customer data must be confirmed on the generator's display. Using two separate devices – the computer and the reader – provides the highest level of security.

The TÜV-certified mobileTAN process that Postbank introduced in 2005 offers similar protection. In this free alternative, a temporarily valid TAN is sent to the customer's registered cell phone. Starting April 2011, online transactions may be conducted only with electronically generated TANs. René Zühlke, Director of Online Security at Postbank, offers customers this assurance: "The mobileTAN process will remain available. This means our customers have a choice – both options meet the highest security requirements."

Customers will also have increased security protection when they shop online using their credit cards thanks to 3D Secure, the new security standard for all Postbank credit cards. The requirement? Retailers must participate in the process. Customers can recognize those retailers through a brand seal – "Verified by Visa" or "MasterCard® Secure Code™" – displayed on the Web site. Generally, payment is made with 3D Secure the same way it is done without the security standard. Should the payment transaction resemble a fraud pattern, customers will be asked to provide additional personal information on file at the bank.

The Postbank expert for card security, Stephan Schölzel, is optimistic about the future: "With the 3D Secure solution, online shopping remains as easy as before – and we are further optimizing the process. Soon, the familiar mobileTAN can be used instead of the data request procedure."

Our heart beats for SMEs

Reliability for long-term business relationships

2010 Facts

Loans to corporate customers: €30.3 bn

of those, loans to German SMEs: €6.9 bn

The forecasts for the German economy are more optimistic than they have been in years. Excellent export figures, jam-packed order books and a rarely seen sense of optimism among consumers and companies are fueling this upbeat mood. We owe this new-found optimism especially to German SMEs, those innovative and exceptionally positioned companies that knew how to weather the crisis so well.

Yet vigilance is recommended in the midst of all optimism. Flagging European economies, a precarious economic outlook in the United States and questions about the long-term stability of China's economy – these are all developments laden with potential for uncertainty.

This is why it is so important for companies to have a solid and dependable financial partner. Hard times separate the wheat from the chaff, a fact that numerous companies have experienced in the recent past. They have also learned that Postbank, to stick with the metaphor, is no chaff.

Over the past two years, we have continually stood by our SME customers, and provided them with loans.

Hansjörg Flassak, (2nd fr. lt.) and Georg Weber, Managing Partner at Dehner GmbH & Co. KG (2nd fr. rt.), talking with Sandra Herrmann, Head of Corporate Customer Service Munich at PB Firmenkunden AG, and her colleague Edgar Schissler, Senior Corporate Customer Adviser.

While many other financial institutions were shrinking their loan business considerably, we were even expanding ours. Of course, we remain strongly risk-oriented. Before issuing loans, we scrutinize the company's business, its current situation, and its strategies and goals. Candor and a close partner-like relationship are indispensable conditions for our commitment – and on top of that we are very interested in long-term business relationships.

When all these factors come together, everyone involved benefits enormously. Our cooperation with the well-known garden center operator Dehner makes that perfectly clear. Postbank has accompanied the company on a path of pragmatic growth for some years now. Dehner has since become one of the largest garden center companies in all of Europe. Our corporate customer adviser Edgar Schissler has known the company's managers for a long time, has regularly dealt with the special challenges of this sector and closely followed the company's business developments. As a result, Schissler has always been ready and able to provide support as a partner with competence. Continuity – even in the person of an advisor – and competence. That's why Dehner values Postbank. They build trust – on both sides!

A decisive advantage, as was demonstrated last year. Following rigorous consolidation during the crisis, the garden center specialist shifted its focus back to growth and decided to draw again on bank loans in addition to its own funds. But the search for the best possible banking partner led Dehner to quickly discover that the banking landscape had drastically changed and that some banks had completely withdrawn from the long-term loan business and were no longer available as banking partners.

But not Postbank. Thanks to a long-standing business relationship, Postbank was quickly in a position to assess the risks associated with the loan, and within a short time to make Dehner an attractive offer. Participation in the financing of two new garden center locations in Heidelberg and Freiburg allowed Postbank to establish and expand its position as one of the gardening expert's main banking partners. In addition to loans, Dehner also uses our leading payment transaction platform and entrusts temporary, excess liquidity to us.

In the past years, many other SMEs have had experiences similar to Dehner's. Many of them have discovered in Postbank a new banking partner with a long-term focus. In 2011, we will continue this trend and accompany solid small and medium-sized companies on the road to growth. With the garden professional Dehner, the trip has already been arranged.

Teamed-up for success

With BHW and DSL Bank, Postbank is a leading mortgage lender in Germany

Postbank uses a two-brand strategy to operate its mortgage lending business very successfully. BHW Bausparkasse AG (Hamelin), a Postbank subsidiary, and DSL Bank (Bonn), managed by us as a division, are the long-standing independent forces behind Postbank's mortgage-lending expertise.

Deutsche Postbank AG, with a book of €74.0 billion, has become one of the largest mortgage lenders in Germany. Postbank entrusts its mortgage lending business to BHW Bausparkasse AG and DSL Bank. Both focus on mutually complementary business areas. While BHW Bausparkasse AG, a trusted brand well-known for mortgage lending and home savings, appeals directly to end customers, DSL Bank is one of the largest German providers in the distribution of residential financing through financial service providers.

In sales, BHW Bausparkasse relies on a good 1,100 Postbank Finance Centers and around 4,000 independent financial advisers in mobile sales. The wide assortment of BHW home loan and savings contracts offered through these channels (financing and home savings products as well as Riester products) and BHW mortgage lending products range from "traditional" private mortgage lending through remodeling financing to financing construction outside of Germany. Furthermore, BHW Bausparkasse AG has tapped another sales channel by working together with major partners (insurance agencies, select banking institutions) and about 300 real estate agents. Their services overlap slightly with DSL Bank's business.

DSL Bank sells its products through some 5,000 sales partners. The spectrum ranges from Internet sales

Today, BHW and DSL Bank cooperate successfully: BHW home savings, for example, is seeing increasing success in DSL sales channel as well. Moreover, BHW advisers can access DSL Starpool and its expanded product range. In addition, the coordination and management of BHW and DSL Bank's agency sales channels were put under a single roof at the end of 2010. Good ground for efficient cooperation.

and large financial service providers to field sales, insurance agencies, home savings and loan associations and banks as well as highly qualified financial and real estate agents. In line with this specialization, DSL Bank offers its partners sophisticated, partially exclusive products. In addition to mortgage lending with long-term interest rate commitment periods, products also include subsidized Riester loans or capped loans with variable interest rates. Consumer loans, checking accounts and home loan and savings financing and agreements in particular round off the product range and are successfully marketed through this sales channel.

Despite the different sales channels of BWH and DSL Bank, opportunities exist to exploit synergies and reduce redundancies. In 2010, a more harmonious fit was achieved thanks to the organizational consolidation of various areas of responsibility, particularly in the product area and sales processes. In addition, the profiles of the respective product ranges were sharpened and more precisely coordinated with each other to meet the needs and wishes of our customers.

As a result, Postbank is ideally positioned to gain market share in home savings and mortgage lending – crucial business segments – especially since the general economic conditions for these are still favorable. On the one hand, rising energy prices, the German government's energy-efficiency programs as well as the demand for age-appropriate barrier-free living are prompting significant investments in building modernizations. On the other, a Postbank 2010 retirement planning study revealed a growing discrepancy between the retirement funds needed to maintain living standards and actual retirement savings. Should Germans draw the right conclusions from this study, then real estate in particular will benefit. A home is again considered to be a crisis-proof material asset and the ideal form of retirement planning for many.

Concentrated power for satisfied customers

New service center for central complaints management

Whether at a branch, on the phone or online – if you want to handle your banking business as individually and straightforwardly as possible, you have come to the right place at Postbank. As a rule, our customers business runs smoothly on all channels.

But when things do go wrong, it is important to help customers quickly and learn as a company. Which is why we have set up a new complaints management area with a central Customer Service Center (CSC). CSC department head Ina Lohkamp knows that this step was right: "Customers who actively express their complaints are interested in a long-term connection with us. When they notice that their complaints are taken seriously and that they receive fast, professional assistance, they feel even more closely connected with Postbank."

Since November 2010 all private customer complaints – whether in the form of a letter, phone call, personal discussion or e-mail – have been electronically sent to the Customer Service Center in Dortmund. Ina Lohkamp and her employees view and classify the entries, process them until the case is concluded or forward them for handling. An electronic case file is established for every complaint.

This modern case file ensures that employees have

all the information they need at all times – both the incoming message as well as notes on steps taken. The advantages for customers? A personal contact and fast, competent responses to questions. Moreover, the CSC monitors compliance with deadlines. If the complaint cannot be fully processed within a week, the customer receives an interim notice.

"Constructive criticism from customers helps us learn – we have to use this opportunity."

"We now have set up a central office for handling the concerns of Postbank customers when problems arise," says divisional manager Achim Lebeau of the progress in complaints management. He points out two key goals of the new system: externally, customers should experience Postbank's dedication to service in this area. Internally, complaints are to be systematically registered to highlight areas for improvement. Says Lebeau: "Constructive criticism from customers helps us learn – we have to use this opportunity."

Young, smart, award-winning

The Postbank Finance Award for outstanding talent

Their ideas were impressive: Competition winners celebrated their success together in Bonn.

What will banking be like in the future? Each year, students across Germany ponder this question to win the Postbank Finance Award, the university competition offering the highest prize money in the field of banking and finance. The winners were selected at the end of June.

The five-member team from the Weserbergland vocational academy spent months with instructor Martin Zerth pondering the topic of this year's competition: "Retail banking caught between short-term sales success and long-term customer benefit". Ultimately, the

"The participants in this competition have shown they can develop practical visions for the future of the banking industry."

Ralf Stemmer, Management Board Member for Resources & Lending

team submitted the "Icarus Model Between Fire and Water". With seven empirically verifiable theses, it provides a scientific basis for improving customer advising and overcoming a crisis of trust. In late June, Jan Alber, Christoph Boehm, Sebastian Dumsch, Julia Jahn-Pabel and Anna-Theresa Knöchelmann were rewarded for their efforts at a ceremony at the Rheinisches Landesmuseum in Bonn: First prize and €40,000. "For the first time the prize has gone to a vocational academy," said keynote speaker and jury chairman Günter Franke, a University of Konstanz professor.

The second prize of €20,000 went to the University of Regensburg team, which analyzed conflicts of interest between banks and customers in investment advising. The team used case studies to demonstrate how improving consultant contracts can optimize benefits equally for both customers and banks. The €10,000 third prize went to the team from the Leipzig commercial college. After examining incentive systems for customer advisors, they suggested assigning greater weight to customer satisfaction. The entries from the other 20 teams from 19 universities were also impressive. In his welcome speech, jury chairman Franke attested to the usefulnesss of their contributions for day-to-day business: "Many of these concepts may serve as motivation for Postbank to make changes in retail banking."

Postbank was represented in the jury by Ralf Stemmer, Management Board Member for Resources & Lending. In his speech, Stemmer focused on the lessons of the financial crisis. "We found that customers' requirements have increased," he explained. Trust is no longer a given; it must be earned. To the students he said: "You left the security of your alma mater to roll up your sleeves and improve the banking business. We need talented young people like that. If you keep at it, then virtually nothing will stop you in your career."

Before the Finance Awards participants moved on to the social part of the event, Franke introduced next year's topic: "Stabilizing the European Currency Union and implications for private investments".


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Contents

Fiscal Year 2010

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 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 finance, and factoring and leasing. Investment and capital market products complement the product range.
- The Transaction Banking division is responsible for handling 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. To date, 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. It also oversees the banking activities conducted in Luxembourg and by several subsidiaries that are responsible for the administration and management of the Postbank brand's retail funds and special funds.

Key locations

The head office of Postbank is located in Bonn and for parts of the Financial Markets division in Frankfurt am Main. In addition, the number of branch locations operated by Postbank across Germany was 1,104 at the end of 2010. 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.

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 customers. 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 with other banks and insurance companies. The cooperation with the majority shareholder, Deutsche Bank AG, that began in 2008 and has been and will continue to be intensified is a key element in this area. 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 several 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 in-sourcing of payment transaction services. With four clients and some 8 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 the allowance for losses on loans and advances.

As the most critical parameter used to assess and manage income 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.

In addition to the previously mentioned, established management parameters, Postbank began in 2010 to add a risk/return ratio to its management framework. Similar to RoE, the return is calculated on the basis of regulatory capital and forms a fundament basis for decision making on the individual transaction level and the aggregate level. Management of the return on the basis of economic capital is being prepared. Both resources are expected to yield an appropriate return, which is derived from the return expectations of the capital market and to be generated by both the Group and individual business units.

The variable remuneration of Management Board members, executives and employees 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, risk takers and the Management Board, a sustainability factor will be used to calculate a portion of the variable remuneration, the so-called earnings or long-term component (which makes up 30 % to 60 % of variable remuneration). The earnings or long-term component itself is evaluated after the end of the fiscal year, withheld, and then evaluated with the sustainability factor in the following third year. For Management Board members this occurs in the following fourth year. At that time, where appropriate, it becomes due and is paid out, or it is forfeited without compensation.

This sustainability factor is based on the concept of Economic Value Added and further anchors value-focused, sustainability thinking in the incentive system at Postbank.

Within the framework of the implementation of principles for solid remuneration practices developed by the Financial Stability Board (FSB), the German Federal Ministry of Finance decided in October 2010 to approve a regulation that replaced or amended the requirements of Circular 22/2009 issued by the German Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin) on December 21, 2009. The regulation governs the supervisory standards that apply to the remuneration systems of institutions. Postbank is currently conducting an intensive review to determine whether the current remuneration system, which was developed and implemented on the basis of the circular, satisfies these requirements and whether modifications must be made to it.

Disclosures in accordance with sections 289(4) and 315(4) of the *Handelsgesetzbuch* (HGB – German Commercial Code) and explanatory report

Share capital, voting rights, and transfer of shares

Postbank's share capital amounted to €547,000,000 as of December 31, 2010, 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 %

Deutsche Bank AG, Frankfurt am Main, holds through DB Finanz-Holding GmbH, Frankfurt am Main, approximately 52 % of Postbank shares.

The Federal Republic of Germany holds an 80 % equity interest in KfW Bankengruppe, Frankfurt am Main, which in turn holds an interest of around 30.5 % in Deutsche Post AG, which has an interest in Postbank of around 39.5 %.

The free float traded on the stock exchanges therefore amounts to around 8.5 % of Postbank's share capital.

Powers of the Management Board to issue or repurchase shares

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 29, 2010, approved the contingent increase in share capital by up to €273.5 million by issuing up to 109.4 million new no-par value registered shares (Contingent Capital). The purpose of the contingent capital increase is to grant no-par value registered shares to owners or creditors of convertible bonds and/or bonds with warrants, participating bonds and/or profit participation certificates (or a combination of these instruments), which are issued or guaranteed until April 28, 2015 by the Company or an enterprise it controls or an enterprise in which the Company holds a majority ownership and which provide for conversion or option rights for new no-par value registered shares of the Company, or establish a conversion requirement. The authorization of the Annual General Meeting on April 29, 2010 provides the basis for the issue and guarantee.

The authorization granted by the Annual General Meeting on April 22, 2009, concerning Contingent Capital I and Contingent Capital II was rescinded as a result of a decision made by the Annual General Meeting on April 29, 2010.

Furthermore, the Management Board was authorized during the Annual General Meeting of Postbank on April 29, 2010, to purchase own shares for the purpose of securities trading in accordance with section 71 (1) no. 7 of the *Aktiengesetz* (AktG – German Stock Corporation Act) totaling up to 5 % of the relevant share capital or for other purposes in accordance with section 71 (1) no. 8 of the AktG to acquire up to 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 will remain in effect until April 28, 2015. The authorizations that existed at the time of the Annual General Meeting and were limited until October 21, 2010, concerned the purchase of own shares in accordance with section 71 (1) no. 7 and 8 of the AktG. It was rescinded when the new authorizations took effect.

@ The details are provided in the motions resolved by the Annual General Meeting on agenda items 6, 7 and 9 of the Annual General Meeting on April 29, 2010, which are also available on the Company's web site.

In the year under review, the Bank made no use of its authorization to purchase own shares. At the balance sheet date, Postbank did not hold any treasury shares.

Appointment 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 and Deutsche Bundesbank that the proposed members have sufficient theoretical and practical knowledge of the Bank's business as well as managerial experience before the intended appointment of members of the Management Board.

Amendments to the Articles of Association

Postbank's Articles of Association may be amended in accordance with the provisions of section 119(1) no. 5 and section 179 of the AktG. Under these provisions, amendments to the Articles of Association require a resolution by the Annual General Meeting. Moreover, 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), 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), PB Versicherung Aktiengesellschaft, and PB Lebensversicherung Aktiengesellschaft. These agreements cover the brokerage and sale of insurance products from Talanx Aktiengesellschaft and its above-mentioned subsidiaries by Deutsche Postbank AG via its branch-based and mobile sales, call center, as well as via Postbank's Internet platform. PBV Lebensversicherung AG, PB 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, PB 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.

The contractual relationship described above is unaffected by the takeover bid by Deutsche Bank AG and the purchase of a total of approximately 52 % of shares in Deutsche Postbank AG (see above) and has not been terminated by Talanx Aktiengesellschaft or its subsidiaries PBV Lebensversicherung AG, PB Versicherung Aktiengesellschaft and PB Lebensversicherung Aktiengesellschaft.

Compensation agreement concerning takeover bids

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

Remuneration of the Management Board and Supervisory Board

Structure of the remuneration of the Management Board in fiscal year 2010

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

The Supervisory Board resolves the appropriateness of the remuneration of the members of the Management Board of Deutsche Postbank AG on the basis of a recommendation by the Executive Committee, 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 Management 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 amount of remuneration paid is performance-linked.

Overall remuneration consists of fixed and performance-related components.

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

The annual bonus is the performance-related component.

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 is capped on the basis of individual agreements.

The annual bonus is not paid out in full on an annual basis, even when the targets agreed have been reached. Forty percent of the annual bonus calculated in accordance with the degree to which the target was reached is paid out directly in the following year (short-term component). Sixty percent of the annual bonus calculated on the basis of the degree to which the target was reached depends on the Group's sustainable performance (long-term component). The sustainability of the Group's performance is determined three fiscal years after the base year (sustainability phase). The long-term component is not paid out until after the sustainability phase has ended and then only if the relevant sustainability criterion to be established by the Supervisory Board has been met. If the sustainability criterion is positive in the aggregate over the sustainability phase, or if it is the same or better than in the base year during the final year of the sustainability phase, the long-term component is paid out in the fourth year following the base year. Otherwise, the payment is forfeited without compensation. Remuneration of the Management Board is thus affected by any negative performance by the Company during the entire measurement period (malus system).

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

In accordance with the recommendation of the German Corporate Governance Code, the Company will provide compensation for no more than the remainder of the contract term in instances in which a member of the Management Board ends his or her service on the Board prematurely without cause, and will limit the payment to a maximum of two base-pay installments in addition to a maximum of 40 % of twice the maximum annual performance-related remuneration (severance-payment cap).

If the contract of a Management Board member is terminated prematurely as a result of permanent incapacity to work or death, the remuneration shall be paid pro rata up to the end of the agreed term of the contract, for a maximum of six months.

The amendments to the remuneration system required as a result of the *Institutsvergütungsverordnung* (InstVergV – Regulation Governing Supervisory Requirements for Remuneration Systems of Institutions) and other regulatory measures are currently being examined in detail and implemented.

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 a fixed and an annual performance-related component, 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 Chairman and Deputy Chairman as well as the 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 annual 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 annual 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.

35 160

For further information on and explanations of the remuneration of the Management Board and Supervisory Board, please see the Corporate Governance Report or Note 58 of the notes to the consolidated financial statement.

Employees

At the end of 2010, the Postbank Group employed 20,361 people, on a full-time equivalent basis, 496 fewer than on December 31, 2009. The workforce included 6,622 civil servants, or about 33 % of the headcount. Around 25 % of our employees have part-time employment contracts.

Our external turnover in 2010 was about 5.3 %. 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.

42

You will find other details in the Employees section on page 42.

Macroeconomic environment in 2010

World's economy recovers from the crisis

In 2010, the world's economy quickly got back on track following the deep recession it experienced the previous year. High growth rates were generated particularly during the first half of the year, while economic momentum slowed during the second half. The global upswing was fueled by emerging countries. However, recovery trends also gained the upper hand in industrial countries. The upswing was characterized by unusually large differences in economic performance among regions and among individual countries in regions. Overall, world economic output rose by nearly 5 % in 2010 following a drop of 0.6 % in the previous year.

The United States forcefully emerged from the recession at the beginning of 2010. As the year continued, though, the pace of growth slowed once again because the economic recovery lacked the required breadth. Nonetheless, a significant rise in investments in machinery and equipment occurred: These expenditures climbed from a low level and grew by about 15 %. By contrast, private consumption rose by only 1.8 % as the country's job market remained weak. The U.S. economy continued to be hurt by investments in construction, which fell sharply once again. Exports also created a drag on growth as the considerable increase produced by exports was offset by an even stronger rise in imports. As a result, gross domestic product (GDP) increased only by 2.9 %, even though domestic demand grew by 3.2 %.

At more than 9 %, Asia's emerging countries again produced a high growth rate, serving as the driver of the global recovery during 2010 in the process. With a rise of 10.3 % in GDP, China once more produced a leading result. Its industry profited from the strong recovery of world trade. Exports skyrocketed compared with the previous year, jumping by 31 %. At the same time, growing domestic demand resulted in an even stronger rise in imports – which shot up by nearly 39 %. In the process, China's trade surplus dropped slightly to about $183 billion. Japan too experienced a strong recovery in 2010. In particular, exports rose markedly, climbing a good 24 %. By Japanese standards, private consumption also increased significantly by producing an increase of 1.9 %. Even though investments nearly stagnated, GDP increased by 4.0 % in 2010.

As a whole, the euro zone recovered from the deep recession it experienced in the previous year. But GDP growth was only moderate, rising by 1.7 %. This rise largely resulted from inventory buildup. By contrast, gross capital expenditures decreased slightly. Private consumption saw a moderate increase. Amid the overall modest growth rate in the euro zone, the economic performance of individual countries evinced major differences. One cause of this very dissimilar trend is rooted in industrial structures: Export-oriented industrial branches are profiting disproportionately from the recovery of the world's economy. On the other hand, several members of the euro zone had to battle massive structural problems and excessive government budget deficits. This has resulted in cuts in government spending and tax increases, creating a strong drag on growth in the affected countries.

Germany: strongest growth since reunification

The German economy recovered at an unusually fast pace in 2010. GDP rose by 3.6 % compared with the previous year. This was the country's strongest growth rate since reunification. Exports initially generated strong economic momentum as the global recovery quickly increased demand for capital goods. Because capital goods are a core area of the German export industry, Germany was able to profit particularly from this trend: German exports rose markedly by 14.2 % in 2010. Even though imports climbed steeply as well, exports contributed 1.1 percentage points to GDP growth. As 2010 proceeded, the foundation of growth expanded. Initially, investments in machinery and equipment rose sharply, climbing by 9.4 %. Investments in construction grew by 2.8 %. Residential construction was particularly strong, rising by 4.4 %. By contrast, investments in commercial construction increased by only 0.7 %, and public-sector investments in construction even fell by 0.9 % – in spite of the continuing momentum being generated by an infrastructure program. Changes in companies warehousing practices also had a positive effect on economic growth. After inventories were massively reduced in 2009, they normalized in 2010. This resulted in a contribution to GDP growth that totaled 0.8 percentage points.

Private consumption climbed by a real 0.5 % in Germany. It began 2010 at a moderate pace, but accelerated its growth rate as the year progressed. Private households profited from continuing stability in price levels. The inflation rate was moderate with an annual average of 1.1 %. Job-market trends also had a positive effect as the powerful recovery fueled employment. On average, the number of unemployed people fell by 179,000 during the year. The unemployment rate decreased by 0.5 percentage points to 7.7 %. The number of people working shortened workweeks plunged during 2010.

In general, macroeconomic developments in Germany and other major economies in 2010 were much more favorable than we had expected at the time of our last Annual Report.

Market developments

Financial markets were impacted by a range of very different factors during 2010. Although economic trends were comparatively positive, fears of a double-dip recession – particularly in the United States – triggered severe fluctuations in some market segments. The monetary policy pursued by leading central banks remained very expansive. Nonetheless, the central banks had to alter their strategies as the year progressed. Within the euro zone, the sovereign-debt crisis caused major problems. These developments had very different effects on various segments of financial markets, resulting in widely divergent trends.

No uniform trend was seen in international stock markets during 2010. By international comparison, share performance on the German stock market was especially positive. Prices of German equities profited from the strong recovery of the country's economy and rising global demand for industrial goods. Because the DAX is heavily weighted toward industrial stocks, the German blue-chip index climbed by more than 16 % during the year. By contrast, the EURO STOXX 50 fell by almost 6 %. The key reason for this poor performance – both in absolute and relative terms – was the high share of financial stocks in this index. Because financial stocks were hurt by the European sovereign-debt crisis and fell accordingly, they weighed down the performance of the entire index. On the U.S. stock market, no clear trend evolved through late summer. The positive impact of rising corporate profits was offset by recession fears that temporarily flared up. As the economic outlook improved, stock prices in the United States rose steeply. For the year of 2010, the S&P 500 climbed by 12.8 %. Trends among corporate bonds were mixed. The risk premium for investment-grade bonds rose slightly in 2010 compared with the previous year's level – not least as a result of the uncertainties unleashed by the sovereign-debt crisis. In the high-yield sector, by contrast, risk premiums fell moderately. Falling default risks fueled by the economic recovery had a positive effect here.

Beginning in the second quarter of 2010 in particular, massive disruptions occurred among the sovereign bonds issued by euro zone members. After Greece felt the initial pressure, fears emerged that other periphery members of the euro zone could have problems servicing their bonds. A relief package put together by EU members and the IMF at the beginning of May totaling up to €110 billion was able to calm markets only temporarily. Risk premiums, particularly for Greek, Portuguese, Irish and Spanish government bonds, shot up once again. The governments responded to this development by creating a comprehensive rescue package for member countries that were experiencing difficulties. This package has a total volume of €750 billion pledged by the EU, members of the euro zone and the IMF. Furthermore, the European Central Bank (ECB) decided to buy the bonds of euro zone members as a way of ensuring that markets could continue to operate. The initial purchases were made shortly after the decision was announced. In the beginning, the package of measures helped stop the rise of risk premiums. But these premiums climbed further as the year progressed. The trend differed from country to country. Ireland was particularly hard hit as a result of the problems created by the crisis in the Irish banking industry and the subsequent impact on the government's budget. Even though the Irish government did not have any immediate refinancing needs, the situation became so threatening that Ireland began to draw on the European Financial Stability Facility in November 2010. The risk premium on Portuguese bonds continued to rise at the end of 2010. But the yield on its bonds remained at a level that enabled the Portuguese government to continue obtaining refinancing on the capital market. The yield premium for Spanish bonds climbed at the end of the year following a long phase of stability. The interest rates demanded by the market, however, remained well below the level at which funds from the European facility could be sought.

In 2010, leading central banks continued to apply their very expansive monetary policies. However, they took different approaches in the measures they introduced. The U.S. Federal Reserve (Fed) left its benchmark rate at 0 % to 0.25 %. In the fall, the Fed also stepped up its "quantitative easing" in response to what it considered to be an overly weak recovery and the low rate of price increases: It decided to purchase $600 billion in U.S. Treasuries in order to increase liquidity in the overall economy and thus stimulate growth. This bond purchasing program is scheduled to run through mid-2011. The ECB kept its benchmark rate constant at 1.0 % during 2010. But it decided early in the year to let some of the special liquidity-generating measures it took during the crisis to gradually expire. This decision applied in particular to 12- and six-month tenders that were not replaced upon maturity. During the European government-debt crisis, the ECB found it necessary to discontinue other exit measures from its very expansive monetary policies. As a result, it decided to continue the distribution of all tenders for the remaining refinancing business through the end of the year. For the first time, it also began in May 2010 to buy government bonds of euro zone members in order to ensure that markets remained functional. The partial withdrawal of special monetary actions drove up money market rates in the euro zone. For instance, the three-month Euribor, which was well below the main refinancing rate in the first half of 2010, had risen to 1.0 % by year's end.

Trends in capital market rates in the euro zone were dominated well into the summer months by the zone's government-debt crisis, resulting in a "flight to quality." As a result, yields of 10-year German bunds fell from about 3.4 % at the beginning of the year to a historic low of 2.1 % in August. The improved outlook for the global economy lifted yields at the end of the year. In 2010, yields of German bunds fell by more than 0.4 percentage points to nearly 3 %. The yields of 10-year U.S. Treasuries fell by more than 0.4 percentage points to about 3.3 % during the same period. As a result, the yield curve in both the euro zone and the United States became somewhat flatter.

Economic trends and the European government-debt crisis were the driving forces on foreign exchange markets as well. As the economy quickly picked up steam in the first months of the year, the U.S. dollar strengthened against the euro, and the intensification of the euro zone's debt crisis exerted further downward pressure on the currency. Beginning the year at a rate of more than $1.43, the euro hit a low for the year of nearly $1.20 by June. A temporary easing of the debt crisis and, above all, fears of a double-dip recession in the United States then applied pressure to the dollar. The euro climbed to a rate of more than $1.40 in the fall before it headed down once again. By the end of the year, the euro stood at about $1.34, 6.7 % below its rate at the end of the previous year.

The markets developed differently from the expectations we expressed in last year's Annual Report. We assumed that interest rates would rise slightly and that capital market rates would increase moderately in the euro zone during 2010. On the other hand, we correctly forecast that the yield curve would flatten slightly.

Sector situation

In 2010, the direct impact of the global financial crisis that began in mid-2007 moved far into the background. Around the world, financial institutions reported a relatively low total of writedowns, impairments and losses on problematic assets for 2010. On the other hand, the indirect impact of the crisis continued to be extensively felt. In the United States alone, 157 banks declared bankruptcy during the reporting year, more than the 140 institutions that collapsed in 2009. To the general public, the debt crisis experienced by the so-called periphery countries of the euro zone emerged as a critical factor. Default insurance for the bonds issued by these countries climbed substantially in 2010. The related decreases in the prices of various bonds may have had a significant negative impact at times on the trading books of some financial institutions.

Since the turn of the year 2010/2011, the German Financial Market Stabilization Fund has given no additional support to credit institutions. But it continues to exert control over existing stabilization support. In the fourth quarter, the guarantees extended by the fund decreased significantly – as planned – from €174.6 billion at the end of the third quarter to €63.7 billion as of December 31, 2010. The reason for this drop was the planned reduction in guarantees by Hypo Real Estate's bad bank. On the other hand, the amount of capital support remained unchanged in the fourth quarter at €29.3 billion. The total amount of outstanding stabilization support fell from €203.9 billion to €93.0 billion.

The three-pillar structure of the German banking market, consisting of private banks, savings banks and cooperative banks, remained largely unchanged. A change did occur in the group of private banks. Following the expiration of its mandatory offer to shareholders of Deutsche Postbank, Deutsche Bank AG now holds more than 50 % of Postbank's stock and has thus become its majority shareholder. In mid-December 2010, U.S. anti-trust officials approved the takeover. Merger talks between BayernLB and WestLB collapsed. The EU has given WestLB additional time to restructure itself and to sell the subsidiary WestImmo.

In analyzing business developments of German banks, we considered – as we have done in previous quarters – the four banks listed in Deutsche Börse's Prime Standard. We have compared the banks' results for the period of January through September 2010 with those of the previous year's levels. One positive finding was that all banks generated net income both in operating terms and after taxes. The majority of the banks improved their return on equity after taxes and lowered their cost/income ratio. A comparison of individual income statement items confirmed these generally positive trends. All of the banks we analyzed increased their net interest income both before and after making additions for allowances for losses on loans and advances. In the process, the majority of the banks were able to significantly reduce their allowances for losses on loans and advances. They profited from the economy's good performance and the related improvement in the credit ratings of their loan customers as well as from the steepness of the yield curve. A majority of the banks faced rising administrative expenses, but the increases were generally in the range of low single-figure percentages. Both for the fourth quarter and for the entire year, nearly all lending institutions saw the price of their stock fall. As a result, they significantly underperformed the DAX, which rose by 11 % in the fourth quarter and by 16.1 % for the year. The price of all four banks' stocks remained well below their pre-crisis level in mid-2007.

Significant events at Postbank in 2010

February 25: The Postbank Group announced its business results for 2009, concluding the year with a consolidated net profit of €76 million.

March 24: Postbank successfully issued its fourth mortgage *Pfandbrief* with a volume of €1 billion.

April 29: The Annual General Meeting of Postbank was held in Frankfurt am Main. All motions were approved by large majorities.

June 22: Postbank announced that it would acquire 277 retail outlets of Deutsche Post as of July 1, 2010, as part of its strategy program Postbank4Future.

September 12: Deutsche Bank AG announced a voluntary public takeover offer to Postbank shareholders of the free float, combined with the goal of consolidating Postbank in 2010.

October 7: Deutsche Bank released documents concerning the takeover offer for Postbank. The offer period began on October 7, 2010, and ended – following a two-week extension – at midnight on November 24, 2010. The price of the offer was €25.00 per Postbank share. This price corresponded to the average three-month price calculated by the German Federal Financial Supervisory Authority (BaFin) for the appointed date of September 11, 2010.

November 29: Deutsche Bank announced that the voluntary public offer was accepted for a total of 23,080,965 Postbank shares, which corresponded to about 22.02 % of share capital and voting rights at Postbank.

December 1: Postbank announced the sale of its Indian subsidiary Deutsche Postbank Home Finance Ltd. to a buyer consortium led by Dewan Housing Finance Ltd. The transaction is expected to be closed during the first quarter of 2011 and is still subject to approval by the Indian regulatory body National Housing Bank.

December 10: Deutsche Bank AG announced that U.S. anti-trust officials had approved the takeover of Deutsche Postbank AG. Its stake in Postbank now totaled 51.98 %.

On the same day, Deutsche Bank also announced that the consolidation of Postbank's accounts would take effect as of the settlement date of December 3, 2010.

December 17: The Supervisory Board appointed Rainer Neske as its Chairman effective January 1, 2011.

Postbank's investment focus in 2010

In 2010, Postbank began to divide its investments into the areas of business development, legal requirements and life cycle.

Our "business development" investments are those we make as part of the "Postbank4Future" strategy program to further expand sales channels and customer service systems. Noteworthy investments here included the acquisition of 277 retail outlets from Deutsche Post AG in July 2010 that was initiated to secure and increase Postbank's range of financial services, the expansion of the bank's network of automated teller machines and the installation of multi-functional devices in bank branches. In the Transaction Banking business division, we invested in the technical and operational integration of payment transaction processing for the new customer HSH Nordbank.

The investments we made to implement legal requirements focused on the Consumer Credit Directive, the introduction of SEPA direct debit, modifications related to the flat tax, and standardized consent to receive advertising. In addition, steps to implement the *Bilanzrechtsmodernisierungsgesetz* (BilMoG – German Accounting Modernization Act) were concluded.

Our life cycle investments were directed at software and systems. In August 2010, the release change of core IT systems to the latest SAP version of Banking Services 6.0 was carried out.

In 2010, Postbank also invested in the optimization of its processes and systems as part of the Bank's strategic program. Among other things, the investments were made in improvements to the infrastructure of risk management – particularly the attainment of AMA (Advanced Measurement Approach for the determination of operational risk) and of A-IRBA (an advanced internal approach to determine credit risks) to reduce risk-weighted assets and, thus, improve the capital ratio – in the introduction of lean banking processes and in the optimization of the complaint process.

I Net Assets, Financial Position, and Results of Operations

Income Statement

In fiscal year 2010, Postbank generated profit before tax of €315 million, thus returning to significant profitability following losses in the past two years.

This turnaround is primarily due to substantial growth in total income, which increased by a total of around 23% year-on-year. On the one hand, a decline in negative effects from the Bank's risk positions and, on the other, a significant increase in net interest income from the customer business were responsible for this positive development. The strict cost discipline contributed to the fact that administrative expenses only grew very moderately, despite various non-recurring expenses, for example for the implementation of programs to increase efficiency. The allowance for losses on loans and advances declined noticeably compared with the previous year and was at the lower end of our expectations. As a result, profit increased by €713 million as against fiscal year 2009, when the Bank had recorded a loss of €398 million.

Postbank's customer business also performed well in the past fiscal year and contributed to the noticeable improvement in the earnings situation. This can be seen, among other things, in the encouraging growth in portfolio volumes, in particular in deposits. Customer deposits amounted to a total of €116.2 billion, up €5.1 billion as compared to December 31, 2009. Postbank also saw a slight improvement in the customer lending business. At €109.3 billion, customer loans were up €0.3 billion year-on-year. Our lending business focuses on private mortgage lending, whose self-generated volume increased by €1.4 billion to €67.2 billion. Value contributions also developed positively in 2010; these take not only growth in volumes into account, but also the profitability of the lending and deposit business in present value terms. Overall, Postbank therefore achieved a significant turnaround in 2010. Furthermore, important cornerstones of the Postbank4Future strategy program, which was established in 2009, were implemented, such as the acquisition of additional Deutsche Post retail outlets. The Bank thus further strengthened its market position in Germany and gained market share.

Unless otherwise stated, the following comments on individual income statement items relate to the comparison with the adjusted figures for fiscal year 2009.

Net interest income

At €2,731 million as of December 31, 2010, net interest income rose by 13.6% year-on-year. This trend, which was clearly in excess of our expectations, is due among other things to good volume and margin growth in our customer business and is also a result of the realignment of interest expenses with market levels. However, the continued low-level interest rates represent a challenge for deposit-rich banks such as Postbank, and could also not be offset by the comparatively steep yield curve. Pressure on margins was continuing, in particular in the area of demand deposits and home savings deposits. The significant decline in our portfolio of investment securities and a loss on hedges (€–26 million following €–5 million in the previous year) also impacted net interest income compared with the previous year.

In the fourth quarter of the past fiscal year, net interest income of €664 million was, as we expected, nearly at the level of the first and second quarter of 2010. Net interest income amounting to €721 million in the third quarter was higher than would otherwise have been the case due to a number of non-recurring factors, such as higher interest income from impaired receivables (unwinding in accordance with IAS 39) and increased net gains on hedges.

Net trading income

Net trading income amounted to €–241 million in 2010, following €–498 million in the prior-year period. Losses on embedded derivatives in the structured credit substitution business (SCPs) are recorded in this item of the income statement. While Postbank's underlying net trading income, which is a result among other things of hedging transactions, for example for currency hedges, was positive, the measurement losses on embedded derivatives led to overall negative net trading income. However, the negative effects from these items declined significantly year-on-year from €–652 million to €–322 million, as we had expected. Another factor that contributed to the improvement in net trading income was the increase in net remeasurement gains from application of the fair value option, which we use at our subsidiary BHW for interest rate hedging of mortgage loan portfolios, by €41 million to €21 million.

Net income from investment securities

In fiscal year 2010, net income from investment securities of €–1 million was almost neutral, after amounting to €–148 million in the previous year. Net income from investment securities contains impairment losses amounting to €–33 million on the structured credit substitution business. The loss for the prior-year period was €–97 million. In the risk positions of other fixed-income securities and the retail funds and investments still held in our portfolio, impairment losses of €–14 million (previous year: impairment losses of €–170 million) and income from sales amounting to €–7 million (previous year: €0 million) were recognized.

As part of our program to scale back our capital market investments and our exposure to the associated risks, which we launched in the third quarter of 2008, we have now reduced investment securities by 27.4 % to €59 billion by active selling and allowing portfolios to mature. €13.4 billion of this figure relates to the past fiscal year. Net income from sales amounted to a total of €46 million in fiscal year 2010 (previous year: €114 million). Of this figure, €–51 million is attributable to the structured credit portfolio.

The total negative effects from risk positions recorded in net trading income and net income from investment securities fell from €–919 million in fiscal year 2009 to €–427 million in the past year, making a significant contribution to the improvement in profit before tax.

Net fee and commission income

In addition to income from the traditional banking business, net fee and commission income is also generated in the Transaction Banking segment and by the provision of postal and new services in our branches. Total net fee and commission income amounted to €1,316 million as of December 31, 2010, a slight drop of 1.6 % as against the prior-year period. This development is primarily due to a structural decline in income from the postal business in our branches. By contrast, at €678 million, net fee and commission income from the banking business nearly reached the prior-year level of €685 million. As part of an initiative in the Postbank4Future strategy program, we reduced the minimum limit for incoming payments for our free checking account at the beginning of the second quarter of 2010, which is leading to a decline in fee and commission income in this product area. We expect this measure to increase the attractiveness of this product, thus leading to increased use of this offering.

At €339 million, net fee and commission income in the last quarter increased significantly compared with the two previous quarters due in particular to an increase in the securities and insurance business, thus matching the positive level of the first quarter of 2010 (€343 million).

Total income

Total income rose by a considerable 22.9 % and amounted to €3,805 million, after €3,097 million in the prior-year period.

Allowances for losses on loans and advances

The allowance for losses on loans and advances amounted to €561 million in fiscal year 2010, a significant drop as against the figure of €678 million for the previous year. The need to recognize allowances for losses on loans and advances dropped noticeably in the course of the fiscal year, with the allowance for losses on loans and advances amounting to €246 million in the second half of 2010. It had been €315 in the first half of the year. The trend in the retail banking business was largely stable compared with the previous year, although we increased additions for private mortgage lending by further tightening our methodologies as part of the portfolio review on the one hand. On the other, our checking account and installment credit business, for example benefited from positive economic growth and the associated encouraging situation on the labor market. In the commercial lending business, the need to make net additions to the allowance for losses on loans and advances declined noticeably year-on-year, in particular in the commercial real estate finance business. The positive economic performance, in particular in Germany, is also reflected here in the improved credit quality.

Expressed in terms of the average overall loan portfolio, there was an addition ratio of around 50 basis points. This ratio is at the lower end of the range of 50 to 60 basis points that we expected for 2010 and well below last year's 63 basis points. Due to the high proportion of highly collateralized German private mortgage loans, Postbank's need for allowances for losses on loans and advances is well below the average for European banks.

Administrative expenses

Administrative expenses rose slightly by €70 million or 2.4 % as against the previous year to €2,934 million. In this context, it should be noted that the higher structural expenses of €27 million resulting from the acquisition of 277 former Deutsche Post retail outlets at the beginning of the third quarter of 2010 and the recognition of staff-related provisions as part of the Postbank4Future strategy program amounting to €58 million (of which €30 million relate to the fourth quarter) have already been included in this figure. In addition, particularly in the fourth quarter of 2010, higher project costs especially for implementing regulatory requirements impacted the otherwise positive development of administration expenses.

Staff costs increased moderately by €36 million to €1,442 million. Adjusted for non-recurring factors from the recognition of staff-related provisions (previous year: €30 million), there would have been a slight increase of €8 million. Other administrative expenses amounted to €1,344 million following €1,295 million in the prior-year period. A significant proportion of the increase (€27 million) is due to the acquisition of additional retail outlets in mid-2010.

The underlying overall stable trend in administrative expenses demonstrates the success of Postbank's ongoing strict cost management, which is a key focus of our Postbank4Future strategy program.

Other income

Net other income and expenses amounted to €5 million, following €47 million in the previous year. The main reason for this decline is the increase in reduced liabilities from silent participations and certain profit participation rights in the fourth quarter of 2010 amounting to €42 million due to the loss participation in the previous years. We generated positive effects of €11 million in the fourth quarter from the partial return of a securitization transaction.

Profit/loss

Profit before tax amounted to €315 million, compared with a loss before tax of €–398 million in the prior-year period.

Income taxes amounted to €–176 million and were affected by a non-recurring effect of €–94 million in the fourth quarter due to Postbank's initial consolidation in the Deutsche Bank Group. The acquisition of the majority interest by Deutsche Bank extends the period until the full availability of tax carryforwards, resulting in a reduction in tax assets eligible for recognition. We expect to be able to utilize the tax assets that are no longer recognized at a later date.

In the prior-year period, there were positive effects in income taxes as a result of the reversal of deferred taxes, among other things.

Consolidated net profit therefore amounted to €138 million, following €76 million in the previous year.

Due to the positive changes in the present values of the positions held in the revaluation reserve, the total comprehensive income required to be reported under IFRSs that is not recognized directly in the income statement amounting to €376 million was also up on the previous year's figure (€298 million).

Earnings per share were €0.63 (previous year: €0.35). The return on equity before tax amounted to 5.7 % as compared to – 7.8 % in the previous year. The cost/income ratio was 77.1 % (92.5 % in 2009).

Segment Reporting

At the moment, Postbank is preparing thoroughly revised segment reporting that will further increase transparency on the development of the individual business divisions. The new segment reporting is due to be introduced in the first quarter of 2011.

120 141

The following comments relate to the adjusted figures for the previous year (see also Notes 6 and 42).

Retail Banking

In the Retail Banking segment, profit before tax rose significantly by 25.1 % to €897 million, due in particular to growing portfolio volumes and value-driven new business management in the customer business.

Net interest income was a key growth driver. It increased significantly by 11.8 % to €2,393 million. This development was due to a continuous adjustment of the interest expense to reflect short-term market interest rates, which declined significantly as against the beginning of 2009, coupled with an increased deposit volume. On the assets side, the more value-driven management of the lending business that was introduced at the beginning of 2010 made a positive contribution. Both developments led to a continuous increase in net interest income in the course of 2010, which was also consistently above the level for the prior-year quarters.

Net trading income for this segment is not related to customer business and arises only at our BHW Bausparkasse AG subsidiary, which uses the fair value option to hedge against interest rate risks in its mortgage lending portfolios. Portfolio measurement changes are recognized in the income statement and were the main reason for the €36 million increase in net trading income in the Retail Banking segment to €4 million.

Net fee and commission income declined by 2.8 % to €1,082 million. This development is due, among other things, to a structural decline in income from the postal business as part of the cooperation with Deutsche Post. In addition, we reduced the minimum limits for incoming payments for our free checking account in order to expand the target group. This was accompanied by a reduction in net fee and commission income from this product area. The acquisition of a further 277 Deutsche Post retail outlets at the beginning of the third quarter of 2010 generated positive momentum. Not least as a result of this measure, net fee and commission income rose slightly in the fourth quarter as against the second and third quarters and amounted to €279 million.

The segment's total income rose by 7.8 % or €251 million in 2010 to €3,473 million.

At €2,232 million, administrative expenses for the Retail Banking segment were up €43 million on the prior-year level. It should be considered that the administrative expenses will increase structurally by €60 million to €70 million per year as a result of the above-mentioned acquisition of a further 277 retail outlets. €27 million was incurred since the acquisition of the retail outlets on July 1, 2010. Furthermore, as part of our Postbank4Future strategy program, staff-related provisions amounting to €24 million were included in the administrative expenses, which will be used in the coming years to leverage efficiency potential.

Postbank has a comparatively high quality of loans in the retail banking business because the lending business focuses on private mortgage lending with an extremely granular and highly collateralized portfolio. In addition, the positive economic performance in Germany supported credit quality, particularly in the area of installment loans and overdraft facilities, with a result that the allowance for losses on loans and advances only increased by 2.9 % year-on-year to €355 million.

Net other income and expenses fell by €18 million to €11 million, largely a result of the recognition or reversal of provisions recognized by the subsidiaries assigned to the segment.

The cost/income ratio in the Retail Banking segment thus improved by 3.6 percentage points to 64.3 % in 2010, and the return on equity before tax also rose from 32.5% in 2009 to 39.4 % in the year under review.

Corporate Banking

The Corporate Banking segment also recorded a significant improvement. Profit before tax climbed to €382 million, an increase of €413 million. The main reasons for this strong turnaround are growth in operating income, a decline in the allowance for losses on loans and advances, and the steady decline in the impact of the structured credit product portfolio that is partially allocated to this segment.

As a result of higher business volumes and increased profitability of new business, among other things, the segment's net interest income grew significantly by 28.9 % or €157 million to €700 million. Another factor in this increase is higher interest income from impaired assets (unwinding in accordance with IAS 39). These effects amounted to €92 million, following €15 million in the previous year.

Taken together, net trading income and net income from investment securities improved significantly by €145 million to €– 46 million, due mainly to the decline in negative effects from structured credit products. In net income from investment securities, the loss narrowed by 35.3 % or €18 million to €– 33 million. Net trading income, which amounted to €– 13 million following €–140 million, showed an even more positive performance. The negative effects resulting from the structured credit portfolio contained in the two items fell from €– 157 million to €– 41 million. Net gains/losses on other securities amounted to €+2 million following €–50 million in the previous year.

Net fee and commission income rose slightly by €4 million to €108 million. Total income in the Corporate Banking segment therefore increased by 67.1 % or €306 million to €762 million.

At €217 million, the allowance for losses on loans and advances recorded a significant decline in the Corporate Banking segment in 2010 compared with the figure of €300 million for the previous year. Overall, we benefited from the positive development in the German economy in 2010 and a slight improvement in the situation on foreign real estate markets, which led to a decline in the allowance for losses on loans and advances in the second half of the year in particular. The allowance for losses on loans and advances was therefore in line with our expectations, but still remained higher than the pre-crisis level.

Administrative expenses declined by €13 million to €172 million and therefore also contribute to the improvement in profit before tax.

The cost/income ratio improved accordingly from 40.6 % to 22.6 % in 2010, while the return on equity before tax rose to 65.2 % following – 5.7%.

Transaction Banking

Profit before tax in the Transaction Banking segment improved by 56.4 % or €22 million, climbing to €61 million.

At €349 million, net fee and commission income was stable at the prior-year level. By contrast, revenue from the supply of intragroup project services increased substantially, lifting other income by €13 million to €19 million.

Administrative expenses declined by €9 million to €308 million. This is a result of both our strict cost discipline and low non-recurring expenses for the recognition of staff-related provisions.

The segment's cost/income ratio therefore improved from 90.6 % in 2009 to 88.0 % in 2010.

In this segment, we expect the integration of HSH Nordbank – a new customer acquired in 2009 – to generate positive momentum for net fee and commission income in the next few years as well. At the same time, we are losing an important customer relationship in 2011 due to the integration within Commerzbank of the payment transactions that we previously handled for Dresdner Bank.

Financial Markets

Profit before tax in the Financial Markets segment increased significantly by 41.7 % to €85 million. This is a result in particular of the clear decline in negative effects from the risk positions relating to this segment which had significantly influenced last year's figures.

The segment's net interest income declined by €46 million to €79 million. This is primarily a result of the decline in the contribution by the PBI Luxembourg subsidiary which is partially allocated to this segment. The company had recorded a sharp rise in net interest income at the beginning of 2009 due to the significant decline in short-term interest rates. This trend returned to normal in the subsequent quarters and in 2010.

By contrast, we recorded an increase of €13 million in net trading income to €60 million. Net loss from investment securities nearly halved from €– 21 million to €– 11 million. The result of these two earnings line items includes effects from the structured credit portfolio amounting to €– 10 million, €– 8 million of which relates to net trading income and a further €– 2 million to net income from investment securities. In the prior year, effects of €– 34 million were recognized, of which €– 30 million related to net trading income and €– 4 million to net income from investment securities. In addition, value adjustments and income from the sale of securities of €+1 million were recognized in the year under review (previous year: €– 20 million).

At €11 million, the allowance for losses on loans and advances was positive (previous year: €– 33 million), which is a result of the development recorded at the PBI Luxembourg subsidiary referred to above.

Administrative expenses declined by €3 million to €87 million.

The cost/income ratio amounted to 54.7 % following 50.6 % in the previous year. The return on equity before tax rose from 8.1 % to 10.5 %.

Others

The net loss of the Others segment improved by €73 million to €–1,110 million in 2010. 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 €43 million to €–449 million. The negative figure 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 €81 million to €–291 million in 2010. Of this figure, €–286 million relates to the measurement of embedded derivatives contained in structured credit products (previous year: €–468 million), of which €–92 million relates to the fourth quarter of 2010. In addition, impairments on guaranteed promissory note loans of €–31 million (previous year: €+33 million) were recognized in 2010. Gains of €31 million from asset/liability management (previous year: €100 million) arising from the use of derivative financial instruments had a positive effect.

Net income from investment securities for the segment rose by €125 million to €49 million, which is a result among other things of lower impairment losses and amounts realized on structured credit products of €–68 million (previous year: €–90 million), of which €–43 million relates to the fourth quarter of 2010. €–18 million relates to impairment losses on and sales of other debt instruments and retail funds (previous year: €–96 million, fourth quarter of 2010: €0 million).

The segment's net fee and commission income improved by €31 million to €–11 million.

The segment's administrative expenses include corporate function costs of €–313 million that cannot be directly allocated to the operating segments (previous year: €–272 million) as well as IT and other service expenses of €–423 million (previous year: €–424 million), some of which are charged on to the operating segments and credited to other income in the Others segment. Total administrative expenses in the Others segment amounted to €959 million (a year-on-year increase of €95 million). Of this figure, €30 million relates to the recognition of staff-related provisions.

Net other income and expenses amounted to €551 million, a year-on-year decline of €26 million. Of this figure, €–46 million is attributable to loss participation (€–42 million in 2010 and €+4 million in 2009) and €+11 million to the partial return of a securitization transaction.

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 €–243 million in 2010 compared with €–213 million in the previous year.

Additionally, consolidation adjustments made within administrative expenses amounted to €824 million (previous year: €781 million). These are 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 that 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 €214.7 billion, a decrease of approximately €11.9 billion compared with December 31, 2009. In a year-on-year comparison, on the assets side of the balance sheet the portfolio of investment securities was substantially further reduced by €13.4 billion or 18.5 % to €59.0 billion as part of our program to scale back our capital market investments and our exposure to the associated risks. On the liabilities side, we expanded amounts due to customers by €4.5 billion to €136.5 billion, while deposits from other banks declined significantly by almost €17 billion.

Loans and advances to customers

The portfolio of loans and advances to customers, which also includes securitized assets such as promissory note loans, grew slightly by €0.8 billion during the course of 2010 to €111.8 billion. Private mortgage lending recorded a year-on-year increase of €0.2 billion to €70.5 billion. This figure includes a greater reduction of the mortgage lending portfolios purchased during the past. By contrast, self-generated mortgage lending rose by 2.1 % to €67.2 billion. The installment loan business was also expanded by €0.3 billion or 8.3 % to €3.9 billion. At €30.3 billion, the commercial lending business remained largely stable at the level of the previous year's reporting date.

Money and capital market investments

The improved balance sheet structure was reflected in particular in Postbank's money and capital market investments, comprising investment securities, trading assets, and loans and advances to other banks. We achieved a considerable year-on-year reduction in these items by €12.0 billion or 11.2 % to €95.3 billion.

Trading assets increased by 18.0 % to €24.2 billion. However, this was due in particular to a change in the positive fair values of trading book derivatives, which increased owing to the significantly lower long-term interest rates in 2010 as against 2009 and led to offsetting developments on the liabilities side.

Loans and advances to other banks declined by €2.4 billion or 16.1 % year-on-year to €12.1 billion.

In line with our strategy, investment securities also decreased by €13.4 billion or 18.5 % to €59.0 billion compared with the end of the previous year. Investment securities include an appreciable portfolio of highly liquid securities that we hold as a liquidity reserve.

Amounts due to customers

Amounts due to customers grew by €4.5 billion or 3.4 % to €136.5 billion. The savings business, which was very successful in 2010, made a particular contribution to this: Savings deposits increased to €50.4 billion, up €1.3 billion on the figure at the end of 2009. Home savings deposits also increased and amounted to €17.2 billion (previous year: €16.3 billion).

Total customer deposits amounted to €116.2 billion at the end of 2010. This means that Postbank can largely avoid uncovered refinancing on the capital markets and makes a significant contribution to distinguishing Postbank's business model from those of other providers in Germany and Europe in terms of the Bank's liquidity position.

Money and capital market liabilities

Money and capital market liabilities, comprising deposits from other banks, debt securities in issue, and trading liabilities, fell by 21.7% or €17.0 billion to €61.5 billion in line with the change in the 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 43.0% to €22.4 billion. Debt securities in issue fell by €3.8 billion to €12.9 billion in 2010. Due to the Bank's positive liquidity situation, we only implemented one *Pfandbrief* issue in 2010. Nevertheless, this source of refinancing represents an important component of the Bank's refinancing mix.

As already described under trading assets, the 17.0% growth in trading liabilities to €26.2 billion was largely attributable to changes in market interest rates in 2010.

Equity

In fiscal year 2010, recognized capital increased to €5,627 million compared with €5,251 million at the end of 2009. The factors contributing to this improvement were the full retention of the consolidated net profit, and specifically the revaluation reserve contained therein, which improved by €229 million to €–273 million since the end of 2009.

The Postbank Group's Tier 1 ratio was 8.1% following 6.6% (including market risk) at year-end 2009 and 8.0% as of September 30, 2010. The significant year-on-year increase in the Tier 1 ratio is due among other things to the introduction of preprocessing to net out economically offsetting interest rate positions, which was implemented in the first quarter of 2010 to measure market risk positions more exactly. In addition, the capital requirements in the operational risk area were reduced by the introduction of the Advanced Measurement Approach (AMA), the use of which was approved by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Federal Financial Supervisory Authority) as of December 31, 2010. Furthermore, significant progress in reducing the Bank's risk positions contributed to this positive development.

Overall, the measures introduced and implemented by Postbank during the course of the financial market crisis to strengthen its capital position and improve its risk profile have played an important role in stabilizing and increasing the Tier 1 capital ratio. The activities will also be continued in the coming periods. For example, Postbank intends to further reduce capital market risk and portfolios. Furthermore, the Bank expects a further increase in its capital ratios by introducing additional advanced measurement models to calculate risk-weighted assets and by retaining profits.

Details on the expected effects in Basel III can be found on page 96 in the Report on Expected Developments.

96

Due to its consolidation by Deutsche Bank AG for supervisory law purposes, Deutsche Postbank AG is no longer the parent of a group of institutions for supervisory law purposes and is now Deutsche Bank AG's subordinate institution; the Postbank Group no longer constitutes a group of institutions by itself. Therefore, Deutsche Postbank AG and BHW Bausparkasse AG no longer fulfill the criteria for the application of the waiver in accordance with section 2a(1) and (6) of the *Kreditwesengesetz* (KWG – German Banking Act), meaning that both companies must again comply with the provisions of section 10 of the KWG and sections 13 and 13a of the KWG at the level of the individual institution. For this reason, both institutions prepare separate notifications as of the December 31, 2010 reporting date, while Deutsche Postbank AG is also subject to other notification requirements (e.g., in accordance with section 10a(14) of the KWG).

Report on Post-Balance Sheet Date Events

Dr. Hugo Bänziger was appointed to the Supervisory Board of Postbank effective February 1, 2011. On February 9, 2011, the Supervisory Board of Deutsche Postbank AG appointed Hanns-Peter Storr as a new member of the Management Board. He will assume the Chief Risk Officer (CRO) function from March 1, 2011. There were no further events subject to reporting requirements from December 31, 2010 until the preparation of the consolidated financial statements by the Management Board on February 22, 2011.

Risk Report

Summary overview of risk exposure

Following the recovery in the real economy in 2009 and 2010, the effects of the financial market crisis spread to the eurozone countries in 2010. Although 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 eurozone countries. Risk premiums on government bonds from the eurozone periphery increased substantially in 2010. The Bank expects that uncertainty regarding the long-term credit quality of peripheral eurozone countries will persist in 2011, but that the economy will continue to recover regardless.

Overall bank risk

Risks entered into are regularly identified, measured, monitored, and mitigated as part of the ICAAP (Internal Capital Adequacy Assessment Process), and are included in the overall management of the Bank in the context of the assessment of the Bank's risk-bearing capacity. Group limits for market, credit, and operational risks were consistently complied with in 2010. The Group's risk-bearing capacity was ensured at all times.

Postbank's risk profile changed only marginally as against the previous year. Market risk essentially remained at 2009 closing-date levels despite the decline in investment security holdings and a clear reduction in asset-side interest rate positions, due to the resurgence in volatility. The allowance for losses on loans and advances largely takes account of the extreme impact of the financial crisis, while the structure of the Retail Banking portfolio hardly changed.

No risks that could impair the Postbank Group's development or even jeopardize its existence as a going concern were or are discernible among the risk types identified below.

Credit risk

The allowance for losses on loans and advances declined significantly year-on-year in 2010, and was towards the lower end of the forecast planning range of 50 to 60 basis points. From a strategic perspective, portfolio management continues to take priority over the acquisition of new business. In particular, Postbank is applying especially conservative standards to new commercial real estate finance business in markets that remain exposed to risks.

The notional volume of the structured credit product portfolio (SCP portfolio) declined substantially, falling from €5.8 billion as at year-end 2009 to €3.7 billion in 2010 due to repayments, sales, and exchange rate effects.

We currently see no acute default risks with regard to developments in the situation in Greece, Ireland, Portugal, Spain, and Italy, but are keeping a particularly close watch on developments.

Market risk

The average value at risk for trading book and banking book holdings in 2010 was significantly lower than in the previous year. This is due in particular to the successive reduction in investment securities. Nevertheless, overall VaR for the Postbank Group's market risk positions fluctuated substantially in the course of the year under review due to the resurgence in volatility, especially with respect to government spreads. Consequently, year-end VaR was only slightly below the figure for the prior-year closing date. Holdings of peripheral eurozone bonds remained subject to particular fluctuations in fair value, which had a knock-on effect on their present values. Market liquidity improved slightly.

Liquidity risk

Postbank's liquidity situation remains sound due to its stable refinancing basis in the form of customer deposits, which recorded a further increase in 2010, and its extensive holdings of ECB-eligible securities.

Risk management projects

The impact of the financial market crisis on Postbank's financial position and the reviews of its risk management organization and processes have led Postbank to launch and systematically pursue a comprehensive program designed to improve and enhance the efficiency of its risk management organization and processes. Project activities, further parts of which will also be implemented in fiscal year 2011, range from overarching topics such as risk-bearing capacity and risk governance down to credit, market, and operational risks in particular.

One focus of project work in 2010 was on enhancing credit processes – flanked by investment in a substantially improved IT environment. Work on the (sub)projects has largely been completed. Additional IT infrastructure projects are planned for 2011. Moreover, the Bank is planning to implement the requirements of the revised version of the MaRisk (Minimum Requirements for Risk Management) dated December 15, 2010 by the end of 2011 in the course of the ongoing projects.

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

Organization of risk management

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 and capital profile, its risk strategy, its risk-bearing capacity concept, and the appropriate organization of risk management, as well as 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, the Group's risk strategy is consistent with its 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 the risk strategies 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.

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:

Composition and tasks of the Risk Committees

	Bank Risk Committee	Credit Risk Committee	Market Risk Committee	Operational Risk Committee
Members of the Management Board / Executive Managers	Finance Resources/Lending Financial Markets Retail IT/Operations Chief Risk Officer	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 quarterly	At least monthly	Half-yearly
Tasks	Advise the Management Board with respect to: Risk appetite (economic, regulatory) Risk Strategies and risk profile Allocation of risk capital Measures to limit and manage Bank-wide risk positions	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

In 2010, Postbank established a Bank Risk Committee, which assists the Management Board in Group-wide risk management and in particular in determining risk appetite, risk allocation, and the related earnings targets. The Bank Risk Committee is the recipient of the Bank-wide risk report.

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 risks. 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. The Chief Risk Officer (CRO) is a voting member of the risk committees (Bank Risk Committee, Credit Risk Committee, Market Risk Committee, and Operational Risk Committee).

Centralized risk monitoring and management

In 2010, the structure of the CRO departments was enhanced and aligned even more closely with the risk types and overarching management functions. The goal is to improve the convergence of process definitions and monitoring functions across the various risk types.

The CRO is responsible throughout the Group for risk monitoring and risk management 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 Analysis and Market Risk Controlling, and Credit Risk Management units. These all form part of the Group Management board department.

The Risk Management unit is continuing to expand overall Bank risk management and its integration with the finance function, reporting, and Group-wide monitoring of operational risk. The goal is to optimize economic capital and risk allocation for the entire Bank based on the reports and data provided by the Risk Analysis and Market Risk Controlling, Credit Risk Management, Group Controlling, Reporting, and Operational Risk units. The management tools necessary for this are constantly enhanced. The unit provides support for the Bank Risk Committee and the Operational Risk Committee. Other important activities included analyses of and recommendations on credit and market risk management – including within the Bank Risk Committee – as well as analyses of and recommendations on operational risks, and the implementation of Bank-wide stress tests.

The Risk Analysis and Market Risk Controlling unit is responsible on the one hand for day-to-day risk monitoring and reporting of the Postbank Group's market and liquidity risks, and on the other for subject-specific coordination for the Market Risk Committee, which meets at least once a month. In addition, monthly and/or quarterly analyses are performed of business, real estate, investment, and collective risks, and of the Bank's risk-bearing capacity. The Risk Analysis unit has overall methodological responsibility for all risk quantification methods and models used in the Postbank Group. One key focus here is on responsibility for all rating and scoring methods in use at the Postbank Group.

The Credit Risk Management unit 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. The MaRisk and the requirements of the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation) are the authoritative texts in this context, in addition to the internal management specifications. In addition, the unit is responsible for the credit risk limit monitoring, reporting, analysis, and portfolio management functions, as well as providing support for the Credit Risk Committee and coordinating the risk provisioning process. It also establishes the value of real estate that has been furnished as collateral, under the leadership of the Real Estate Valuation unit.

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 these are Financial Markets, the Credit Management Domestic/International units, 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 risks at the operational level. To this end, it is broken down into the Treasury and Liquidity/Capital Management departments, and the Chief Operating Office. The Treasury department manages interest rate risk, equity risk, currency risk, and spread risk. The Liquidity/Capital 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.

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

New developments in risk management

In addition to the enhancement of the CRO structure, there were other major organizational changes during the year under review. The methods, systems, and processes discussed in this Annual Report, and the reporting system that builds on them, are subject to continuous review and enhancement in order to meet market, business, and regulatory requirements. Independent of this, the Group Management Board entrusted the CRO with drawing up improvements to risk management that were implemented in fiscal year 2010 and will continue throughout 2011 in the context of a new risk governance concept.

This involves in particular risk-adjusted earnings management by the relevant bodies at Postbank, based on an enhanced concept for the management of the Bank as a whole and of its risk capital. In line with this, Postbank set up a project in 2010 to revise its risk-bearing capacity concept with particular reference to the calculation of the risk cover amount and the utilization of risk capital in the management of the Bank as a whole. The details of the risk-bearing capacity concept are given in the sections entitled "Risk-bearing capacity" and "Risk capital" in the "Overarching risk management" chapter.

Four large-scale projects were set up in the areas of credit risk management and monitoring to refine the models and processes in the retail and non-retail lending business. These focused on the validation and, where necessary, the (re)calibration of existing rating models, the modification in specific areas of other rating models, process improvements across the entire credit process from early warning through restructuring down to the optimization of the risk provisioning process, the revision of the entire written instructions ("schriftlich fixierte Ordnung" – SFO), the revision of the model change policy, the establishment of a validation body, and improved loan documentation.

Further progress was made in 2010 in particular in the projects designed to introduce advanced risk models for market, credit, and operational risks. The aim of these projects 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 use risk models for the above-mentioned risk types to determine regulatory capital in accordance with the SolvV.

The revamped modules in the Internal Market Risk Model project largely went live in the year under review. They allow differentiated risk analyses to be performed and existing management approaches to be refined. In addition, we fully implemented a new market data delivery system aimed at further increasing the uniformity and quality of the market data used throughout the Group.

In the A-IRBA project (Advanced Internal Ratings-Based Approach, for which in-house estimates of default-related losses are used), the development of the rating models and the relevant processes was largely completed in the year under review, thanks to significantly larger resources. This means that the use test can start as of January 1, 2011. The aim is to conduct the regulatory audit in the third quarter of 2011.

The AMA Implementation project (for the introduction of an advanced approach for operational risk measurement) was completed on schedule in the first quarter of 2010. During an on-site audit in the second quarter of 2010, the regulatory authorities satisfied themselves that the relevant requirements of the SolvV had been fulfilled and that the capital model had been suitably implemented. The Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Federal Financial Supervisory Authority) approved the use of the AMA at the level of the Postbank Group on December 31, 2010.

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 creditworthiness of, or default by, a counterparty (e.g., as a result of insolvency).

- Liquidity risk
  Illiquidity risk is the risk of being unable to meet current or future payment obligations in the full amount due or as they fall due.

  Liquidity maturity transformation (LMT) risk is the risk of increased refinancing costs as a result of closing gaps caused by changes in the Bank's refinancing curve.

- Operational risk
  The likelihood of losses that could be incurred as a result of inadequate or failed internal processes and systems, people, or external events. This also includes legal risk.

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

- Real estate risk
  The risk of loss of rental income, writedowns to the lower current value under the going concern principle (*Teilwert*), 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 commitment periods (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 going concern concept. 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 to be adequate if the risk cover amount exceeds allocated risk capital and the current level of overall risk (VaR).

In the concept for protecting prior-ranking investors, risk potential is calculated using a confidence level of 99.93 %. 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 other reserves. These consist of prorated checking and savings-related reserves as well as the reserves 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.

The risk-bearing capacity concept currently in use is now being revised in a dedicated project to reflect the lessons learned from the financial market crisis and increasingly specific regulatory requirements.

The risk-bearing capacity concept used to ensure compliance with the defined Tier 1 ratio (going concern) entails a comparison of regulatory capital with minimum Tier 1 capital as calculated by Postbank. The resulting 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 the relevant period 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 risk types for which Postbank uses operational limits (credit, market, and operational risks) are regularly subjected to defined stress tests as part of the assessment of risk-bearing capacity in order to ensure a holistic risk assessment.

The integrated stress tests for the Bank as a whole are enhanced and updated in an ongoing, dynamic process in line with changes in market trends and in Postbank's risk profile. Stress tests of all risk types for the Bank as a whole are supplemented by risk type-specific sensitivity analyses and stress tests.

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 the risk capital allocated to credit, market, and operational risks.

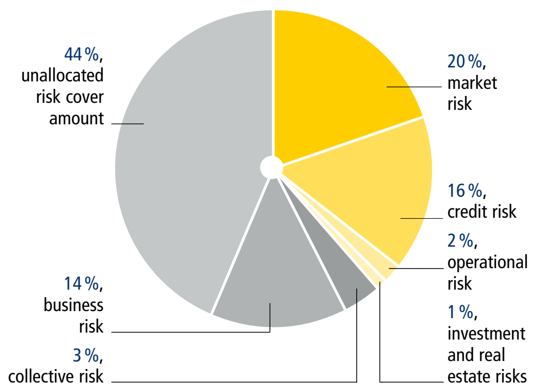
Other risks are handled by making deductions from capital. Liquidity risk is not explicitly included in the risk-bearing capacity and, as a result, is not backed by economic risk capital. Postbank engages in active liquidity management and control to prevent the risk of illiquidity. The Postbank Group has adequate sources of liquidity as well as a collateral portfolio consisting of ECB-eligible securities that can be used in potential stress situations. The risk of increased refinancing costs caused by transforming maturities (liquidity maturity transformation risk) is, at the moment, implicitly covered partly by the risk capital allocated to business risk and partly by that allocated to market risk.

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 during risk aggregation. Experience has shown that there is a high correlation between 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 with all other risk types.

Risk capital allocation takes both potential fluctuations in economic capital and risk-neutral stress scenarios 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 2010 (calculated as of December 31, 2010):

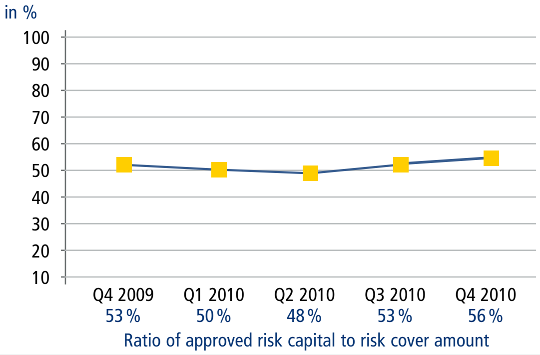
Breakdown of the Postbank Group's risk cover amount by risk type (approved risk capital)



The risk capital for market risk was decreased in 2010 in view of the reduction in market risk exposure. In addition, Postbank slightly increased its risk capital in connection with the introduction of its internal model for calculating capital requirements for operational risk. Finally, the risk capital amounts for business risk (due to the increase in checking and savings deposits), for investment and real estate risk, and for collective risk (implementation of a new calculation model replacing the existing buffer) were adjusted in the first quarter of 2010. The risk capital allocated to credit risk remained unchanged in 2010. The absolute amount of "investor protection" risk cover and an allocation of the absolute amount of risk capital by risk type as of December 31, 2010 and the previous year are given in Note 52 of the Annual Report. 157

Risk cover utilization measured in terms of the allocated risk capital amounted to 56% as of the reporting date after adjustment for losses reducing the risk cover amount. This represents a slight increase in the utilization of the risk cover amount of 3 and 8 percentage points respectively as against December 31, 2009 and the interim report as of June 30, 2010. The rise in utilization as against the first half of 2010 is attributable to one-time effects. These relate on the one hand to the increase in the amount that accounts for uncertainties in the model used to calculate unexpected losses from credit risk (CVaR). On the other, adjustments were made to the home savings collective's hidden reserves and to the standard risk costs used to determine the hidden reserves in loans and advances to customers. The following graphic depicts the development of approved risk cover capital compared to total risk cover amount.

Development of the ratio of approved risk capital to risk cover amount



Risk limitation

Within the Postbank Group, the main method of limiting risk exposures for the risk types included in the risk-bearing capacity is through the total risk capital allocated and, in the case of the specific risk types, using 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 both at Group level and 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 using target vs. actual comparisons.

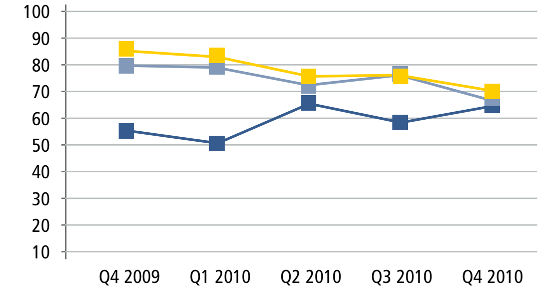
The calculation of the capital requirements for operational risk is based on the internal quantification model. This is used to calculate the utilization of the limit allocated to operational risk on a quarterly basis. The model is based on the loss distribution approach normally used in the banking sector and employs the parameters required by section 284 of the SolvV such as internal loss data, external loss data (obtained from the ORX data consortium), scenario analyses, and Postbank-specific business and internal control factors.

The Postbank Group's four business segments have been allocated specific risk capital amounts, utilization of which is monitored each quarter. The Group Management Board and the Operational Risk Committee members receive quarterly reports on the utilization of defined VaR limits for the Bank as a whole and for each business segment. If limits are exceeded by a business segment, the Operational Risk 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. Instead, the risk capital attributed to them is deducted from the risk cover amount. The Risk Analysis and Market Risk Controlling unit regularly monitors the appropriateness of these deductions.

The reduction of approximately 12 % in the market risk limit in the course of 2010 led to an increase in utilization compared with the previous year; the relevant figure as of the reporting date of December 31, 2010 was 65 % (December 31, 2009: 56%). Another factor in addition to the reduction in the risk limit was the renewed rise in the volatility inputs used to calculate the VaR, especially in the area of government spreads. Credit risk limit utilization was 67 % (December 31, 2009: 80 %); both figures are 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, totaled €420 million as of December 31, 2010. Utilization of the relevant limit amounted to 70 % (December 31, 2009: 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 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010
Market risk	56 %	51 %	66 %	59 %	65 %
Credit risk	80 %	79 %	72 %	68 %	67 %
Operational risk	87 %	84 %	77 %	77 %	70 %

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 SolvV 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, 2010, the ratios of risk to the risk cover amount used to safeguard defined Tier 1 capital were 14 % (three-month horizon) and 37 % (twelve-month horizon) respectively. The available risk cover amount is currently considered sufficient for compliance with defined minimum Tier 1 capital requirements (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. The risk situation remained tight in 2010. The market risk resulting from the exposures basically remained at 2009 levels, despite fluctuations. Expected and unexpected losses in the credit risk area are on a downward trend; however, they must be seen in the context of the new limit buffer for uncertainties associated with the model used.

Risk concentrations

In the context of the improvements to loan portfolio management, which focus on managing risk concentrations, Postbank implemented a project in 2010 designed to enhance its management of risk concentrations in the lending business. The objective is systematic credit portfolio management that identifies and reports risk concentrations at the borrower unit level as well as at sector level (industries, regions, categories of collateral, etc.) and that limits such concentrations using a predetermined procedure that takes risk-bearing capacity and risk/return considerations into account.

At present, risk concentrations are particularly perceptible at the confidence level of 99.93 % used 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 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. This earnings risk is monitored with the assistance of the Controlling department as part of the planning process, and involves monitoring risk concentration using sensitivity analyses and statistical techniques, as well as taking other appropriate action.

Group-wide risk reporting

Postbank's risk reporting system addresses risk-bearing capacity and risk utilization. In 2010, a new, leading Bank-wide risk report was designed and implemented that informs the Group Management Board and the Supervisory Board of Postbank's risk position on a quarterly basis. Risk utilization for the individual risk types and risk-bearing capacity are presented in a large number of regular, specific reports. These cover 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. This means that recipients can be kept informed of changes in relevant parameters in a timely manner. The Risk Analysis and Market Risk Controlling unit and the Risk Management unit are 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

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

Since January 1, 2008, Postbank has been above the relevant regulatory threshold for the application of the IRB approaches. In other words, the degree of coverage in accordance with section 67 of the SolvV for portfolios calculated on the basis of internal ratings was in excess of the regulatory requirement of 80 % of the exposure amounts and the risk-weighted exposure amounts required to be included. 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.

As of the reporting date of December 31, 2010, 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.

Postbank uses internal estimates of probabilities of default in the central governments, institutions, and corporates exposure classes; in addition, the Bank uses 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, with the exception of the BHW mortgage loans
- 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 obligation 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. The Bank plans to reach the entry threshold and hence to reduce the charge on its risk-weighted assets and capital ratio by the end of 2011. The supervisory authority must give ultimate approval.

Postbank uses the regulatory standardized approach to calculate capital requirements for market risk. In addition, a project in 2010 laid the key groundwork to extend deployment of the internal model used to measure and manage market risk to include the determination of the capital requirements for general interest rate risk in accordance with the SolvV, once the supervisory authorities have approved its use.

To date, Postbank has used the standardized approach for calculating capital requirements for operational risk. As part of an on-site audit in connection with the approval of an Advanced Measurement Approach (AMA) in the second quarter of 2010, the supervisory authorities examined the suitability of the organizational structures and workflows in the system for identifying, measuring, monitoring, reporting, and managing operational risk; the internal procedures for reviewing the risk measurement system; and the reliability and integrity of the relevant IT systems. The BaFin approved the use of the AMA at the level of the Postbank Group on December 31, 2010.

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, 2010 and August 31, 2010. @

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). 85

Minimum Requirements for Risk Management (MaRisk)

The *Mindestanforderungen an das Risikomanagement* (MaRisk – Minimum Requirements for Risk Management) specify the regulatory minimum requirements for credit transactions, trading activities, and the activities of credit institutions’ internal audit departments. The primary purpose of the MaRisk in terms of its content is to establish adequate management and control processes based on a bank’s overall risk profile. In addition, the MaRisk represent the implementation for regulatory purposes of the qualitative Pillar II requirements in accordance with Basel II, which focus in particular on interest rate risk and operational risk.

One of Postbank's core tasks in 2010 was implementing the additional requirements resulting from the revised version of the MaRisk published on August 14, 2009. These requirements relate 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. The key provisions of the revised version of the MaRisk published on December 15, 2010 in Circular 10/2010 were taken into account in the course of the enhancements made to risk management. Postbank will implement the remaining measures by the end of 2011.

New regulatory requirements

The revised Capital Requirements Directive (CRD II) and the resulting amendments to the KWG, the SolvV, and the GroMiKV took effect as of December 31, 2010. Postbank has took the new capital adequacy and large exposure requirements into account.

The goal of the enhanced "Basel III" regulatory requirements, which were approved in their final form by the Basel Committee on December 16, 2010, is to increase the financial sector's ability to withstand stress events. This is to be achieved by improving risk management, by ensuring transparency with respect to the risks entered into (disclosure requirements), and by harmonizing the rules governing international financial institutions, and especially by ensuring stricter supervision of systemically relevant banks.

Postbank has set in train the preparatory measures required in relation to the stricter capital adequacy requirements, the more differentiated coverage requirements for counterparty credit risk, the instruments designed to reduce procyclicality, and the minimum liquidity standards. These must be implemented and complied with successively as from 2012. In addition, Postbank has analyzed the inputs for the leverage ratio and the effects of potential scenarios and measures on leverage ratio management. Additional measures to optimize the leverage ratio are being examined on an ongoing basis.

As part of this work, Postbank actively contributed to the consultation process on the discussion documents published by the Basel Committee on developing an improved regulatory framework for capital adequacy and liquidity requirements (Quantitative Impact Study).

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, while the Supervisory Board is responsible for monitoring this. The Management Board has delegated market risk management to the Market Risk Committee (MRC).

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.

Risk Analysis and Market Risk Controlling acts as a Group-wide, independent monitoring unit for market risk within the Postbank Group. The unit 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 assumed 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. Where market risk is intentionally taken or retained, this is done with the goal of generating income. Consequently, Postbank 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 reporting 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. Other management indicators used are sensitivity indicators and maturity structures.

In addition, market risk exposures are subjected to regular scenario analyses and stress tests, which analyze the impact of unusual market movements on present values. 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 2010, Postbank continued to reduce its market risk exposure in line with the policy it adopted in 2008 in the light of the financial market crisis. In the area of interest rates, the focus on assets adopted in the course of 2009 was scaled back substantially in the course of 2010. Postbank is cutting its holdings of investment securities by up to 45 % as against the reference date (December 31, 2008) in the period up to 2013, primarily as a result of instruments maturing and sales. The risk from equity holdings remains negligible.

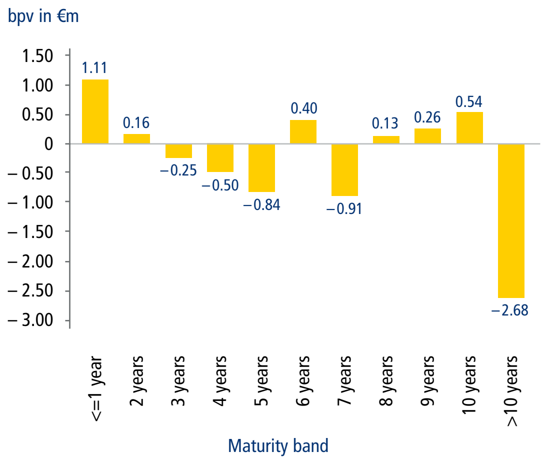
To account for the relative significance of market risk and the volatility of market movements, Postbank has defined escalation mechanisms for critical management parameters and for exogenous events. These mechanisms make it possible to react promptly to situations in which limits are approached or exceeded, or 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, 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 modeling techniques used for this are monitored and enhanced on an ongoing basis. 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 made available to the Bank indefinitely are excluded when determining 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, 2010 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, 2010 continues to be aligned with its assets.

The Postbank Group's interest rate positions (bpv) as of December 31, 2010



The chart shows that the surplus of assets as of December 31, 2010 is primarily concentrated in the medium- (3, 4, 5, and 7 years) and long-term (>10 years) maturity ranges. In the third quarter, the surplus of assets in the Group's interest rate position was reduced significantly in the medium-term maturity range in particular, so as to mitigate present value interest rate risk. Measured as of the relevant closing dates, the net bpv declined from approximately €–5.1 million to approximately €–2.6 million. Interest sensitivity is mainly the result of euro and U.S. dollar exposures; interest sensitivities to other currencies are immaterial.

The steps taken to actively reduce interest sensitivity included exposure reduction as well as hedging measures using interest rate swaps and interest rate futures.

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, while the trading book positions are established using a Monte Carlo simulation. 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 book). 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/one trading day 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. End-of-day risk measurement and monitoring are used for the whole bank; additional intraday monitoring is performed for the trading portfolios. 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. In 2010, fair value losses that were due in particular to adverse spread changes in certain subportfolios led to limits being partially utilized. No limit exceedances were recorded.

In addition to these VaR limits, the Market Risk Committee has defined sensitivity limits for the trading book and banking book as well as for the relevant subportfolios that limit the credit spread and interest sensitivities in the different books and maturities.

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 for the same portfolio (clean backtesting). Evaluation uses the "traffic light" color code model published by the Bank for International Settlements (BIS). The Management Board is informed of the backtesting results in the monthly reports.

As part of the ongoing "Internal Market Risk Model" project, backtesting for the trading book portfolio was migrated in full from a clean mark-to-model procedure to a clean mark-to-market one.

At the 2010 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 on the relevant Postbank Group exposures. 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.

In 2010, as in the past, the scenario assumptions and stress parameters were reviewed and fine-tuned at regular intervals, while the range of stress tests performed was also extended. This also ensures compliance with the stricter requirements resulting from the amended MaRisk. The Group Management Board, the members of the Market Risk Committee, and the Supervisory Board are kept regularly informed of the key results of the scenario analyses. The scenario analyses performed in the year under review indicated that the Postbank Group's risk-bearing capacity is assured even if the tense market situation continues to worsen. The greatest risks are still in the area of interest rates and spreads. In contrast, sensitivities to changes in equities, currencies, and volatilities are significantly less pronounced.

The most unfavorable of the hypothetical stress scenarios analyzed resulted in a potential present value loss of €1,973 million (reference date: December 31, 2010). This hypothetical scenario consists of a combination of the most unfavorable interest rate, credit spread, foreign exchange, volatility, and equity scenarios. The spread scenario is used to simulate spread widenings caused by ratings changes. The most unfavorable interest rate scenario simulates a rise in interest rates in combination with a steepening yield curve.

In addition, historical scenarios are performed. The financial market crisis scenario (application of historically observed changes in the risk factors over 90 days) as of the December 31, 2010 reporting date resulted in a potential fair value loss of €1,837 million.

Appropriate market terms

In addition to monitoring market risk, Postbank checks trades entered into in its own name and for its own account to ensure that market prices have been applied (market conformity verification). This is monitored 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, 2010 and January 1 to December 31, 2009 (confidence level of 99%, holding period of 10 days):

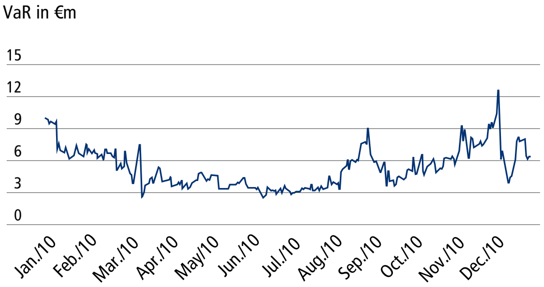
Value at risk, trading book	2010 €m	2009 €m
VaR at year-end	6.2	10.3
Minimum VaR	2.3	4.4
Maximum VaR	12.8	23.2
Average VaR	5.2	13.1
Limit at year-end*	34.0	48.0

*After adjustment for losses reducing the unallocated risk cover amount

In line with the Postbank Group's business strategy, the level of market risk is largely determined by the interest rate risk and spread risk in the banking book. In addition, equity price risk and volatility risk is assumed to a significantly lesser extent 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 input into the daily market risk measurements and reports. In addition to present value considerations, their management focuses on minimizing potential risk to the income statement as a result of foreign currency positions.

The following chart shows the development of value at risk for the trading book over 2010:

Value at risk, trading book 2010



In the course of 2010, 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 declined overall last year. After falling in the first half of 2010, it recorded significant gains in the second half of the year in a more volatile overall environment. Nevertheless, the level was significantly lower than in 2009.

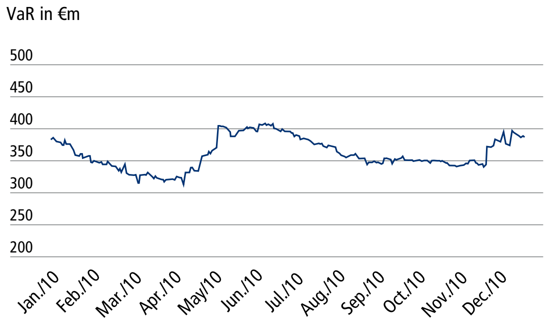
The value at risk for the banking book (confidence level 99 %, holding period 10 days), which accounts for by far the largest portion of market risk, amounted to €384.6 million as of December 31, 2010 (for comparative purposes: €365.7 million as of December 31, 2009).

Value at risk, banking book	2010 €m	2009 €m
VaR at year-end	384.6	365.7
Minimum VaR	313.2	362.5
Maximum VaR	406.2	565.0
Average VaR	360.5	458.8
Limit at year-end*	562.0	670.0

*After adjustment for losses reducing the unallocated risk cover amount

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

Value at risk, banking book 2010



VaR in Postbank's banking book trended sideways in 2010, while exhibiting volatility. Following a decline in the course of the first half of 2010, VaR rose at the beginning and end of the second half of the year due to increased market volatility resulting from the crises in EU public finances. This offset the effect of the reduction in the asset-side interest rate exposure over the course of the year.

Risk reporting

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

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

- 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; the Supervisory Board monitors its work via the Loan and Equity Investments Committee. The Management Board has delegated the management of credit risk to the Credit Risk Committee (CRC).

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 Commercial Finance, Commercial Real Estate, and Banks and Capital Markets lending units, and locally by the back office units at the subsidiaries. Whereas the Risk Analysis unit is responsible for developing, validating, and calibrating the rating models, the Credit Risk Controlling unit performs limit monitoring, reporting, and management. The Lending Policy unit is responsible for the issuance of standards regarding the treatment of credit risk exposure.

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 the high degree of risk diversification in the retail business, no limit is set on this in principle when defining the target portfolio; instead, it is managed using the expected net margin less the expected risk.

Counterparty credit risk is managed and monitored, and hence the credit risk strategy implemented, 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 of front office functions (sales/trading), back office divisions, and risk management in accordance with the regulatory requirements (MaRisk). A permissible exception to the strict separation of functions according to banking regulatory law is the standardized credit approval process in business that is not relevant for risk purposes, which Postbank defines as private residential construction finance up to €1 million, other retail credit products, and loans for up to €750,000 in the Corporate Banking division; in these cases, simplified and standardized processes are applied.

Scoring and rating
Postbank has internal rating systems that have been approved for the 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 at least annually, or on an as-needed basis, during the credit approval process.

The Risk Analysis unit is responsible for designing, implementing, and monitoring the functionality of the internal rating systems. The process of monitoring the rating systems includes assessing their predictive quality and correct application, as well as calibrating and validating them. In order to provide systematic support for this process, the Bank established a validation body headed by the CRO in the fourth quarter. This body is also responsible for ensuring that the results of the monitoring activities are incorporated into the internal reporting system and the Bank's management processes. 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 functions are responsible for monitoring the process. Work in 2010 was focused on the enhancement, ongoing validation and, where necessary, recalibration of the scoring and rating systems. In order to ensure that the advanced approach is fully and prospectively in compliance with the Solvency Regulation (SolvV), the Bank has significantly increased its human resources in the Risk Analysis unit.

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

Collateral management

Collateral management is an important and integral component of the credit management process at Postbank. Strict standards have been established regarding the quality (e.g., the legal validity and enforceability) of the collateral accepted. As in the case of the underlying transactions with counterparties, the value of the collateral is continuously monitored on the basis of uniform Group standards, not only when the loan is granted but also during its term. Key collateral processes were redesigned in 2010 and will be introduced successively as from the beginning of 2011. Additional improvements to processes, reporting, and systems will also be made in 2011. The basic decision on the approval and application of types of collateral instruments to mitigate credit risk is a component of business and credit risk strategies. The protection instruments principally used by Postbank consist of real estate liens to secure real estate financing, guarantees and credit derivatives, and financial collateral and other physical collateral.

The back office units are 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. The collateral is realized in the event that a borrower becomes more than temporarily insolvent.

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 also monitored using the fair value fluctuation concept produced by the Zentraler Kreditausschuss (ZKA – German Central Credit Committee), while the front office and back office units 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.

Postbank is planning to introduce a Group-wide client collateral administration system in order to improve collateral management. A preliminary study for this has already been produced. The new system will be introduced in a modular process, with the first sub-portfolios scheduled to go live in 2011.

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 a borrower's credit quality. The controls are carried out by the operational lending units in the back office in accordance with banking regulatory requirements and, in the case of trading transactions, by Risk Controlling in addition.

In the area of individual lending to corporate customers and mortgage lending in excess of €500,000 per borrower or borrowing entity, Postbank has implemented a credit monitoring process in accordance with banking regulatory requirements. The process enables higher-risk loans to be identified using defined qualitative and quantitative indicators (e.g., sector information, management accounting data, customer and account data, and rating changes). The use of early warning indicators to enable advance 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, transfer to the watch list is mandatory; 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 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.

Postbank responded to the crisis in the financial markets and the resulting deterioration in the credit standing of many clients and counterparties by significantly improving its procedures during the year under review in the course of comprehensive projects. Among other things, the focus of activity was on improving the identification, documentation, and specialized processing of exposures at risk of impairment or in need of restructuring. To achieve this, dedicated lending units were set up and staffed by the appropriate specialists.

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. Moreover, the specific deductible described in more detail in the chapters entitled "Risk capital" and "Risk limitation" is used to account for uncertainties in the model when risk-bearing capacity is determined.

In contrast to CVaR, the expected loss indicated in the "Credit risk" table is the expected amount of losses from credit risk in the Group portfolio over 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 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 are discounted to the observation date. This allows the loan loss risk to be measured over a one-year observation period, as well as quantifying 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 used in calculating CVaR include constantly updated rating agency data, migration tables derived from this data, sector/product default probabilities and correlations, and 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 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 CVaR for the Group loan portfolio every quarter. For individual products/ business divisions with special risk structures, CVaR is calculated daily. 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 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. Due to the model uncertainties relating to CVaR measurement that were mentioned above, the focus in 2011 will be on replacing the current portfolio model.

Portfolio structure

The following table provides an overview of material credit risk indicators for the various profit centers as of December 31, 2010 (calculated on November 30, 2010) compared to the end of 2009. The volume for the Group loan portfolio reported in this table differs from the "maximum counterparty credit risk" shown lower down with respect to two factors: Firstly, the date used for calculating CVaR is the last day of the preceding month and, secondly, carrying amounts, fair values, or credit equivalent 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, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Corporate Banking	28,605	28,422	123	127	272	228
Retail Banking	46,231	46,162	248	278	161	186
Financial Markets	119,362	141,800	312	440	1,448	1,755
Other (banks/local authorities)	3,840	4,530	4	3	98	101
BHW[2]	39,165	39,417	115	104	79	68
Total (incl. portfolio effect)	237,203	260,331	802	952	1,469	1,765

[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

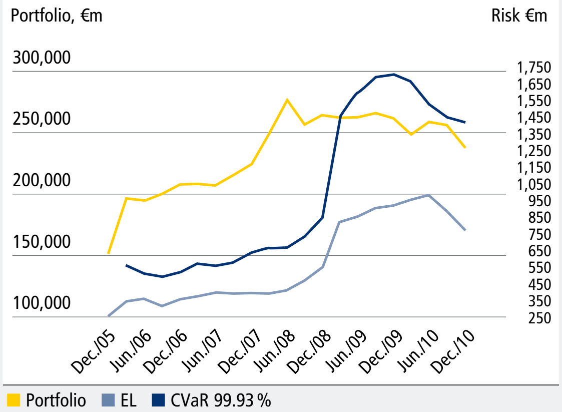
[2] The portfolio of trust activities of BHW Bausparkasse AG is shown under Retail Banking

The total portfolio fell by 8.9 % in 2010, from €260.3 billion at the end of 2009 to €237.2 billion. The expected loss fell by 15.7 % as against December 31, 2009, while the unexpected loss fell by 16.8 %.

The overall decline in the expected and unexpected losses is largely due to reduced volumes in the Financial Markets segment (SCPs) and positive rating migrations in the Retail Banking segment. This segment continues to account for a significant share of total unexpected risks due to the fact that a large proportion of the volume is still attributable to banks, which include covered bonds.

The following chart illustrates the increase in CVaR and the expected loss as a result of the financial market crisis, with the overall portfolio stagnating.

Overall bank portfolio and risk development over time



As of December 31, 2010, the maximum exposure to credit risk was as follows (compared with December 31, 2009):

Maximum counterparty risk

Risk-bearing financial instruments	Maximum counterparty risk exposure	
	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Trading assets	24,150	20,471
Held for trading	24,150	20,471
Hedging derivatives	664	520
Loans and advances to other banks	12,140	14,467
Loans and receivables	12,140	14,467
Securities repurchase agreements	3,630	5,054
Overnight money	4,294	4,176
Loans	3,453	4,564
Registered bonds	400	417
Term deposits	191	152
Other loans and advances	172	104
Loans and advances to customers	111,783	111,043
Loans and receivables	103,689	102,408
Private mortgage lending	62,365	61,582
Home-savings loans	3,713	3,766
Commercial loans	30,284	30,383
Public-sector receivables	2,433	1,589
Installment loans	3,880	3,620
Other loans and advances	1,014	1,468
Fair value option	8,094	8,635
Private mortgage lending	8,094	8,635
Investment securities	58,980	72,359
Loans and receivables	50,032	59,401
Held to maturity	–	73
Available for sale	8,948	12,885
Bonds and other fixed-income securities	7,739	12,350
Shares	2	4
Investment fund shares	1,164	460
Investments in associates	19	19
Investments in unconsolidated subsidiaries	24	52
Subtotal	207,717	218,860
Contingent liabilities from guarantees	1,036	1,105
Other liabilities (irrevocable loan commitments)	21,563	21,964
Total	230,316	241,929

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, 2010.

The loan portfolio tables as of December 31, 2010 have been expanded to include additional categories.

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.

Risk concentration by sector and borrower group

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, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Trading assets	189	212	23,440	19,666	–	105	99	95	125	103	22	14	275	276	24,150	20,471
Held for trading	189	212	23,440	19,666	–	105	99	95	125	103	22	14	275	276	24,150	20,471
Hedging derivatives	–	–	664	520	–	–	–	–	–	–	–	–	–	–	664	520
Loans and advances to other banks	–	–	12,099	14,332	–	103	23	32	1	0	–	–	17	0	12,140	14,467
Loans and receivables	–	–	12,099	14,332	–	103	23	32	1	0	–	–	17	0	12,140	14,467
Securities repurchase agreements	–	–	3,630	5,054	–	–	–	–	–	–	–	–	–	–	3,630	5,054
Overnight money	–	–	4,292	4,176	–	–	–	–	1	–	–	–	1	–	4,294	4,176
Loans	–	–	3,414	4,525	–	7	23	32	–	–	–	–	16	–	3,453	4,564
Registered bonds	–	–	400	417	–	–	–	–	–	–	–	–	–	–	400	417
Term deposits	–	–	191	56	–	96	–	–	–	–	–	–	–	–	191	152
Other loans and advances	–	–	172	104	–	–	–	–	–	–	–	–	–	–	172	104
Loans and advances to customers	81,895	79,915	1,265	2,144	2,225	2,467	16,703	16,661	5,281	5,054	2,212	2,577	2,202	2,225	111,783	111,043
Loans and receivables	73,813	71,292	1,265	2,144	2,224	2,465	16,703	16,661	5,277	5,054	2,212	2,577	2,195	2,215	103,689	102,408
Private mortgage lending	61,753	59,819	2	14	4	6	465	350	65	46	2	16	74	1,331	62,365	61,582
Home-savings loans	3,697	3,755	–	–	7	9	0	–	3	–	–	–	6	2	3,713	3,766
Commercial loans	4,110	4,282	1,068	1,775	114	119	16,238	16,249	5,114	4,847	2,210	2,421	1,430	690	30,284	30,383
Public-sector receivables	–	–	61	76	2,099	1,336	–	–	94	63	0	111	179	3	2,433	1,589
Installment loans	3,393	3,370	2	0	–	6	–	–	1	75	–	–	484	169	3,880	3,620
Other loans and advances	860	66	132	279	–	989	–	62	0	23	0	29	22	20	1,014	1,468
Fair value option	8,082	8,623	–	–	1	2	–	–	4	–	–	–	7	10	8,094	8,635
Private mortgage lending	8,082	8,623	–	–	1	2	–	–	4	–	–	–	7	10	8,094	8,635
Investment securities	–	–	33,197	43,850	21,486	25,012	–	–	1,922	1,784	940	960	1,435	753	58,980	72,359
Loans and receivables	–	–	27,933	37,651	19,335	19,118	–	–	1,149	1,264	621	742	994	626	50,032	59,401
Held to maturity	–	–	–	73	–	–	–	–	–	–	–	–	–	–	–	73
Available for sale	–	–	5,264	6,126	2,151	5,894	–	–	773	520	319	218	441	127	8,948	12,885
Bonds and other fixed-income securities	–	–	4,189	5,636	2,151	5,894	–	–	653	502	319	218	427	100	7,739	12,350
Shares	–	–	2	2	–	–	–	–	0	2	–	–	0	–	2	4
Investment fund shares	–	–	1,058	443	–	–	–	–	103	16	–	–	3	1	1,164	460
Investments in associates	–	–	0	12	–	–	–	–	17	–	–	–	2	7	19	19
Investments in unconsolidated subsidiaries	–	–	15	33	–	–	–	–	–	–	–	–	9	19	24	52
Subtotal	82,084	80,127	70,665	80,512	23,711	27,687	16,825	16,788	7,329	6,941	3,174	3,551	3,929	3,254	207,717	218,860
Contingent liabilities from guarantees	63	32	625	713	–	–	73	74	114	125	66	89	95	72	1,036	1,105
Other liabilities (irrevocable loan commitments)	16,213	16,729	96	447	67	111	1,419	1,287	2,239	1,872	1,028	1,226	501	292	21,563	21,964
Total	98,360	96,888	71,386	81,672	23,778	27,798	18,317	18,149	9,682	8,938	4,268	4,866	4,525	3,618	230,316	241,929

Overall, the sector distribution of the instruments subject to credit risk, measured in terms of volume, displays a balanced structure except for the aforementioned concentrations with respect to banks. 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 holdings of investment securities continue to be 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. The exposure to Greece, Ireland, Portugal, and Spain is also included in this portfolio in the amount of approximately €2.9 billion, while the exposure to Italy is included in the amount of approximately €4.6 billion. However, it should be noted that both investment security focuses were deliberately and significantly reduced in comparison to the previous year. 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 as 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. The country limit system was thoroughly revised in response to the financial market crisis and supplemented by an early warning system.

Risk concentration by geographic region

Risk-bearing financial instruments	Germany		Western Europe		Other regions		Total	
	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Trading assets	6,180	5,507	15,253	9,766	2,717	5,198	24,150	20,471
Held for trading	6,180	5,507	15,253	9,766	2,717	5,198	24,150	20,471
Hedging derivatives	136	132	376	259	152	129	664	520
Loans and advances to other banks	6,608	6,842	4,173	6,572	1,359	1,053	12,140	14,467
Loans and receivables	6,608	6,842	4,173	6,572	1,359	1,053	12,140	14,467
Securities repurchase agreements	3,339	3,203	180	1,851	111	86	3,630	5,140
Overnight money	1,250	1,283	2,100	2,030	944	731	4,294	4,044
Loans	1,430	1,932	1,719	2,442	304	236	3,453	4,610
Registered bonds	242	303	158	114	–	–	400	417
Term deposits	175	17	16	135	–	–	191	152
Other loans and advances	172	104	–	–	–	–	172	104
Loans and advances to customers	93,927	93,194	12,567	13,412	5,289	4,437	111,783	111,043
Loans and receivables	85,863	84,597	12,541	13,383	5,285	4,428	103,689	102,408
Private mortgage lending	58,071	57,395	3,319	3,450	975	737	62,365	61,582
Home-savings loans	3,682	3,712	27	41	4	13	3,713	3,766
Commercial loans	17,015	17,796	8,964	9,238	4,305	3,349	30,284	30,383
Public-sector receivables	2,225	1,233	208	356	–	–	2,433	1,589
Installment loans	3,868	3,600	11	16	1	4	3,880	3,620
Other loans and advances	1,002	861	12	282	–	325	1,014	1,468
Fair value option	8,064	8,597	26	29	4	9	8,094	8,635
Private mortgage lending	8,064	8,597	26	29	4	9	8,094	8,635
Investment securities	18,512	26,561	33,606	37,915	6,862	7,883	58,980	72,359
Loans and receivables	15,071	19,595	28,944	33,206	6,017	6,600	50,032	59,401
Held to maturity	–	73	–	–	–	–	–	73
Available for sale	3,441	6,893	4,662	4,709	845	1,283	8,948	12,885
Bonds and other fixed-income securities	2,379	6,430	4,543	4,637	817	1,283	7,739	12,350
Shares	0	1	2	3	–	–	2	4
Investment fund shares	1,022	398	114	62	28	–	1,164	460
Investments in associates	18	17	1	2	–	–	19	19
Investments in unconsolidated subsidiaries	22	47	2	5	–	–	24	52
Subtotal	125,363	132,236	65,975	67,924	16,379	18,700	207,717	218,860
Contingent liabilities from guarantees	716	831	263	216	57	58	1,036	1,105
Other liabilities (irrevocable loan commitments)	20,752	20,541	546	976	265	447	21,563	21,964
Total	146,831	153,608	66,784	69,116	16,701	19,205	230,316	241,929

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.

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, 2010 reporting date (with the exception of "contingent liabilities" and "other liabilities").

In principle, Postbank uses the same rating for risk management as for capital requirements; this is normally the issuer rating rather than the rating given to a specific issue. Postbank has a large portfolio of *Pfandbriefe* and similarly collateralized issues that are relatively low-risk in nature. For this reason, the issue ratings are shown in the following table. The distribution of ratings in the Postbank Group's loan portfolio reflects the 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

Risk-bearing financial instruments	AAA		AA		A		BBB		< BBB		Not rated		Total	
	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	3Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Trading assets	77	213	5,627	1,454	17,685	17,782	320	253	138	146	108	411	23,955	20,259
Held for trading	77	213	5,627	1,454	17,685	17,782	320	253	138	146	108	411	23,955	20,259
Hedging derivatives	20	–	180	15	461	475	3	–	–	–	0	30	664	520
Loans and advances to other banks	163	546	1,237	424	9,248	9,869	779	3,124	140	128	478	229	12,045	14,320
Loans and receivables	163	546	1,237	424	9,248	9,869	779	3,124	140	128	478	229	12,045	14,320
Securities repurchase agreements	–	–	33	–	3,533	2,508	64	2,546	–	–	–	–	3,630	5,054
Overnight money	49	342	946	233	3,034	3,457	44	44	–	–	144	43	4,217	4,119
Loans	17	120	135	79	2,272	3,562	605	503	140	128	266	82	3,435	4,474
Registered bonds	0	84	78	62	322	271	–	–	–	–	–	–	400	417
Term deposits	72	–	0	50	64	71	55	31	–	–	–	–	191	152
Other loans and advances	25	–	45	–	23	–	11	–	–	–	68	104	172	104
Loans and advances to customers	3,856	4,020	5,545	5,509	3,450	4,872	9,092	7,781	4,729	4,648	1,883	3,049	28,555	29,879
Loans and receivables	3,856	4,020	5,545	5,509	3,450	4,872	9,092	7,781	4,729	4,646	1,883	3,039	28,555	29,867
Commercial loans	3,668	3,596	3,786	5,078	3,377	4,540	9,048	7,704	4,726	4,346	1,512	2,294	26,117	27,558
Public-sector receivables	188	281	1,759	325	69	108	43	61	3	89	371	724	2,433	1,589
Other loans and advances	0	143	0	106	4	224	1	16	0	211	0	21	5	721
Fair value option	–	–	–	–	–	–	–	–	0	2	0	10	0	12
Private mortgage lending	–	–	–	–	–	–	–	–	0	2	0	10	0	12
Investment securities	19,437	27,633	19,098	19,914	9,143	16,459	5,805	3,033	3,555	3,627	1,416	1,183	58,454	71,849
Loans and receivables	17,605	21,300	17,791	18,752	8,226	14,619	4,067	2,239	1,843	1,389	173	669	49,705	58,968
Held to maturity	–	–	–	–	–	32	0	41	–	–	–	–	0	73
Available for sale	1,832	6,333	1,307	1,162	917	1,808	1,738	753	1,712	2,238	1,243	514	8,749	12,808
Bonds and other fixed-income securities	1,832	6,333	1,307	1,162	915	1,630	1,738	753	1,712	2,238	119	234	7,623	12,350
Shares	–	–	–	–	–	–	–	–	–	–	2	4	2	4
Investment fund shares	–	–	–	–	0	172	–	–	–	–	1,081	211	1,081	383
Investments in associates	–	–	–	–	0	2	–	–	–	–	19	17	19	19
Investments in unconsolidated subsidiaries	–	–	–	–	2	4	–	–	–	–	22	48	24	52
Total	23,553	32,412	31,687	27,316	39,987	49,457	15,999	14,191	8,562	8,549	3,885	4,902	123,673	136,827

Compared with year-end 2009, the table shows a slight shift in the retail business from A to BBB as a result of the financial market crisis, as well as the reduction in investment securities mentioned earlier. 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, 2010 reporting date (with the exception of "contingent liabilities" and "other liabilities"). Postbank's retail business continues to show 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 all new transactions are 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, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Trading assets	1	1	6	9	25	33	73	82	72	77	12	10	189	212
Held for trading	1	1	6	9	25	33	73	82	72	77	12	10	189	212
Loans and advances to customers	2,912	2,851	6,100	5,714	8,402	7,384	14,985	13,048	18,636	18,580	25,827	27,460	76,862	75,037
Loans and receivables	2,906	2,842	5,953	5,545	7,676	6,621	12,756	10,801	16,646	16,592	23,178	24,398	69,115	66,799
Private mortgage lending	2,870	2,777	5,675	5,206	6,838	5,917	11,146	9,387	14,262	14,679	18,817	20,942	59,608	58,908
Home-savings loans	33	43	240	294	608	524	755	613	316	229	1,438	1,731	3,390	3,434
Commercial loans	0	5	0	3	18	12	11	17	0	3	2,330	1,401	2,359	1,441
Installment loans	3	2	38	14	209	163	833	756	1,930	1,659	188	288	3,201	2,882
Other loans and advances	0	15	0	28	3	5	11	28	138	22	405	36	557	134
Fair value option	6	9	147	169	726	763	2,229	2,247	1,990	1,988	2,649	3,062	7,747	8,238
Private mortgage lending	6	9	147	169	726	763	2,229	2,247	1,990	1,988	2,649	3,062	7,747	8,238
Total	2,913	2,852	6,106	5,723	8,427	7,417	15,058	13,130	18,708	18,657	25,839	27,470	77,051	75,249

Loans past due but not impaired

The following table shows those risk-bearing financial instruments that were past due but not impaired as of December 31, 2010. The increase in exposures in the maturity band of between three and six months past due is primarily the result of measures taken to improve the data quality.

Time bands for financial instruments past due but not impaired

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, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Trading assets	2	–	1	–	1	–	2	–	6	–	–	–
Held for trading	2	–	1	–	1	–	2	–	6	–	–	–
Loans and advances to other banks	0	11	–	–	–	–	–	–	0	11	–	–
Loans and receivables	0	11	–	–	–	–	–	–	0	11	–	–
Loans and advances to customers	787	941	830	223	351	389	507	385	2,475	1,938	2,288	1,688
Loans and receivables	690	816	776	168	299	312	435	313	2,200	1,609	2,043	1,480
Private mortgage lending	587	701	676	101	140	211	219	223	1,622	1,236	1,182	1,119
Home-savings loans	31	31	20	23	28	39	50	40	129	133	117	122
Commercial loans	24	35	76	18	129	34	164	11	393	98	619	109
Installment loans	11	23	3	1	2	12	2	11	18	47	44	43
Other loans and advances	37	26	1	25	0	16	0	28	38	95	81	87
Fair value option	97	125	54	55	52	77	72	72	275	329	245	208
Private mortgage lending	97	125	54	55	52	77	72	72	275	329	245	208
Total	789	952	831	223	352	389	509	385	2,481	1,949	2,288	1,688

The carrying amount of past due or impaired financial assets for which the conditions have been renegotiated (renegotiated volume) was €463.3 million (December 31, 2009: €972.2 million).

Allowance for losses on loans and advances

The allowance for losses in the lending business comprises specific valuation allowances, collective specific valuation allowances, and portfolio-based valuation allowances.

A specific valuation allowance is recognized if – 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 present values of estimated future cash flows, including cash flows from the realization of collateral. The original effective rate is used to discount the cash flows. The proceeds from the realization of the collateral and the time of its realization are taken into account on a case-by-case basis. An ongoing review of all exposures is performed for objective evidence of impairment and, where needed, impairment tests are conducted. In addition, all exposures on the watch list are tested for impairment on a quarterly basis.

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 specific 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 that have been past due for between three and six months.

The following table shows all impaired financial assets as of December 31, 2010 and December 31, 2009, broken down into loans and advances to other banks, loans and advances to customers for which specific valuation allowances have been recognized, and investment securities for which impairment losses have been recognized. The carrying amount after recognition of impairment losses is shown in the table as the difference between the carrying amount before impairment and the amount of the impairment loss.

Impaired financial instruments

Impaired risk-bearing financial instruments	Carrying amount before impairment		Amount of impairment loss		Carrying amount after impairment		Fair value of collateral for impaired instruments	
	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Loans and advances to other banks	95	136	36	64	59	72	–	–
Loans and receivables	95	136	36	64	59	72	–	–
Overnight money	77	57	36	41	41	16	–	–
Loans	18	79	0	23	18	56	–	–
Loans and advances to customers	3,891	4,189	1,576	1,427[1]	2,315	2,762[1]	2,057	2,307
Loans and receivables	3,819	4,133	1,575	1,425	2,244	2,708	1,993	2,255
Private mortgage lending	1,135	1,438	516	427	619	1,011	992	458
Home-savings loans	194	199	9	10	185	189	32	101
Commercial loans	1,415	1,287	535	412	880	875	965	1,499
Installment loans	661	691	204	167	457	524	4	78
Other loans and advances	414	518	311	409	103	109	–	119
Fair value option	72	56	1	2	71	54	64	52
Private mortgage lending	72	56	1	2	71	54	64	52
Investment securities	1,066	1,006	540	496	526	510	–	–
Loans and receivables	862	918	535	485	327	433	–	–
Available for sale	204	88	5	11	199	77	–	–
Bonds and other fixed-income securities	116	3	0	3	116	0	–	–
Investment fund shares	88	85	5	8	83	77	–	–
Total	5,052	5,331	2,152	1,987	2,900	3,344	2,057	2,307

[1]Figure corrected as of December 31, 2009; portfolio-based valuation allowances not shown

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, regularly reviewed, and adjusted where necessary in line with the relevant risk monitoring processes.

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 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 as one of the two IFRS categories "loans and receivables" or "available for sale", depending on the intention and structure of the investment concerned, and measured accordingly. Securitization positions are generally rated by at least one recognized rating agency (Standard & Poor's, Moody's, or FitchRatings). The portfolio is valued periodically using an internal valuation model that analyzes the individual portfolio components at underlying level.

As of December 31, 2010, the total volume of the portfolio amounted to €3.7 billion (December 31, 2009: €5.8 billion). The size of the portfolio declined sharply as against the prior year-end, primarily due to repayments and returns. In the second half of 2010 in particular, the portfolio of corporate and non-corporate CDOs was reduced significantly due to instruments being returned to the arrangers. 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 €33 million in 2010, as well as measurement losses on

embedded derivatives amounting to €322 million. This brings the aggregate impairment losses recognized in profit or loss for affected portfolios since the beginning of the financial market crisis in mid-2007 to €398 million, and the aggregate measurement losses recognized on embedded derivatives to €1,845 million. In addition, fair value
115 changes amounting to €134 million were recognized in the revaluation reserve. Please see Note 4 (h) for measurement details.

Postbank's securitization positions as of December 31, 2010 were as follows:

Securitization positions: volumes by rating category

Securitization positions	AAA		AA		A		BBB		< BBB		Total	
	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m
CMBSs	19	47	73	84	79	104	46	19	29	27	246	281
RMBSs	240	310	120	159	94	138	41	39	51	42	546	688
Corporate CDOs	0	317	232	151	59	154	58	111	1,387	1,886	1,736	2,619
Non-corporate CDOs	0	0	17	95	7	73	106	111	547	1,351	677	1,630
Other ABSs	246	319	2	74	61	21	24	28	150	149	483	591
Total	505	993	444	563	300	490	275	308	2,164	3,455	3,688	5,809
thereof in the trading book	11	17	8	9	–	–	–	–	0	10	19	36

The regional focuses for the securitization positions are as follows:

Securitization positions: volumes by regional focus

		CMBSs		RMBSs		Corporate CDOs		Non-Corporate CDOs		Other ABSs[1]		Total	
		Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m
in €m	Germany	81	83	133	150	–	–	–	–	28	55	242	288
	U.K.	88	96	98	126	5	31	–	–	87	85	278	338
	France	2	2	–	17	–	–	–	–	–	–	2	19
	Spain/Portugal	–	–	88	99	–	–	–	–	–	–	88	99
	Rest of Europe	75	95	183	247	447	450	75	229	19	24	799	1,045
	U.S.A.	–	5	41	44	405	492	361	969	293	304	1,100	1,814
	Others[2]	–	–	3	5	879	1,646	241	432	56	123	1,179	2,206
	Total	246	281	546	688	1,736	2,619	677	1,630	483	591	3,688	5,809
Relative distribution	Germany	33 %	30 %	24 %	22 %	–	–	–	–	6 %	9 %	7 %	5 %
	U.K.	35 %	34 %	18 %	18 %	0 %	1 %	–	–	18 %	14 %	8 %	6 %
	France	1 %	1 %	–	2 %	–	–	–	–	–	–	0 %	0 %
	Spain/Portugal	–	–	16 %	15 %	–	–	–	–	–	–	2 %	2 %
	Rest of Europe	31 %	33 %	34 %	36 %	26 %	17 %	11 %	14 %	4 %	4 %	21 %	18 %
	U.S.A.	–	2 %	8 %	6 %	23 %	19 %	53 %	60 %	60 %	52 %	30 %	31 %
	Others[2]	–	–	0 %	1 %	51 %	63 %	36 %	26 %	12 %	21 %	32 %	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, 2010, only a small number of securitization positions (total nominal value: approximately €23 million) were hedged with monoliners. In addition, the CDO portfolio includes a number of synthetic securitization structures with exposures to bond insurers.

The volume of Postbank's investor positions in fungible commercial real estate loans (CMBSs) amounted to €246 million as of the reporting date (December 31, 2009: €281 million). These positions consist almost exclusively of European CMBSs with a regional focus on the United Kingdom and Germany.

Originator

In addition to being an investor, Postbank also acts as an originator. The following synthetic 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	1,840 million	(Deutsche Postbank AG)
Provide Blue 2005-2	1,862 million	(BHW Bausparkasse AG)
PB Domicilio 2007-1	908 million	(BHW Bausparkasse AG)

In addition, Postbank 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. The Provide Blue 2005-1 originator securitization transaction was terminated in January 2010. The transaction is in deferred redemption and has a residual amount of approximately €36 million.

Risk reporting

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

- The credit risk report is submitted quarterly to the Group Management Board and the Loan and Equity Investments Committee of the Supervisory Board, following in-depth discussion in the Credit Risk Committee. It provides information on the development of the Group's loan portfolio, including SCPs, and documents their structure and ratings, the trend in the allowance for losses on loans and advances, and the factors influencing these, as well as the measures taken and their effects.

- 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 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 on a monthly to quarterly basis, depending on the business division. 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 used to report on larger or impaired exposures.

Environmental risk

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.

Identifying and quantifying environmental risk forms part of Postbank's 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 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, while the Supervisory Board is responsible for monitoring this. The Management Board has delegated liquidity risk management to the Market Risk Committee (MRC).

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, to the extent permitted by company law.

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

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 of unencumbered ECB-eligible securities is held that can be used to obtain liquidity rapidly. To further diversify its refinancing activities, Postbank has a *Pfandbrief* license allowing it to issue public-sector *Pfandbriefe* and mortgage *Pfandbriefe*.

In its projects, Postbank has laid the key foundations for differentiated liquidity management in keeping with the requirements derived from the "Principles for Sound Liquidity Risk Management and Supervision". The continuous enhancement of the liquidity management concept takes into account the ongoing regulatory debate and in particular the structure of our liquidity position over the course of several years.

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, panic reactions by customers, and structural changes in funding resources, e.g., due to a decline in market liquidity. The stress tests also identify and analyze risk concentrations with respect to the Postbank Group's specific liquidity situation, e.g., in relation 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 continues to be appropriate, despite what were at times very much tougher market conditions during 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, 2010 and December 31, 2009, broken down into residual maturity bands. The undiscounted contractual cash flows from on- and off-balance sheet liabilities have been assigned to the respective categories. In conformity with these requirements, the contractual cash flows of the financial liabilities are presented in accordance with the worst-case scenario, meaning that if the financial liabilities involve options or termination rights that could affect their maturity date, the most unfavorable case from a liquidity perspective is assumed. This is particularly relevant for demand deposits and savings deposits that are held at call or that have a short maturity of usually three months but that are available to 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, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Non-derivative liabilities	62,126	55,753	76,000	85,856	27,443	36,865	20,943	24,850	26,570	28,079	213,082	231,403
Deposits from other banks	1,172	312	9,569	19,995	3,202	12,338	5,823	4,913	4,457	5,271	24,223	42,829
Due to customers	38,355	33,474	62,133	60,046	20,949	19,496	6,238	10,589	16,833	16,196	144,508	139,801
Debt securities in issue	0	0	2,793	5,108	2,003	3,437	7,261	7,231	2,490	3,499	14,547	19,275
Subordinated debt	0	0	840	54	1,289	1,585	1,621	2,093	2,790	3,091	6,540	6,823
Other liabilities	0	2	665	653	0	9	0	24	0	22	665	710
Contingent liabilities and other obligations	22,599	21,965	0	0	0	0	0	0	0	0	22,599	21,965
Derivative liabilities	0	0	2,156	2,642	5,781	7,023	17,414	13,610	5,423	2,433	30,774	25,708
Hedging derivatives	0	0	120	216	198	516	850	1,557	770	681	1,938	2,970
Trading liabilities	0	0	2,036	2,426	5,583	6,507	16,564	12,053	4,653	1,752	28,836	22,738
Total	62,126	55,753	78,156	88,498	33,224	43,888	38,357	38,460	31,993	30,512	243,856	257,111

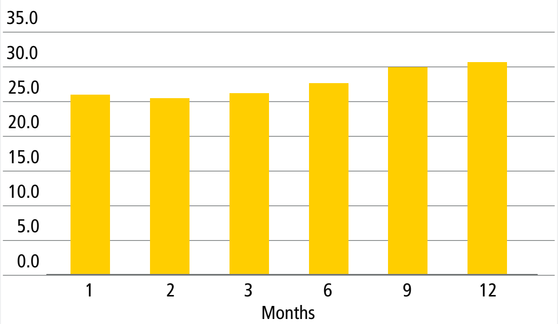
In contrast to the presentation of the contractual cash flows of the financial liabilities, the following overview of the liquidity status of the Postbank Group as of December 31, 2010 presents the expected cash inflows/outflows and the liquidity sources available for the coming twelve months on a cumulative basis, in accordance with the principles of internal liquidity management.

The expected values for cash outflows from liabilities with no fixed capital commitment period, 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.

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

Liquidity status of the Postbank Group as of December 31, 2010

€bn



Risk reporting

The Postbank Group regularly uses a variety of instruments to report liquidity risk; these are supplemented on a case-by-case basis by 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 of 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.

The economic capital requirements for operational risk for the Bank as a whole and for the four individual business divisions are determined using the internal capital model. The capital model is based on a loss distribution approach (LDA) that initially uses internal and external loss events, supplemented by scenario data, in its calculations. A scorecard is used to assess the quality of operational risk management in the business divisions so as to enable qualitative modifications to be made to the capital amounts calculated for them using Monte Carlo simulations; this also represents a material incentive to improve operational risk management.

To date, Postbank has used the standardized approach to calculate regulatory capital requirements for operational risk. Work on introducing an Advanced Measurement Approach (AMA) was completed on schedule at the beginning of 2010. During an on-site audit performed in the second quarter of 2010 as part of the approval process for the AMA, the supervisory authorities examined in depth the suitability of the capital model and the related methods and procedures, the reliability and integrity of the relevant IT systems, and the procedures for reviewing the risk measurement system. The BaFin approved the use of the AMA at the level of the Postbank Group as of December 31, 2010.

Organization and risk strategy

The Management Board of the Postbank Group is responsible for the key operational risk management tasks, while the Supervisory Board is responsible for monitoring this. The Operational Risk Committee (ORC) commissioned by the Management Board defines the framework for operational risk control. Operational 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 operational risk strategy comprises four quantitative elements in addition to qualitative statements on day-to-day handling of operational risk:

- Specification 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
- Definition of warning thresholds for structural loss trends per business division (typical loss)
- Definition of warning thresholds for low-volume, high-frequency losses

Operational risk is fully integrated into the Postbank Group's risk-bearing capacity concept. Capital requirements are calculated on the basis of the internally developed quantification model, which is used to calculate 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 regular calculation of the inputs for operational risk, quarterly stress tests are performed. Their results are used to analyze how the risk inputs behave under extreme conditions. For example, the effects of a general increase in loss frequencies or an additional, "artificial" major loss are examined. In addition, the impact of changes in tail distribution parameters is studied.

In addition to the quantification model, Postbank uses the following instruments in particular 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 central activity tracking system to reduce operational risk

The "OpRisk Manual" describes both the methods and instruments used and the primary responsibilities of the people involved in the operational risk control and management process. Postbank's Legal Affairs department is primarily responsible for identifying and managing legal risk.

At the beginning of 2010, an independent Operational Risk and Business Analysis unit was established within the Risk Management department in order to strengthen central operational risk control and reinforce the importance of the topic. In addition to its central coordination and reporting tasks, this unit has central responsibility for training the local risk managers and for upgrading the software solution used.

Two-tiered organizational structures with decentralized OpRisk managers have been established for each division or subsidiary to supplement the central department and support the managers concerned in risk prevention.

Risk management and control

In 2010, losses from operational risk in excess of the €1,000 reporting threshold rose significantly in comparison to the prior-year period, climbing from €34.7 million to around €52.7 million. Only a small proportion of this figure is due to individual major loss events; the rest mainly stems from numerous cases of external fraud in Retail Banking. One focus here was on high-frequency losses such as credit card fraud, phishing, and transfer and credit fraud – incidents that, taken in isolation, cause only minor damage, but that occur in large numbers.

A particular focus in the fight against fraud is to communicate all material cases without delay throughout the Bank via the FRAUD group. 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. To complement these activities, a number of technical measures that are contributing to a successive improvement in the situation were either initiated or largely implemented in 2010.

The following table shows the operational value at risk (OpVaR) after adjustment at the level of the Bank as a whole and of the individual divisions, for a confidence level of 99.93 %.

Business division	Operational value at risk (OpVaR)
	Dec. 31, 2010 €m
Retail Banking	198
Corporate Banking	56
Transaction Banking	73
Financial Markets	93
Postbank Group	420

Postbank's strategic focus on retail and business customers can clearly be seen from the operational value at risk figures for the individual divisions. The Retail Banking business division has by far the highest capital requirements, at €198 million.

Risk reporting

In fiscal year 2010, Postbank enhanced its internal operational risk reporting system to include ad hoc reporting to the Supervisory Board plus an additional weekly report to the members of the Operational Risk Committee and of the FRAUD group.

The Postbank Group reports regularly to its senior management on operational risk and losses:

- The Group Management Board and the members of the Operational Risk Committee (ORC) are informed on a monthly basis of losses incurred and of selected indicators, as well as of compliance with warning thresholds for typical losses in the individual business divisions and for high-frequency losses.

- Moreover, the Group Management Board and 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.

- Furthermore, the members of the ORC and of the FRAUD group receive a brief weekly summary of current loss trends.

- 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", and 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 influences the business and risk policies of its equity investments in particular through shareholder and supervisory bodies, where it is usually represented by members of its Management Board.

As of the reporting date of December 31, 2010, Deutsche Postbank AG held a total of 63 direct and a large number of indirect equity investments. In fiscal 2010, 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. A number of central functions such as accounting, finance, controlling, legal affairs, personnel, and internal audit are performed in some cases by the responsible organizational units at Postbank. The relevant lending departments of Deutsche Postbank AG monitor investment risks that are credit-related or that perform a credit-substitution function.

Deutsche Postbank AG continues to have no shareholdings in other companies in the sense of a private equity/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.

The Risk Analysis and Market Risk Controlling unit regularly monitors the materiality thresholds defined for risks within the equity investment portfolio and keeps the Management Board and the Risk Committees informed of this.

Risk management and control

Material risks (particularly market, credit, and liquidity risks) associated with strategic subsidiaries and equity investments are integrated in the operational and strategic Group-wide risk management and risk monitoring systems. The operational risk and business risk associated with the majority interests are included in Postbank's 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 tested for impairment 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 primarily uses the *Ertragswertverfahren* (income capitalization approach).

The large number of management and monitoring systems in existence, 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 governing 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 lower current value under the going concern principle, and losses on sale.

Organization and risk strategy

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

Within the Postbank Group, risks from real estate holdings are monitored and controlled on a uniform basis by the Real Estate Management unit, which is part of the Real Estate, Support, and Security department of the Resources/Lending board department. In particular, Real Estate Management coordinates the management of the service providers active in the area of facility and property management and is responsible for 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 lower current value under the going concern principle, and disposal losses by managing the space and actively marketing excess areas, as well as by long-term resource allocation.

The properties in the Postbank portfolio are primarily owner-occupied properties used by Deutsche Postbank AG and BHW Bausparkasse AG.

Risk management and control

Properties are reappraised every three 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

As part 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, and Security department submits monthly reports to the Resources/Lending board department that are largely devoted to real estate topics. In addition, the Resources/Lending board department receives reports every two weeks on key issues relating to real estate risk.

- The board department 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 a variety of 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 down 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. Handling collective risk forms part 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 process 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 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 is used to quantify risk capital requirements for collective risk; this replaces the estimated lump-sum risk buffer in use until the end of 2009.

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 risk 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. Business risk arises 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 included in business risk:

- Model risk
  The risk from unexpected declines in volume or falling margins that cannot be fully covered by modeling customer products with non-deterministic 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 the Group is insufficiently focused on the business environment concerned (which may have changed at short notice). 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 makes a further distinction 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 therefore 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 Analysis and Market 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 non-deterministic cash flows result in particular from the definition of theoretical scenarios for customer products with unknown interest rates and capital commitment periods (primarily savings and checking accounts, and 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); this 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 (EaR) model, using the confidence level established in the risk-bearing capacity concept and a one-year horizon. Business risk is calculated on the basis of historical variance analyses for 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.

Controlling and the business divisions prepare ongoing market and competitive analyses 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 risk:

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

- 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 rates and capital commitment periods is monitored in 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 *Handelsgesetzbuch* (German Commercial Code, HGB), 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 the context of the issue at hand, and is assessed on the basis of the nature and scope of the issues involved. Postbank assesses the question of the materiality of an issue by reference to its importance with respect to the 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
- Compliance with the legal provisions applicable to the Company.

Postbank's Management Board is responsible for establishing the internal control system. Appropriate principles, procedures, and measures ensure the system's implementation.

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 board departments 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 HGB 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 board department, 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 Group Management units, whose main functions are as follows:

- Coordination of the Declaration of Compliance as defined by section 161 of the AktG
- 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 board department 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 the effectiveness and appropriateness of the internal control system in particular 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 an SAP-based accounting system. In addition, specific data processing tools are used, the design of which is controlled as part of integrated data processing monitoring. The Group reporting submitted by the companies to be included in consolidation are loaded into the SAP SEM system by the companies or entered manually in individual cases. This data, together with other information provided by the companies to be included in consolidation, is used by the Bank to prepare its consolidated financial statements.

The risk of non-compliant financial statements is addressed by issuing guidelines. Group reporting packages are checked for conformity with Group manuals. The quality of the consolidated financial statements is assured by the Accounting department. The procedures used in 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. It is applied as a matter of principle at a technical and/or an organizational level to the entry of items during processing.

The financial reporting process for the annual financial statements comprises technical support for the business transactions, data capture and processing, reporting, and the 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 the 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 items are entered in line with the principle of 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 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's annual audit plan provides for suitable audit tests 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 relating to the introduction and implementation of material 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

The BaFin laid down criteria for banks' remuneration systems in its Circular 22/2009 dated December 21, 2009. On October 6, 2010, the German Federal Ministry of Finance issued the *Verordnung über die aufsichtsrechtlichen Anforderungen an Vergütungssysteme von Instituten* (InstitutsVergV, Regulation Governing Supervisory Requirements for Remuneration Systems of Institutions) on the basis of section 25a(5) sentences 1-3 and 5 of the KWG; this replaces the BaFin Circular.

The Postbank Group's remuneration systems have been adjusted to comply with the general requirements specified in the Regulation. The adjustments took 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 were designed in such a way as to provide even greater support for sustainability-oriented enterprise goals. Postbank implemented the changes required by the BaFin Circular retroactively as of January 1, 2010 and is examining whether any changes are potentially necessary under the InstitutsVergV. Any changes that may be necessary will be implemented in the relevant employment contracts following a review in accordance with section 10 of the InstitutsVergV, 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, no assurance can be given with regard to the two allegations relating to the requests for information 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 believe 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. Furthermore, Deutsche Postbank AG and Deutsche Post AG are 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, the possibility of the Commission affirming the existence of incompatible state aid cannot be ruled out.

Report on Expected Developments

Global economy

For 2011, signs are pointing toward the continued recovery of the world's economy. Nonetheless, the global upswing remains subject to setbacks. Risks to the economy include current uncertainties on financial markets. In addition, the fiscal momentum particularly in industrial countries that propelled the economy in 2010 may ease. As a result, growth will most likely be somewhat lower than in the previous year. We expect global economic output to rise by 4.3 %. In 2012, global GDP growth will likely reach a similar magnitude.

In the United States, the economy will present a differentiated tableau in 2011. Private consumption should increase somewhat faster as a result of gradual improvements on the job market. Investments in machinery and equipment can also be expected to improve as the upward trend should continue here. By contrast, investments in construction may continue to be a drag on the economy. No positive momentum can be expected to be generated by this area until the real estate crisis has passed. Exports and the warehouse cycle will tend to have a slightly negative impact on the economy in 2011. At 2.9 %, however, GDP growth in 2011 should be about the same as last year. For 2012, we think similar growth may be achieved – as the foundation of growth expands and government economic rescue programs end.

The recovery of the Japanese economy could slow considerably in 2011. As a result of the weakening momentum generated by world trade, exports may provide only limited support. Domestic demand will not be strong enough to offset this trend. Following the strong growth produced during the past fiscal year, we expect private consumption to rise only moderately. For this reason, GDP will grow only slightly at 1.3 %. For 2012, we foresee a slight rise in growth. In China, the economy should grow somewhat slower in 2011 than in the reporting year because of government efforts to prevent the economy from overheating. But the economic recovery should remain robust and continue in 2012.

The economy in the euro zone should continue to grow moderately in 2011. As a result of the emerging stabilization of the job market, private consumption is expected to generate somewhat stronger economic momentum. The outlook for investments in machinery and equipment appears positive as well. With the world economy producing solid growth and domestic demand rising moderately, exports should climb faster than imports. By contrast, financial policies will have a dampening effect: Many members of the euro zone will put their budget-cutting plans into effect as part of efforts to restructure government spending. As a result, GDP growth should be generally moderate at 1.7 %. In the process, the differences in the growth rates of individual member countries should shrink. For those countries with major structural problems, the outlook remains rather guarded. For 2012, we expect the euro zone's economy to grow at a similar rate. In the process, economic momentum will increase in countries experiencing the greatest consolidation pressure at the moment.

Economic outlook for Germany

At the turn of the year 2010/2011, the German economy had a broad base – an indication that the upswing should continue in 2011. Exports should continue to increase. But, as imports rise measurably, exports are unlikely to generate much growth momentum. On the other hand, domestic demand should produce solid growth. Gross capital expenditures may climb markedly once again, fueled in large part by investments in machinery and equipment. On the other hand, investments in construction are expected to rise only moderately as the impact of the – expiring – government infrastructure program eases. But private residential construction and commercial construction may rise further. The job market should profit from the continued recovery in investments, creating a potential foundation for further improvements in employment. Against this backdrop, private consumption should climb steeply. At 2.4 %, GDP growth may lag behind the record level achieved in 2009, but should nevertheless be significantly higher than in the euro zone as a whole. For 2012, we foresee a weakening of the growth momentum in both gross capital expenditures and private consumption. As a result, GDP growth may decrease sharply.

Markets

The monetary policies of the world's leading central banks should remain very expansive in 2011. In terms of the ECB, we expect that it will continue to carefully roll back its special monetary programs in the spring. One particular source of uncertainty is the European debt crisis. Should this crisis worsen again, the ECB could be forced to leave current programs in place for an extended period of time. Even though the upward pressure on prices will likely increase considerably this year, the ECB may keep its benchmark interest rate at the very low level of 1.0 % for a certain time as a result of the risks related to government deficits and the economy. We do not expect a slight rise in interest rates to 1.25 % until the fourth quarter of 2011. The ECB may gradually increase rates in 2012 as well. We expect that the U.S. Federal Reserve will keep its benchmark rates at 0 % to 0.25 %. It is likely to conclude its program of buying $600 billion in U.S. Treasuries on schedule in June. With the economic upswing expected to stabilize, we do not expect the Fed to take further steps to increase macroeconomic liquidity. We believe that the Fed could begin to carefully raise rates in 2012.

The continuing economic recovery and the likely rise in inflation rates in 2011 are indicators of higher capital market interest rates. This increase, however, is expected to be limited as a result of the very low benchmark rates and the high amount of liquidity – made available by central banks. With the European government-debt crisis continuing to smolder, German bunds should retain their role as a "safe haven" in the capital market for the foreseeable future. For this reason, we expect yields of 10-year bunds to rise only slightly to 3.2 % in 2011. In the euro zone, the yield curve should flatten slightly. By historical standards, however, it will still remain steep. As a result of the expected increases in interest rates by the ECB, we believe that capital market rates will rise somewhat steeply in 2012. In this environment, the tendency of the yield curve to flatten should continue.

Continuing economic growth should ease worries about corporate bond defaults, resulting in a potential light drop in risk premiums in 2011, among other things. Corporate spreads will likely remain well above the pre-financial crisis level. For 2012, we do not foresee any substantial changes in this market segment. In terms of the risk premiums demanded for sovereign bonds issued by the periphery countries of the euro zone, we think concerns will ease over the long term only after the members of the euro zone have agreed on a credible strategy that extends beyond 2013. Susceptibility to volatility will remain high as long as no fundamental approach to dealing with the heavily indebted members of the euro zone appears on the horizon.

Sector situation

The regulatory framework for the international financial community has still not been finalized in some areas. Stricter minimum capital requirements for banks were only recently approved at the G20 summit held in November 2010 in Seoul. These requirements are to be gradually introduced through 2019. The stricter capital requirements should create a need for additional capital at some banks. In addition to the retention of profits, it may be necessary to increase capital in order to close these gaps.

In Germany, the restructuring act, which regulates a banking levy among other issues, has been approved by the German Parliament and Federal Council. The law took effect at the beginning of 2011. But an ordinance that is yet to be passed will regulate the individual details of the law, in particular the banking levy. Under a relevant draft, the annual banking levy should continue to total no more than 15 % of annual profits. Should the calculated levy exceed the upper limit of 15 %, banks must pay the difference in subsequent years. At the beginning of January 2011, it was announced that the European Commission was considering the introduction of an EU-wide banking levy. This would result in a double payment for German financial institutions. Other significant negative effects could be created by the harmonization of deposit protection insurance proposed by the EU Commission.

No EU-wide decision for or against the introduction of a financial transaction or a financial-activity tax has been made yet. It remains uncertain if and when a consensus can be reached. The German Finance Ministry favors a financial transaction tax. Should one of these levies be introduced, a further negative impact on banks' earnings would occur.

But one point is already certain on the European level: This spring, European banks and insurance companies will undergo another stress test. It will be coordinated by the newly created European Banking Authority and European Insurance and Occupational Pensions Authority. The ability of the financial industry to weather further financial and economic crises is to be tested once again. The results of the bank tests should be available in mid-2011.

In 2011, the fundamental business conditions of the domestic banking industry should remain largely positive. For one thing, positive economic trends should continue in the coming years, and the credit rating of most loan customers remain stable at the very least. For another, the yield curve may change only slightly by late in the year. Both net interest income and additions to allowances for losses on loans and advances will tend to be initially buttressed by these developments. A flattening of the yield curve during 2012 could tend to have a negative impact on net interest income. On the other hand, the intense price-driven competition for new private and, increasingly, corporate customers may cloud business prospects both in 2011 and 2012. Over the mid-range, the contributions to earnings made by investment banking and proprietary trading will tend to stagnate at many German banks as a result of the continuing challenging capital market business climate. The negative financial impact that the introduction of a banking levy and other possible fees will have on the banking industry cannot be conclusively formulated yet. Furthermore, the debt crisis on the EU's periphery will most likely remain a source of uncertainty in 2011 and 2012 and possibly have a further negative impact on the trading books of some banks. Should a default occur or a government's debt be restructured in the euro zone, this would have a major negative impact on the financial industry. This is because banks, insurers and other institutional investors are among the most important buyers of government bonds. As a result, we expect the majority of German banks to generate moderate increases in earnings in 2011 and 2012. Over the mid-range, the pre-financial crisis level of reported revenue and returns may not yet be reached again by many banks.

A number of banks are up for sale in Germany. But no cross-pillar transactions appear to be in the making. Rather, international investors seem to be the primary group of interested parties. In years to come, Germany's banking market will continue to be characterized by the three-pillar structure of private banks, savings banks and cooperative banks.

Expected financial situation

Investment focuses of Postbank

Legal requirements make it necessary to carry out further investments, particularly in connection with the revisions of IFRSs, the flat tax, the SEPA, the German Solvency Regulation (SolvV) and standardized consent to receive advertising.

To optimize its ongoing operations and processes, Postbank continues to invest in its core banking system SAP, payment transactions, front-end sales and banking access for customers (multi-channel banking). One of the focal points of this last area is improving security by taking such steps as replacing the I-TAN with a cutting-edge, secure process.

As part of business development, investments are being made in product innovations in Retail Banking, Financial Markets and the home savings area, the development of client business and the strategic programs of Postbank.

In 2011, the focal points of the continued introduction of the "Postbank4Future" strategy program are the continuing optimization of complaint management, the restructuring of HR systems and the improvement of control mechanisms through the introduction of a strategic financial database. In another program, investments will be made in the standardization of internal Postbank processes and in the achievement of A-IRBA (advanced internal ratings-based approach) to improve risk-weighted assets and, as a result, the capital ratio.

The expected impact of Basel III

The Basel Committee on Banking Supervision (BCBS) issued the final text of the rules governing the future international capital adequacy and liquidity requirements (Basel III) on December 16, 2010. The new rules, a response to the financial crisis, represent a significantly tougher regulatory framework that is designed to make the global banking system more resilient. They include both stricter definitions of regulatory capital (higher qualitative standards, additional deductions) and higher capital charges for the assets to be backed by capital. Banks will also face minimum standards for their liquidity base in the future, and their leverage ratio will be monitored. The new Basel III rules will tend to lead to a reduction in banks' regulatory capital and an increase in their risk-weighted assets. This also applies to Postbank. However, the new rules will be phased in over a transition period running until 2022 to give the banks the time they will need to adapt to the tougher regime. At the same time, the capital adequacy ratios will be increased successively up to 2018 and banks will have to build up an additional capital conservation buffer.

In the period until the launch of Basel III, Postbank plans to further improve its capital position by retaining earnings, introducing advanced models for determining capital requirements (Advanced IRB, internal market risk model, AMA), and reducing the volume of its investment securities. Based on its current plans, this will enable Postbank to meet or exceed the capital adequacy ratios that will be required when Basel III is introduced. At the same time, Postbank will continuously examine additional measures for optimizing its capital resources.

Thanks to its business model, especially the deposit business and the stable private mortgage loan portfolio, Postbank is also well positioned to meet the liquidity funding ratios that will be imposed starting in 2015 (Liquidity Coverage Ratio, LCR) and 2018 (Net Stable Funding Ratio, NSFR). For example, Postbank already significantly exceeds the short-term liquidity funding requirement represented by the LCR.

Additionally, Postbank's de-risking strategy will help further reduce its leverage ratio, which will initially only be monitored, but not limited, by the supervisory authorities.

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 its retail, business and corporate customer business in the coming periods as well as to expand the fields of core products. The satisfying performance of 2010 demonstrates that strategic changes are already having an impact and that operational contributions to earnings are rapidly climbing in the segments.

During the past fiscal year and in years to come, it can be expected that the acquisition of a majority interest and the anticipated closer relationship and integration of Postbank into the Deutsche Bank Group will have an impact on the Bank's future business performance and, as a result, on the mid- and long-term earnings situation of the Postbank Group and its business divisions. This could result from the possible assumption of Group-wide accounting and measurement policies and options. It can also be assumed that a potentially closer relationship of both companies could have an impact on the earnings situation ín the operating business. Given information available at the moment, it is not possible to provide an evaluation of this impact. For this reason, this topic is not addressed in this outlook.

In the following comments about the expected development in our core business divisions, it should also be remembered that the introduction of new segment reporting planned for the first quarter of 2011 will result in shifts in the results of individual segments. Fundamental changes will occur in the Financial Markets segment as a result of the bundling of banking book results. Furthermore, several conceptual modifications, including the change of assumptions concerning the return on equity assigned to the segments will affect the earnings performance of the operating segments. The following outlook is based on the latest system still applicable to segment reporting. It will be supplemented in each case with information about expected trends following the conversion to the new methodology.

Retail Banking

Retail Banking encompasses Postbank's private customer business. The "Postbank4Future" strategic measures taken for this segment are designed to sharpen the Bank's profile and aim at positioning the Bank even more clearly as a leading provider of checking accounts, savings programs, private mortgage lending, home savings and private retirement provisions. Core elements of this strategy were implemented during fiscal year 2010. The product range was systematically streamlined and the sales channels focused on selected product fields. We also made significant investments in expanding our customer services, particularly accessibility. Examples of this effort include the acquisition of 277 retail outlets of Deutsche Post, the expansion of the cash-distribution network, the reduction of processing times and the optimization of complaint management. A key step taken with future earnings performance in mind was the implementation of more value-focused management, a change that yielded a noticeable increase in the attractiveness of the new business, particularly in the lending business in 2010.

The earnings performance of the Retail Banking segment in 2010 was characterized by strong growth in net interest income since the previous year. Under current expectations, this momentum cannot be maintained in 2011. For instance, we assume that contributions to earnings produced by the deposit business could stagnate and fall slightly at times. Furthermore, the contribution by our subsidiary in India will end as a result of the unit's expected sale in the first quarter of 2011. We currently expect the segment's net fee and commission income to fall slightly. Two reasons for this will be the modified fees for using our ATMs and continued reductions in commissions from postal services.

As a result of the efficiency initiatives in the "Postbank4Future" strategy program, continued strong cost discipline and the previously mentioned deconsolidation of the Indian subsidiary, administrative expenses are expected to remain below the inflation rate in 2011 and 2012. This will occur in spite of the structural rise in administrative expenses resulting from the acquisition of 277 additional branches in mid-2010.

We also expect the allowance for losses on loans and advances in the private customer business to remain at the relatively low level of 2010.

Overall, we believe at the moment that the segment's results in 2011 and 2012 will be unable to keep pace with the strong performance of 2010 as a result of the expected drop in total income, caused in part by the sale of the Indian subsidiary. Over the mid-term, the initiatives begun under the "Postbank4Future" strategy program will have a positive impact on both costs and revenue, producing gradual growth in the segment's results.

In principle, the previously mentioned earnings trends should also occur under the new segment structures effective as of March 31, 2011.

Corporate Banking

In the Corporate Banking division, the "Postbank4Future" strategy program has not led to 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.

In the area of commercial real estate loans, which is part of the Corporate Banking division, we will focus in 2010 on selected financing packages with conservative financing maturities and stable cash flows. We intend to further improve the risk/return profile in 2011.

The result of the Corporate Banking segment was characterized by a significant turnaround in 2010. After reporting a loss in the previous year, profit before tax climbed to €382 million. This was generated, among other reasons, by a very strong result in net interest income. This performance resulted from both good volume and margin trends and technical effects from higher interest income from impaired assets. The latter revenue is now expected to drop steeply again in the coming periods. Combined with a normalization of the margin level compared with the previous two good years, this trend will cause net interest income to fall overall.

Against the backdrop of the overall satisfying direction of general economic conditions, it can be assumed that the need for the allowance for losses on loans and advances will decline in the Corporate Banking division from the level required in recent years. Nonetheless, new problems in international real estate markets or the default of individual loan customers could disrupt this trend.

In summary, we expect the results of the Corporate Banking segment for 2011 and 2012 will be below the good level achieved in 2010 as a result of the previously discussed trends.

As part of the new system of segment reporting, the same trend will be seen. One point that must be considered here is that the earnings from the portfolios in the banking book will be completely reported in the Financial Markets segment. This will possibly result in a structural reduction of the Corporate Banking segment's results.

Transaction Banking

In Transaction Banking, Postbank is optimally prepared for future challenges related to modern, efficient processing of domestic, SEPA and international payment transactions thanks to its state-of-the-art IT platform.

The integration of HSH Nordbank, a client acquired in 2009, is expected to gradually generate positive momentum for the earnings situation in the following years as well. At the same time, it is to be expected that the reintegration of payment transactions into Commerzbank that to date we have handled for Dresdner Bank will have a negative impact on net fee and commission income in 2011. Overall, we expect net fee and commission income will decrease by about 10 % from its level in 2010. This trend will continue into 2012. Afterward, we expect net fee and commission income to stabilize. Steps to reduce the associated pool of costs have already been initiated. We believe this effort will have its full impact in 2012. For this reason, we expect a measurable slowdown in the results of this segment in 2011, which will gradually become positive again after stabilizing in 2012.

The new segment reporting system, according to our current assessment, will only have a slight impact on the earnings trend indicated.

Financial Markets

The main responsibilities of the Financial Markets division will continue to involve effective risk positioning for the entire Postbank Group. Following the challenging years of 2009 and 2010, the continued optimization of our portfolio structure and systematic deleveraging will be the primary concerns in this area for 2011 and beyond.

In future segment reporting, all earnings from banking book portfolios that are now generally recognized in the Others segment as well as in the segments of Retail Banking and Corporate Banking will be combined in the Financial Markets segment. This will have a negative impact on earnings – particularly in terms of segment income – compared with today's levels. For the foreseeable future, the segment will have a structurally negative result, which should gradually improve in 2011 and later as a result of the reduced negative impact produced by the Bank's risk portfolio.

Postbank Group Outlook

For 2011 and 2012, we expect the world economy will continue to recover. In Germany, the growth momentum should continue in 2011. We foresee a slowdown beginning in 2012. Business conditions in capital markets will likely remain fragile – as trends showed during the third and fourth quarter of 2010. Outside Germany in particular, we believe that an above-average number of business bankruptcies will occur and that business conditions in selected international real estate markets will remain difficult. It also includes some possible effects of potentially severe setbacks and disruptions in international capital and real estate markets detailed in the section on the sector outlook of this report. Furthermore, the continuing discussion about strict regulations for the banking sector, including the reform of deposit protection, as well as a possible acceleration in the reduction of risk positions exceeding today's planning could have a significant impact on Postbank's net assets, financial position, and results of operations. The following outlook – as was the case with our business division forecast – does not include potential effects from a closer relationship with and integration into the Deutsche Bank Group or from the application of Group-wide accounting and measurement policies and the use of options.

The fiscal year 2010 earnings performance demonstrate that Postbank has a solid business model characterized by stable, sustainable income streams from its customer business as well as a good refinancing base. We remain firmly committed to the focus on private, corporate and business customers that we initiated in our "Postbank4Future" strategy program. The Bank will also continue to reduce its capital market investments and exposure to the associated risks.

Given the expected trends in the Bank's customer business and external economic environment, we foresee further growth in net interest income during fiscal year 2011 compared with the level in the previous year. The increase, however, will be lower because of the very dynamic conditions in 2010 that were fueled by several one-time factors and of the planned sale of our Indian subsidiary. The growth should also continue in 2012.

According to our latest estimates, net fee and commission income will dip slightly in 2011 due to declining revenue, particularly in Transaction Banking, and remain at this level in 2012. As a result, the total amount of net interest income and net fee and commission income will most likely move sideways – following a dynamic rise in 2010. We foresee moderate growth beginning in 2012.

Our "Postbank4Future" strategy program continues to place a high priority on cost management. For 2011, however, we foresee a slight rise in administrative expenses compared with the prior year. One reason for this increase is the acquisition of 277 retail outlets of Deutsche Post, a development that will result in a structural increase of administrative expenses of about €60 million to €70 million a year. In addition, temporarily higher costs related to the implementation of numerous regulatory changes will boost administrative expenses. Beginning in 2012, we expect positive effects on administrative expenses to be generated by this factor and the efficiency-improving initiatives introduced in recent years. In terms of future administrative expenses, consideration must be given to the fact that expected trends could change as a result of an intensified integration into the Deutsche Bank Group or standardization in use of accounting options and measurement policies.

Furthermore, the banking levy will have a negative impact on the Bank's earnings in 2011. Postbank expects this will result in additional expenses totaling about €24 million.

The amount of net trading income and net income from investment securities generated by the bank depends largely on developments in money and capital markets – as we have noted in previous reports. On the basis of the negative effects from our structured loan portfolio recorded in these earnings lines future world economic trends and the number of business bankruptcies will be key determining factors. Under the premise that macroeconomic trends will not deviate too far from our expectations, the overall negative impact on net trading income and net income from investment securities in 2011 should be lower than it was in 2010. This trend could be disrupted – even during a stable market situation – by such developments as defaults and downgrading of individual issuer with a broad impact. In terms of net trading income and net income from investment securities taken together, we expect negative contribution to earnings for 2011 and 2012, even though it should be recognizably better than the level in 2010. In addition to the previously mentioned negative effects, this will also be the result of our clear strategy to reduce our investment securities portfolio, which limits opportunities to generate additional income. An intensification of this reduction effort could – in contrast to current expectations – result in temporary, but measurably higher negative effects on earnings. Net income from investment securities will benefit from a gain that we expect for the first quarter of 2011 on the sale of our subsidiary in India.

Based on our present estimations, the allowance for losses on loans and advances in the lending business should fall slightly in 2011 and beyond from the level of 2010. While the allowance for losses on loans and advances will grow only slightly in the retail banking business and thus remain generally at the moderate level of 2010, we expect the need for the allowance for losses on loans and advances to decline in Corporate Banking and in commercial real estate finance as a result of continued improvement in macroeconomic conditions.

In summary, we expect, on the basis of previously discussed assessments of trends in individual earnings lines, that Postbank will be able in 2011 and 2012 to continue its good performance of 2010 and, as a result, return to the profit zone on a long-term basis. During 2011 in particular, the positive trends in earnings contributions that we foresee in the customer business will be hurt by negative trends in risk positions and a higher allowance for losses on loans and advances, meaning that the full operational strength of the Bank may be seen only gradually.

The long-range outlook for a sustainably achievable return on equity continues to be difficult to make for banks in general as of result of existing uncertainties and the ongoing discussion about future regulation of the banking market – including about the reform of deposit protection and tougher capital requirements. Furthermore, Postbank cannot predict at the moment what specific impact its possible integration into the Deutsche Bank Group will have on the mid- and long-term earnings situation. Postbank is responding to this situation and has decided that it will not issue any prognosis about returns achievable over the mid- and long term. We are determined to further expand the Postbank's strong position on the German market, and we are confident that we will move forward in our drive to generate profitable growth.

Consolidated Financial Statements in accordance with International Financial Reporting Standards for the period ended December 31, 2010

I Consolidated Statement of Comprehensive Income for the Period January 1 to December 31, 2010

Consolidated Income Statement

	Note	2010 €m	2009[1] €m
Interest income	(7)	6,978	7,987
Interest expense	(7)	–4,247	–5,582
Net interest income	(7)	2,731	2,405
Allowance for losses on loans and advances	(8)	–561	–678
Net interest income after allowance for losses on loans and advances		2,170	1,727
Fee and commission income	(9)	1,586	1,623
Fee and commission expense	(9)	–270	–285
Net fee and commission income	(9)	1,316	1,338
Net trading income	(10)	–241	–498
Net income from investment securities	(11)	–1	–148
Administrative expenses	(12)	–2,934	–2,864
Other income	(13)	175	178
Other expenses	(14)	–170	–131
Profit/loss before tax		315	–398
Income tax	(15)	–176	475
Profit from ordinary activities after tax		139	77
Minority interest		–1	–1
Consolidated net profit		138	76
Basic earnings per share (€)		0.63	0.35
Diluted earnings per share (€)		0.63	0.35

Condensed Statement of Comprehensive Income

	2010 €m	2009 €m
Profit from ordinary activities after tax	139	77
Other comprehensive income after tax	238	222
Change in revaluation reserve	340	305
thereof remeasurement gains	239	106
thereof disposals and impairment	101	199
Change in currency translation reserve	9	–
Income tax relating to other comprehensive income	–111	–83
Total comprehensive income for the period attributable to minority interest	–1	–1
Total comprehensive income	376	298

120

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 by the weighted average number of shares outstanding during the fiscal year. The average number of shares outstanding in fiscal year 2010 was 218,800,000 (previous year: 218,800,000).

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 2010.

[1] Prior-year figures adjusted (see Note 6)

Consolidated Balance Sheet as of December 31, 2010

Assets	Note	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Cash reserve	(16)	3,248	4,534
Loans and advances to other banks	(17)	12,140	14,467
Loans and advances to customers	(18)	111,783	111,043
Allowance for losses on loans and advances	(20)	–1,764	–1,641
Trading assets	(21)	24,150	20,471
Hedging derivatives	(22)	664	520
Investment securities	(23)	58,980	72,359
Intangible assets	(24)	2,339	2,368
Property and equipment	(25)	826	838
Investment property	(26)	73	73
Current tax assets	(27)	321	280
Deferred tax assets	(27)	347	552
Other assets	(28)	695	745
Assets held for sale	(29)	882	–
Total assets		214,684	226,609

Equity and Liabilities	Note	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Deposits from other banks	(30)	22,419	39,318
Due to customers	(31)	136,476	131,988
Debt securities in issue	(32)	12,860	16,722
Trading liabilities	(33)	26,174	22,434
Hedging derivatives	(34)	1,451	2,051
Provisions		2,287	2,148
a) Provisions for pensions and other employee benefits	(35)	1,126	1,104
b) Other provisions	(36)	1,161	1,044
Current tax liabilities	(37)	77	174
Deferred tax liabilities	(37)	284	305
Other liabilities	(38)	665	711
Subordinated debt	(39)	5,577	5,507
Liabilities directly related to assets held for sale	(40)	787	–
Equity	(41)	5,627	5,251
a) Issued capital		547	547
b) Share premium		2,010	2,010
c) Retained earnings		2,928	2,614
d) Consolidated net profit		138	76
Minority interest		4	4
Total equity and liabilities		214,684	226,609

Statement of Changes in Equity

	Issued capital €m	Share premium €m	Retained earnings €m	Currency translation reserve €m	Revaluation reserve €m	Consolidated net profit €m	Equity before minority interest €m	Minority interest €m	Total €m
Balance at Jan. 1, 2009	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
Dividend payment							–		–
Changes in retained earnings			76			–76	0		0
Total comprehensive income Jan. 1 – Dec. 31, 2010				9	229	138	376		376
Treasury shares							–	–	–
Other changes							–	–	–
Balance at Dec. 31, 2010	547	2,010	3,343	–142	–273	138	5,623	4	5,627

Comprehensive income includes measurement and disposal gains and losses on available-for-sale financial instruments.

€–6.6 million of the currency translation reserve as of December 31, 2010 was attributable to assets held for sale.

139 A more detailed disclosure of the changes in the revaluation reserve can be found in Note 41.

Postbank did not hold any treasury shares as of December 31, 2010.

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

Consolidated Cash Flow Statement

	Note	2010 €m	2009 €m
Consolidated net profit		138	76
Non-cash items in consolidated net profit and reconciliation to cash flow from operating activities			
Depreciation and writedowns of property and equipment, writedowns of investment securities, loans and advances, and reversals of impairment losses on these items		595	1,046
Changes in provisions	(35), (36), (37)	23	−794
Changes in other non-cash items		95	473
Gains on disposal of property and equipment and investment securities		−37	−101
Other adjustments (net, primarily net interest income)		−2,198	−1,984
Subtotal		−1,384	−1,284
Changes in working capital after adjustment for non-cash components			
Loans and advances to other banks		1,987	3,866
Loans and advances to customers		−1,803	−5,978
Trading assets		−3,569	−4,395
Hedging derivatives with positive fair values		−304	−381
Other assets		212	118
Deposits from other banks		−16,308	−23,264
Due to customers		4,383	14,512
Debt securities in issue		−3,811	426
Trading liabilities		3,757	5,416
Hedging derivatives with negative fair values		−691	−547
Other liabilities		−27	−101
Interest received		7,346	8,470
Interest paid		−4,609	−5,815
Dividends received		0	0
Income taxes paid		−210	−234
Net cash used in operating activities		−15,031	−9,191

	Note	2010 €m	2009 €m
Proceeds from the disposal of			
Investment securities		14,568	12,892
Investments in subsidiaries	(2)	30	5
Property and equipment		1	1
Intangible assets		0	2
Payments to acquire			
Investment securities		–701	–2,273
Investments in subsidiaries		0	–9
Property and equipment		–64	–43
Intangible assets		–47	–54
Net cash from investing activities		13,787	10,521
Dividends paid		0	0
Net change in cash and cash equivalents from other financing activities		–41	–212
Net cash used in financing activities		–41	–212
Cash and cash equivalents at start of period	(16)	4,534	3,417
Addition to basis of consolidation		–	–
Net cash used in operating activities		–15,031	–9,191
Net cash from investing activities		13,787	10,521
Net cash used in financing activities		–41	–212
Effects of exchange rate differences		–1	–1
Cash and cash equivalents at end of period	(16)	3,248	4,534

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 plus noncash expenses and less noncash 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.

Table of contents

Notes

Basis of preparation

Income statement disclosures

Balance sheet disclosures

Other disclosures

Basis of preparation

Deutsche Bank announced on November 29, 2010 that it had acquired a majority of the capital in Deutsche Postbank AG as the result of its voluntary takeover offer. Deutsche Bank has included Postbank in its consolidated financial statements with effect from December 3, 2010.

(1) Basis of accounting
As a listed company, Postbank AG has prepared its consolidated financial statements for the year ended December 31, 2010 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).

The Annex to these consolidated financial statements provides an 182 overview of the financial reporting standards applied (as of December 31, 2010).

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 144 is addressed in Note 44, 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.

The fair value of holdings of government bonds, *Pfandbriefe*, and bank and corporate bonds is determined using observable market prices or inputs that are observable in the market.

The management of interest rate risk, counterparty credit risk, and liquidity risk 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"). 69 72 85

The disclosures on risks from financial instruments (in accordance with IFRS 7) are presented in the Risk Report contained in the Group Management Report. 61

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 contained in the Group Management Report. 61

(2) Basis of consolidation
In addition to the parent company Deutsche Postbank AG, 51 (December 31, 2009: 49) subsidiaries that are presented in the following overview are included in the consolidated financial statements as of December 31, 2010.

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	
Merkur I SICAV-FIS, Luxembourg, Luxembourg	100.0	
PB (USA) Holdings Inc., Wilmington, Delaware, U.S.A.	100.0	
PB Factoring GmbH, Bonn	100.0	
PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt am Main	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
DPBI Immobilien KGaA, Munsbach, Luxembourg		100.0
Merkur II SICAV-FIS, Luxembourg , 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 Firmenkunden AG, Bonn		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
PMG Collins LLC, Tallahassee, Florida, U.S.A.		100.0
Postbank Filial GmbH, Bonn		100.0
Postbank Support GmbH, Cologne		100.0
Postbank Versicherungsvermittlung GmbH, Bonn		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	

A complete list of shareholdings in accordance with section 313 of the HGB is given in Note 63.

On April 16, 2010, 401 Mass Avenue Holdings LLC, a wholly owned subsidiary of PB Capital Corp., was deconsolidated.

In the third quarter of 2010, Deutsche Postbank AG acquired 277 Deutsche Post AG retail outlets. Deutsche Postbank AG established Postbank Filial GmbH as a wholly owned subsidiary of Postbank Filialvertrieb AG for the new Finance Centers. Postbank Filial GmbH was included in the consolidated financial statements for the first time in July 2010.

Effective August 2, 2010, Deutsche Postbank AG acquired all the shares of Merkur I SICAV-FIS, which since then has held the shares of the PB 24 sub-pool of assets already held by the Group. The shares of Merkur I SICAV-FIS were consolidated for the first time in August 2010. In this context, Merkur II SICAV-FIS, a wholly owned subsidiary of Merkur I SICAV-FIS, was also acquired and included in the consolidated financial statements for the first time in September 2010.

PMG Collins, LLC was included in consolidation for the first time in October 2010.

Postbank acquired the outstanding 90 % of DPBI Immobilien KGaA by way of contract dated December 14, 2010.

2650 Virginia Avenue NW LLC was dissolved in December 2010 and was deconsolidated as of December 31, 2010. The sale of the property at 2650 Virginia Avenue NW LLC generated income of €5.7 million.

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.

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

In accordance with IAS 27.24, 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 27.18 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 27.20. Intercompany profits within the Group were eliminated in accordance with IAS 27.21.

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 discounted cash flow analysis using the current swap yield curve and loan-specific risk premiums. A detailed description of the valuation technique used can be found in Note 44. 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.

144

The maximum credit risk on the loan portfolios allocated to the fair value option is equal to the carrying amount of €8.1 billion (previous year: €8.6 billion); this risk is reduced by €1.0 billion (previous year: €1.6 billion) by credit default swaps, because these loans are part of the reference pools of synthetic securitizations and/or 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. Receivables are derecognized once the majority of the key risks and rewards incidental to legal ownership of the financial assets have been transferred.

The fair value of financial instruments measured at amortized cost or at the hedge fair value is determined using discounted cash flow analysis using the inputs that are observable in the market ("credit
144
spread"-free yield curve plus "credit spread"). Additional information on the fair value of financial instruments is given in Note 44, Fair value of financial instruments.

Financial instruments are grouped into classes required by IFRS 7.6 at Postbank on the basis of the categories of financial instruments in accordance with IAS 39 together with the relevant balance sheet items. To further increase transparency, Postbank has broken down
61
the credit risk information required to be disclosed under IFRS 7.36f. by individual classes in the Risk Report.

(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 at the fair value amount applicable 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 other comprehensive income). Postbank has not entered into 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 impairments

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, default probabilities, and LIP factors). 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 over-indebtedness, 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 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.

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

(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.

The assets 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 144 techniques (in accordance with IAS 39.AG74 ff.). A detailed description of the valuation techniques is given in Note 44. 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 has therefore measured them separately through profit or loss.

The separated derivatives in the synthetic SCP portfolios (structured credit products) are reported as standalone derivatives in the "trading assets" balance sheet item (in the case of positive fair values) or "trading liabilities" (in the case of negative fair values). SCP port- 115 folios held for trading are also carried under "trading assets". Detailed explanations of the SCP portfolios can be found in Note 4 (h), Investment securities.

144

The measurement methods used are described in Note 44, 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 that 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. Equities 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 governs 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 is 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.

Investment securities are measured on initial recognition at cost as of 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 where these 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 for short-term profit taking, that were not designated as at fair value through profit
112 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.

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 whether there is objective evidence of permanent impairment at each balance sheet date 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. The fair values of corporate bonds, government bonds, *Pfandbriefe*, and bank bonds are measured on the basis of observable market prices or inputs that are observable in the market in accordance with IAS 39.AG71 ff.

Postbank has invested in structured credit products (SCPs) as part of its credit substitution business. 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. IAS 39.11 specifies that 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 114
derivative (synthetic structure) is separated (see also Note 4 (e)).

Synthetic SCPs (AfS), including the embedded derivatives and the SCPs in the trading portfolio (HfT) are measured at fair value. This is generally performed using published transaction or market prices. If no transaction or market prices are available, so-called arranger or dealer quotes (indications) are used for measurement. Due to the almost complete inactivity of markets for securitization products, an internal valuation technique (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 a number of 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. 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.

When measuring its structured credit portfolio in 2010, Postbank took account of recent market developments and adjusted the probabilities of default and losses given default for underlyings in CDOs. This related in particular to structured products in non-corporate CDOs and bond insurers. These adjustments to the inputs negatively impacted profit and loss by €129 million while reducing the revaluation reserve by €78 million.

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. The measurement methods used are described in Note 44, Fair value of financial instruments.

144

(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 required 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 in which 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 for evidence of possible impairment. If an indicator exists, the impairment loss is determined. This is done by determining whether the respective carrying amount of the asset exceeds its recoverable amount, taking into account the possibility of a complete writedown and/or disposal of the asset. There were no indications of impairment in 2010.

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.

Purchased goodwill and intangible assets with indefinite useful lives are tested for possible impairment at the balance sheet date (impairment test in accordance with 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. 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 2010. 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 (a so-called perpetual annuity) was used.

A pre-tax discount rate of 7.90% was used for the measurement. The discount rate consists of a risk-free interest rate of 3.25% plus a company-specific risk premium of 4.65%, which is calculated using an average market risk of 5.00% and the individual beta factor of 0.93.

A three-year analysis period has been used since the end of 2009 as the basis for determining the beta factors, due to the financial market crisis. Backtesting showed there would have been no need to recognize impairment losses as of December 31, 2010 even if the one-year analysis period had been used as previously.

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 growth rate for gross domestic product (GDP) was assumed for the 2011–2013 planning period, along with a slight decline in unemployment. In the meantime, Postbank is expecting a more pronounced increase in GDP. The unemployment rate is likely to decline by somewhat more than the planning assumptions due to the unexpectedly positive labor market trend and stronger GDP growth. In line with this, disposable household incomes should increase more rapidly than expected. Assuming a moderate increase in consumer prices, this will lead to stronger growth in consumer spending and a somewhat sharper drop in the savings rate. 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 impact of the financial market crisis on the banking sector and the capital markets is likely to continue to decline in the course of 2011. However, the banking sector will still be affected by loan defaults due to the after-effects of the crisis. The eurozone government debt crisis may result in additional burdens for banks.

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.

(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.

Purchases of low-value assets are expensed immediately for reasons of materiality.

(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 on the basis of external 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. Remeasurement gains and losses and 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 positive fair values) or "trading liabilities" (in the case of negative fair values). Detailed explanations on SCPs can be found in Note 4 (h), Investment securities.

115

(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 (previous year: €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 the 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 for 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:

	2010	2009
Discount rate	5.0% p.a.	5.25% p.a.
Salary growth	2.5%	2.5%
Pension growth	2.1%	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	3.93%	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. For the purpose of discounting, rates are used that are valid on the balance sheet date with maturities and yields matching 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 is 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 12.61A), 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 €40.3 million.

(5) New developments in international accounting under IFRSs

New developments in fiscal year 2010

The following Standards were applied for the first time in the reporting period:

IFRS 3 (rev. 2008) "Business Combinations", IAS 27 (amended 2008) "Consolidated and Separate Financial Statements", IAS 39 (amended 2008) "Financial Instruments: Recognition and Measurement", and "Annual Improvements Project 2009". These amendments and revisions had no significant effects on Postbank's financial reporting.

Amendments resulting from Standards and Interpretations to be applied in future fiscal years

The principal Standards issued, the effective date, and the expected effects on Postbank are summarized below:

Standard	Effective date	Description of amendments and their effects for Postbank
IAS 24 (rev. 2009) "Related party disclosures"	January 1, 2011 (endorsed by EU Regulation 632/2010 dated July 19, 2010)	The definition of related parties was modified in order to clarify which equity interests held are covered. Postbank expects the amended definition to lead to an increase in the number of related parties.
Annual Improvements Project 2010	January 1, 2011 (endorsed by EU Regulation 149/2011 dated February 18, 2011)	The IASB made clarifications, amendments, and additions to six Standards and one Interpretation as part of the Annual Improvements Project 2010. Postbank does not anticipate any material effects from the new requirements.
IFRS 9 "Financial instruments"	At present, IFRS 9 (Phase 1) is intended to apply to fiscal years beginning on or after January 1, 2013. So far, there is no endorsement by the EU.	The IASB has launched a project to replace IAS 39 "Financial instruments: recognition and measurement". The project is broken down into three phases, which will ultimately lead to a new Standard, IFRS 9 "Financial instruments". A final Standard for Phase 1, "Classification and Measurement", has already been produced. This specifies that the classification of financial instruments must be based on the criteria of the entity's business model and the contractual cash flow characteristics. Depending on how these criteria are applied, the financial instruments are classified and measured at amortized cost or at fair value. Exposure drafts of Phase 2 ("Amortised Cost and Impairment") and Phase 3 ("Hedge Accounting") have now been issued. Phase 2 aims to replace the incurred loss impairment model by an expected loss model, which will enable risks to be accounted for ahead of time. Phase 3 provides for simplifications to hedge accounting, and especially to the effectiveness test. Postbank is currently examining the potential effects on, and changes to, the consolidated financial statements.

(6) Adjustment of prior-year and prior-quarter figures

Starting in the first quarter of 2010, fee and commission income at Betriebs-Center für Banken Processing GmbH has no longer been reported in other income, but in net fee and commission income. This led to an increase in net fee and commission income of €9 million in fiscal year 2009 and a decrease in other income of the same amount. The adjustment had no effect on the opening balances as of January 1, 2009 or on total comprehensive income in fiscal year 2009.

Income statement disclosures

(7) Net interest income

	2010 €m	2009 €m
Interest and current income		
Interest income from:		
Lending and money market transactions	5,310	5,445
Fixed-income and book-entry securities	1,652	2,493
Trading operations	24	40
Net losses on hedges	–26	–5
	6,960	7,973
Current income from:		
Equities and other non-fixed-income securities	9	5
Investments in associates	9	9
	18	14
	6,978	7,987
Interest expense on:		
Deposits	2,835	3,975
Debt securities in issue	416	563
Subordinated debt	268	261
Swaps	691	739
Trading operations	37	44
	4,247	5,582
Total	2,731	2,405

Interest income from the lending business and from money market transactions includes €132 million (previous year: €48 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 include hedging instruments that meet the qualification criteria for hedge accounting in accordance with IAS 39 amounting to €381 million (previous year: €497 million). In addition, this item includes €310 million (previous year: €242 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:

	2010 €m	2009 €m
Gains on the fair value remeasurement of hedged items	271	197
Losses on the fair value remeasurement of hedging instruments	–297	–202
Total	–26	–5

(8) Allowance for losses on loans and advances

	2010 €m	2009 €m
Cost of additions to allowance for losses on loans and advances		
Specific valuation allowances	852	746
Portfolio-based valuation allowances	16	31
Cost of additions to provisions for credit risks	15	14
Direct loan write-offs	52	63
Income from reversals of the allowance for losses on loans and advances		
Specific valuation allowances	331	146
Portfolio-based valuation allowances	10	–
Income from the reversal of provisions for credit risks	12	14
Recoveries on loans previously written off	21	16
Total	561	678

€558 million (previous year: €663 million) of the allowance for losses on loans and advances relates to customer receivables classified as loans and receivables, and €3 million (previous year: €0 million) to guarantees, warranties, and irrevocable loan commitments.

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:

	2010 €m	2009 €m
Additions		
Private mortgage lending	292	215
Home savings loans	3	4
Commercial loans	414	276
Public sector	–	–
Installment credits	55	67
Other loans and advances	85	164
Portfolio-based valuation allowances	16	31
Total	865	757

€3 million (previous year: €21 million) of the cost of additions to the allowance for losses on loans and advances relates to loans and advances to other banks.

	2010 €m	2009 €m
Reversal		
Private mortgage lending	85	66
Home savings loans	1	1
Commercial loans	214	49
Public sector	–	–
Installment credits	2	2
Other loans and advances	24	22
Portfolio-based valuation allowances	10	–
Total	336	140

€3 million (previous year: €6 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

	2010 €m	2009[1] €m
Checking account business	351	370
Securities business	140	133
Lending and guarantee business	148	128
Branch business	431	445
Other fee and commission income	246	262
Total	1,316	1,338

"Other fee and commission income" includes income from payment transaction services for third parties.

Net fee and commission income from trust activities amounted to €7 million (previous year: €8 million) and is reported in "Other fee and commission income".

(10) Net trading income

Quoted prices are generally used to establish the fair values of trading assets and trading liabilities. The fair values of unlisted products are established using the discounted present value method or suitable valuation techniques. In addition to trading income and expenses, net trading income also includes net remeasurement gains/losses on trading assets.

[1] Prior-year figures adjusted (see Note 6)

120

	2010 €m	2009 €m
Net income from sale of securities and loans	39	45
Net gains/losses on remeasurement of securities and loans		
Bonds and other fixed-income securities	6	41
Equities	–1	3
Loans (held for trading)	1	2
	6	46
Net gains/losses on derivatives carried in the trading portfolio and the banking book		
Gain on derivatives	8,235	4,929
Loss on derivatives	–8,569	–5,542
	–334	–613
Net gains/losses from application of the fair value option		
of which loans and advances to customers	51	64
of which derivatives substantively linked to the fair value option	–30	–84
	21	–20
Foreign exchange gain/loss	30	51
Net fee and commission income carried in the trading portfolio	–3	–7
Total	–241	–498

The net loss on derivatives carried in the trading portfolio and the banking book includes expenses from interest on swaps of €291 million (previous year: expenses of €186 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 €31 million (previous year: €100 million) (see Note 4 (g)). 114

The net loss on derivatives also includes losses on the measurement of embedded derivatives from structured credit products of €322 million (previous year: losses of €652 million), and on capital-guaranteed promissory note loans (CPPIs) of €31 million (previous year: gains of €33 million).

	2010 €m	2009 €m
Net income from interest rate products	45	84
Net loss on derivatives carried in the trading portfolio and the banking book	–334	–613
Net gain/loss from application of the fair value option	21	–20
Net income from equities	–	7
Foreign exchange gain	30	51
Net fee and commission income carried in the trading portfolio	–3	–7
Total	–241	–498

(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.

	2010 €m	2009 €m
Net income from loans-and-receivables investment securities	64	–126
thereof net income from sale	96	93
Gains on sale	282	159
Losses on sale	186	66
thereof net impairment loss	–32	–219
Net income from available-for-sale investment securities	–56	–44
thereof net income from sale	–50	4
Gains on sale	93	66
Losses on sale	143	62
thereof net impairment loss	–6	–48
Net income from loans to other banks	1	–2
thereof net income from sale of loans and receivables	1	–2
Net income from loans to customers	–1	19
thereof net income from sale of loans and receivables	–1	19
Net income from investments in associates	–9	5
Total	–1	–148

	2010 €m	2009 €m
Net income from bonds and promissory note loans	47	104
Net income from equities and other non-fixed-income securities	–1	10
Net income from investments in associates	–9	5
Impairment	–38	–267
Total	–1	–148

€33 million (previous year: €97 million) of the net impairment loss on investment securities relates to writedowns of structured credit products, €–5 million (previous year: €136 million) to writedowns of other debt instruments, and €19 million (previous year: €34 million) to writedowns of 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:

	2010 €m	2009 €m
Staff costs		
Wages and salaries	1,119	1,070
Social security contributions	112	108
Expenses for pensions and other benefits	211	228
	1,442	1,406
Other administrative expenses	1,344	1,295
Amortization of intangible assets	74	74
Depreciation and writedowns of property and equipment	74	89
Total	2,934	2,864

Expenses for pensions and other benefits primarily include expenses for defined contribution plans amounting to €116 million (previous year: €119 million) and pension expenses for defined benefit plans amounting to €84 million (previous year: €81 million).

Other administrative expenses relate primarily to IT costs of €289 million (previous year: €277 million); operating building and premises expenses of €153 million (previous year: €154 million); expenses for intragroup services received from Deutsche Post AG in the amount of €140 million (previous year: €139 million); market communication costs of €105 million (previous year: €115 million); and legal, consulting, and audit costs of €76 million (previous year: €52 million). €1 million of the other administrative expenses relates to investment property (previous year: €1 million).

Other administrative expenses include lease expenses of €139 million (previous year: €138 million), which are composed of expenses for leased intangible assets, land and buildings, and operating and office equipment under operating leases.

As in the previous year, the amortization and writedowns of intangible assets do not include any impairment losses.

Impairment losses of €8 million were charged on property and equipment in the year under review (previous year: €25 million).

(13) Other income

	2010 €m	2009[1] €m
Income from reversal of other provisions	27	26
Income from reversal of accruals	26	33
Income from property and equipment	26	36
Reimbursements from internal welfare institutions	21	20
Income from uncollectable transactions	4	4
Participation in loss by silent partnerships and profit participation certificates outstanding	–	13
Miscellaneous	71	46
Total	175	178

Income from property and equipment mainly comprises rental income of €25 million (previous year: €29 million), of which €4 million relates to investment property.

The miscellaneous item contains gains of €9 million from the sale of property. In addition, the miscellaneous item includes a large number of individual items.

(14) Other expenses

	2010 €m	2009 €m
Offsetting of participation in loss by silent partnerships and profit participation certificates outstanding (previous years)	42	8
Additions to provisions	19	19
Expenses for claims settlement and ex gratia payments	14	9
Expenses for the Federal Posts and Telecommunications Agency (BAnstPT and StiftPT)	8	5
Expenses for other taxes	5	5
Expenses from property and equipment	3	3
Miscellaneous	79	82
Total	170	131

Expenses from property and equipment include losses on the disposal of property and equipment and intangible assets.

Expenses for other taxes relate primarily to land taxes amounting to €3 million (previous year: €4 million) and foreign wealth taxes amounting to €0 million (previous year: €1 million).

The miscellaneous item includes interest expense of €7 million on payables to tax authorities (previous year: €4 million). In addition, the miscellaneous item includes a large number of individual items.

[1] Prior-year figures adjusted (see Note 6)

120

(15) Income taxes

Income taxes in the Group were composed of the following items:

	2010 €m	2009 €m
Effective income tax expense		
Current income tax expense		
Corporate income tax and solidarity surcharge	41	54
Trade income tax	26	28
	67	82
Income from prior-period income tax	13	9
	80	91
Expense from deferred taxes		
from temporary differences	21	–643
from the reversal of loss carryforwards	75	77
	96	–566
Total	176	–475

The following reconciliation illustrates the relationship between profit after tax and income tax expense:

	2010 €m	2009 €m
Profit from ordinary activities after tax	139	77
Income tax expense	176	–475
Loss before tax	315	–398
Applicable tax rate	29.83 %	29.83 %
Expected income taxes	94	–119
Tax effects		
Effect of changes in tax rate	0	–6
Effect of difference between applicable tax rates in Germany and abroad	2	–27
Effect of tax-free income and non-deductible expenses	6	–1
Effect of unrecognized deferred taxes	95	20
Effect of prior-period taxes	4	–184
Effect of equities and investments resulting from section 8b KStG	–23	–161
Other	–2	3
	82	–356
Income tax expense	176	–475

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 *Körperschafts-steuergesetz* (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.

The acquisition of shares by Deutsche Bank AG means that loss carry-forwards at a U.S. American subsidiary are subject to tax law restrictions there that have a similar effect to minimum taxation and lead to the period until the loss carryforwards are fully utilized extending beyond the planning period. For reasons of prudence, a capitalization of loss carryforwards beyond this planning period has been refrained from. This does not result in a long-term effect since future potential in the amount of €94 million written down is available.

Balance sheet disclosures

(16) Cash reserve

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Cash	807	890
Balances with central banks	2,441	3,644
Total	3,248	4,534

€2,355 million (previous year: €3,628 million) of the balances with central banks relates to balances with the Deutsche Bundesbank.

The minimum reserve requirement at the end of December 2010 was €2,113 million (previous year: €2,209 million).

(17) Loans and advances to other banks

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Domestic banks		
Payable on demand	989	593
Other loans and advances	3,171	3,764
	4,160	4,357
Foreign banks		
Payable on demand	3,445	3,546
Other loans and advances	4,535	6,564
	7,980	10,110
Total	12,140	14,467

€4,148 million (previous year: €4,081 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, 2010 €m	Dec. 31, 2009 €m
Loans and advances to other banks (loans and receivables)	8,510	9,262
thereof fair value hedges	272	547
Money market assets (loans and receivables)	3,630	5,205
Total	12,140	14,467

The loans and advances to other banks can be broken down by product group as follows:

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Securities repurchase agreements	3,630	5,054
Overnight money	4,294	4,176
Loans	3,453	4,564
Registered bonds	400	417
Term deposits	191	152
Other loans and advances	172	104
Total	12,140	14,467

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, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Financial collateral	3,587	6,137	111	1,507
Non-financial collateral	–	–	–	–
Total	3,587	6,137	111	1,507

Collateral is utilized at standard market conditions.

As of December 31, 2010, receivables under genuine repurchase agreements amounted to €3,630 million (previous year: €5,054 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 €5.7 billion (previous year: €9.2 billion) and variable-interest loans in the amount of €6.4 billion (previous year: €5.2 billion).

(18) Loans and advances to customers

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Private mortgage lending	70,459	70,217
Home savings loans	3,713	3,766
Commercial loans	30,284	30,383
Public sector	2,433	1,589
Installment credits	3,880	3,620
Other loans and advances	1,014	1,468
Total	111,783	111,043
thereof:		
Secured by mortgage charges	55,762	56,561
Public-sector loans	3,913	2,871

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Domestic customers	93,310	88,760
Foreign customers	18,473	22,283
Total	111,783	111,043

Loans and advances to customers without a fixed maturity amounted to 1.2 % of total assets (previous year: 1.0 %). These loans and advances have been allocated to the shortest maturity band in the maturity structure.

€84,604 million (previous year: €84,064 million) of loans and advances to customers is due after more than 12 months.

Loans and advances to customers include fixed-interest loans in the amount of €91.1 billion (previous year: €94.9 billion) and variable-interest loans in the amount of €20.7 billion (previous year: €16.1 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, 2010 €m	Dec. 31, 2009 €m
Loans and receivables	103,689	102,408
thereof fair value hedges	2,688	2,079
Fair value option	8,094	8,635
Total	111,783	111,043

Loans and advances to customers include amounts due under finance leases of €299 million (previous year: €357 million). The gross investment value of the leases amounts to €249 million (previous year: €272 million).

Total outstanding minimum lease payments amount to €245 million (previous year: €269 million) and have the following maturity structure:

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
in the first year after the balance sheet date	56	69
in the second year after the balance sheet date	50	49
in the third year after the balance sheet date	37	40
in the fourth year after the balance sheet date	26	28
in the fifth year after the balance sheet date	18	17
more than five years after the balance sheet date	58	66
Total	245	269

The reconciliation to the present value of the outstanding minimum lease payments is as follows:

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Outstanding minimum lease payments	245	269
Unguaranteed residual values	4	3
Total gross investment	249	272
Unearned finance income	36	44
Net investment	213	228
Present value of unguaranteed residual values	3	2
Present value of minimum lease payments	210	226

The accumulated allowance for uncollectible outstanding minimum lease payments amount to €0.1 million (previous year: €0.2 million).

(19) Total credit extended

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Loans and advances to other banks	12,140	14,467
Loans and advances to customers	111,783	111,043
Guarantees	1,036	1,105
Total	124,959	126,615

(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, 2010 €m	Dec. 31, 2009 €m
Allowances for losses on loans and advances to other banks	36	64
Allowances for losses on loans and advances to customers	1,728	1,577
Total allowances for losses on loans and advances	1,764	1,641
Provisions for credit risks	34	42
Total	1,798	1,683

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	
	2010 €m	2009 €m	2010 €m	2009 €m	2010 €m	2009 €m
Balance at Jan. 1	1,491	1,209	150	114	1,641	1,323
Reclassification	–	–5	–	5	–	0
Reclassification due to IFRS 5	–1	–	–6	–	–7	–
Additions						
Allowance charged to the income statement	852	746	16	31	868	777
Disposals						
Utilization	277	261	–	–	277	261
Allowance reversed to the income statement	331	146	10	–	341	146
Unwinding	132	48	–	–	132	48
Currency translation differences	–10	4	–2	–	–12	4
Balance at Dec. 31	1,612	1,491	152	150	1,764	1,641

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, 2010 €m	Dec. 31, 2009 €m
Specific valuation allowances		
Private mortgage lending	517	429
Home savings loans	9	10
Commercial loans	535	412
Public sector	–	–
Installment credits	204	167
Other loans and advances	311	409
Portfolio-based valuation allowances	152	150
Total	1,728	1,577

The total amount of loans for which no interest payments are being received was €1,502 million as of the balance sheet date (previous year: €1,566 million). Writedowns were charged on loans with a total volume of €3,891 million (previous year: €3,811 million). The outstanding interest receivables on these loans amounted to €114 million at December 31, 2010 (previous year: €96 million).

€52 million of loans and advances was written off directly in fiscal year 2010 (previous year: €63 million). Recoveries on loans written off amounted to €21 million (previous year: €16 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, 2010 €m	Dec. 31, 2009 €m
Bonds and other fixed-income securities		
Public-sector issuers	107	147
Other issuers	621	525
	728	672
Equities and other non-fixed-income securities	13	300
Building loans held for trading	188	212
Positive fair values of derivatives carried as trading assets	22,395	18,640
Positive fair values of banking book derivatives	562	450
Positive fair values from derivatives relating to hedged items accounted for under the fair value option	264	197
Total	24,150	20,471

€18,854 million (previous year: €15,114 million) of the trading assets item is 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: €0.4 billion), while €0.3 billion (previous year: €0.3 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, 2010 €m	Dec. 31, 2009 €m
Bonds and other fixed-income securities	698	628
Equities and other non-fixed-income securities	–	286

(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, 2010 €m	Dec. 31, 2009 €m
Assets		
Hedging derivatives on loans to customer		
Loans and receivables	12	2
	12	2
Hedging derivatives on investment securities		
Bonds and other fixed-income securities	197	71
	197	71
Liabilities		
Deposits from other banks	20	32
Due to customers	82	67
Debt securities in issue	65	203
Subordinated debt	288	145
	455	447
Total	664	520

Holdings of €604 million (previous year: €336 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, 2010 €m	Dec. 31, 2009 €m
Bonds and other fixed-income securities		
Public-sector issuers	21,623	24,887
Other issuers	36,148	46,937
	57,771	71,824
Equities and other non-fixed-income securities		
Equities	2	4
Investment fund shares	1,164	460
	1,166	464
Investments in associates	19	19
Investments in unconsolidated subsidiaries	24	52
Total	58,980	72,359

Bonds and other fixed-income securities contain securities and interest coupons due on the balance sheet date in the amount of €18 million (previous year: €128 million).

Holdings of €50,286 million (previous year: €64,985 million) are due after more than 12 months.

€23.0 billion of the bonds and other fixed-income securities has a fixed rate of interest over the entire term (previous year: €52.5 billion), while €34.0 billion (previous year: €19.3 billion) has a variable rate of interest (floaters).

Postbank's portfolio of structured credit products has a total volume of €3.7 billion (previous year: €5.8 billion).

Investment securities are classified as follows in accordance with the categories of financial instruments defined in IAS 39:

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Bonds and other fixed-income securities		
Loans and receivables investment securities	50,032	59,401
thereof fair value hedges	21,727	23,595
Held to maturity	–	73
Available for sale	7,739	12,350
thereof fair value hedges	1,366	3,866
	57,771	71,824
Equities and other non-fixed-income securities		
Available for sale	1,166	464
	1,166	464
Investments in associates (available for sale)	19	19
Investments in unconsolidated subsidiaries (available for sale)	24	52
Total	58,980	72,359

The following amounts of investment securities are negotiable and listed:

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Bonds and other fixed-income securities	56,603	70,174
Equities and other non-fixed-income securities	370	325
Investments in associates	6	5

Investment securities were furnished as collateral for the following liabilities:

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Liabilities	11,009	24,063
Contingent liabilities	11	23
Total	11,020	24,086

Investment securities are pledged as collateral in accordance with standard market conditions.

Postbank has pledged securities with an eligible value of €9 billion (previous year: €15 billion) as collateral with the European Central Bank to enable it to enter into open market transactions. There was no open market transactions at the balance sheet date (previous year: €8 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 €280 million were charged to the revaluation reserve (previous year: €4 million). €43 million (previous year: €78 million) of the revaluation reserve was reversed to income in the period under review due to the disposal of investment securities and the recognition of impairment losses.

Impairment losses totaling €38 million (previous year: €267 million) were recognized in fiscal year 2010 to reflect the economic performance of the financial instruments.

In fiscal years 2008 and 2009, Postbank reclassified securities out of the available-for-sale category to the loans-and-receivables category due to a change in its intention to hold the securities. The fair value of the securities at the respective reclassification date was reported as the new carrying amount.

As of December 31, 2010, the total volume of securities reclassified in accordance with IAS 39.50E had a fair value of €24.6 billion and a carrying amount of €26.1 billion.

Prior to the 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. Had Postbank not changed its intention to hold the securities, the loss recognized in the revaluation reserve would have increased by a further €1,533 million in the period up to December 31, 2010 (previous year: €973 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. Impairments of €28 million (previous year: €31 million) were charged for all reclassified securities in the period up to December 31, 2010; disposal losses on reclassified securities amounted to €1 million (previous year: disposal gain of €20 million).

Interest amounting to €750 million (previous year: €1,160 million) accrued for the reclassified securities in the period up to December 31, 2010.

(24) Intangible assets

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Acquired goodwill	1,651	1,651
Acquired software, concessions, industrial rights	589	622
Internally generated intangible assets and software	77	68
Advance payments on intangible assets and in-process intangible assets	22	27
Total	2,339	2,368

€1,577 million of purchased 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: €41 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 €78 million (previous year: €81 million), while those for beneficial contracts amounted to €46 million (previous year: €53 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, 2009	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
Changes in basis of consolidation	–	–	–	–	–
Additions	–	15	14	18	47
Reclassifications	–	3	19	–22	0
Disposals	–	5	1	1	7
Closing balance at Dec. 31, 2010	1,662	1,034	159	45	2,900

	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, 2009	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
Changes in basis of consolidation	–	–	–	–	–
Amortization	–	51	23	–	74
Additions	–	–	–	–	–
Reclassifications	–	–	–	–	–
Disposals	–	5	–	–	5
Closing balance at Dec. 31, 2010	11	445	82	23	561
Carrying amount at Dec. 31, 2009	1,651	622	68	27	2,368
Carrying amount at Dec. 31, 2010	1,651	589	77	22	2,339

The carrying amounts of intangible assets changed as follows in the year under review:

	Carrying amount at Jan. 1, 2010 €m	Additions €m	Disposals €m	Reclassifications €m	Amortization €m	Carrying amount at Dec. 31, 2010 €m
Acquired goodwill	1,651	–	–	–	–	1,651
Acquired software, concessions, industrial rights	622	15	–	3	51	589
Internally generated intangible assets and software	68	14	1	19	23	77
Advance payments on intangible assets and in-process intangible assets	27	18	1	−22	–	22
Total	2,368	47	2	0	74	2,339

In fiscal year 2010, borrowing costs for qualifying assets (software under development) of €0.4 million were capitalized in accordance with IAS 23 (previous year: €0.1 million). The underlying capitalization rate was 1.73%.

The carrying amount as of December 31, 2010 of advance payments on intangible assets was €4 million (previous year: €5 million); the carrying amount of intangible assets under development was €18 million (previous year: €22 million).

(25) Property and equipment

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Land and buildings	668	686
Operating and office equipment	156	142
Advance payments and assets under development	2	10
Total	826	838

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, 2009	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
Changes in basis of consolidation	–	–	–	–
Reclassifications due to IFRS 5	−1	−1	–	−2
Additions	3	61	2	66
Reclassifications	6	4	−10	0
Disposals	–	64	–	64
Closing balance at Dec. 31, 2010	1,080	449	2	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, 2009	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
Changes in basis of consolidation	–	–	–	–
Depreciation	25	49	–	74
Additions	1	–	–	1
Reclassifications	–	–	–	–
Disposals	–	63	–	63
Closing balance at Dec. 31, 2010	412	293	–	705
Carrying amount at Dec. 31, 2009	686	142	10	838
Carrying amount at Dec. 31, 2010	668	156	2	826

The carrying amounts of property and equipment changed as follows in the year under review:

	Carrying amount at Jan. 1, 2010 €m	Reclassification due to IFRS 5 €m	Additions €m	Disposals €m	Reclassifications €m	Reversals €m	Depreciation €m	Carrying amount at Dec. 31, 2010 €m
Land and buildings	686	–1	2	–	6	–	25	668
Operating and office equipment	142	–1	61	1	4	–	49	156
Advance payments and assets under development	10	0	2	–	–10	–	–	2
Total	838	–2	65	1	0	–	74	826

At the balance sheet date, assets under development amounted to €1 million (previous year: €7 million).

The property and equipment for which Postbank acts as the lessor under an operating lease consists of land and buildings as well as operating and office equipment.

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Cost	724	709
Cumulative depreciation	339	308
Carrying amount	385	401

Acquisition costs amounting to €240 million (previous year: €240 million) relate to land.

(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, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €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, 2010 €m	Additions €m	Disposals €m	Reclassifications €m	Depreciation €m	Carrying amount at Dec. 31, 2010 €m
Investment property	73	–	–	–	–	73

The disclosures relating to investment property for fiscal year 2010 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 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 fair value of investment property amounts to €73 million according to the expert appraisals.

(27) Current and deferred tax assets

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Current tax assets	321	280
Deferred tax assets		
from temporary differences	163	311
from tax loss carryforwards	184	241
domestic	–	–
foreign	184	241
	347	552
Total	668	832

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, 2010 €m	Dec. 31, 2009 €m
Assets		
Loans and advances	35	58
Allowance for losses on loans and advances	124	79
Trading assets	124	–
Hedging derivatives	15	21
Investment securities	100	347
Property and equipment	10	13
Other assets	154	125
Liabilities		
Amounts due to other banks and customers	63	8
Trading liabilities	612	4,240
Hedging derivatives	267	368
Provisions for pensions and other employee benefits	65	63
Other provisions	134	86
Other liabilities	12	7
	1,715	5,415
Tax loss carryforwards	184	241
Netted against deferred tax liabilities	1,552	5,104
Total	347	552

As of December 31, 2010, no deferred tax assets were recognized for temporary differences/tax loss carryforwards amounting to €283 million. €205 million of this amount expires in 2028, while €78 million is utilizable for an unlimited period.

Despite losses in the previous year, deferred tax assets totaling €294 million were recognized for fiscal year 2010. No impairment is judged to exist since 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, 2010 €m	Dec. 31, 2009 €m
Prepaid expenses	492	478
Trade receivables	83	107
Receivables from tax authorities	16	14
Advances to members of the mobile sales force	13	13
Miscellaneous	91	133
Total	695	745

€367 million of the prepaid expenses (previous year: €346 million) relates to prepaid brokerage commissions and €12 million (previous year: €46 million) to prepaid rent and lease expenses.

Miscellaneous other assets include collateral received on lending totaling €23 million (previous year: €59 million). Collateral received is measured at the lower of cost and net realizable value.

Other assets amounting to €461 million (previous year: €471 million) have a maturity of more than 12 months.

(29) Assets held for sale

On December 1, 2010, an agreement to sell Postbank's Indian mortgage lending subsidiary Deutsche Postbank Home Finance Ltd. (DPHFL) was entered into with BHW Holding AG and a buyer consortium led by Dewan Housing Finance Ltd. The transaction is expected to be closed in the course of the first quarter of 2011 and is subject to approval by the National Housing Bank, the Indian supervisory authority.

The company's assets can be broken down as follows:

	Dec. 31, 2010 €m
Loans and advances to other banks	36
Loans and advances to customers	843
Allowances for losses on loans and advances	–7
Investment securities	3
Property and equipment	2
Income tax assets	2
Other assets	3
Total	882

Loans and advances to other banks and loans and advances to customers are allocated in full to the loans and receivables category. Their fair values as of the reporting date of December 31, 2010 are €34 million and €1,001 million respectively. The fair value of financial assets allocated to the loans and receivables category amounted to €3 million.

The company is allocated to the Retail Banking segment.

(30) Deposits from other banks

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Domestic banks		
Payable on demand	888	468
With an agreed maturity or withdrawal notice	17,007	28,434
	17,895	28,902
Foreign banks		
Payable on demand	1,345	1,289
With an agreed maturity or withdrawal notice	3,179	9,127
	4,524	10,416
Total	22,419	39,318

€291 million of the amounts due to other banks is covered by fair value hedges (previous year: €546 million).

Deposits from other banks only include financial instruments classified as liabilities at amortized cost.

Deposits of €10,781 million (previous year: €11,164 million) are due after more than 12 months.

Deposits from other banks include fixed-interest deposits in the amount of €17.6 billion (previous year: €35.0 billion) and variable-interest deposits in the amount of €4.8 billion (previous year: €4.3 billion).

As of December 31, 2010, genuine securities repurchase agreements amounted to €5.8 billion (previous year: €7.1 billion).

In fiscal year 2009, a provision of a loan agreement came into effect whereby the lender can demand early repayment of the loan in the amount of €25 million. In the period under review, the loan agreement was modified to the effect that the lender is no longer entitled to early repayment of the loan due to the event that occurred in 2009.

(31) Due to customers

Amounts due to customers are primarily composed of savings deposits, amounts payable on demand, and term deposits.

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Savings deposits		
With an agreed withdrawal notice of three months	50,201	48,876
With an agreed withdrawal notice of more than three months	164	177
	50,365	49,053
Home savings deposits	17,173	16,341
thereof: on terminated contracts	92	72
thereof: on allotted contracts	5	6
Other amounts due		
Payable on demand	37,641	33,569
With an agreed maturity or withdrawal notice	31,297	33,025
	68,938	66,594
Total	136,476	131,988
Domestic customers	131,555	125,982
Foreign customers	4,921	6,006
Total	136,476	131,988

€4,053 million of the amounts due to customers is covered by fair value hedges (previous year: €3,099 million).

Amounts due to customers only include financial instruments classified as liabilities at amortized cost.

€33,924 million (previous year: €33,907 million) of the amounts due to customers is due after more than 12 months.

Amounts due to customers contain fixed-interest deposits in the amount of €49.0 billion (previous year: €46.5 billion) and variable-interest deposits in the amount of €87.5 billion (previous year: €85.5 billion).

(32) 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, and commercial paper).

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Public-sector *Pfandbriefe*	1,829	1,735
Mortgage *Pfandbriefe*	4,887	4,237
Other debt instruments	6,144	10,750
Total	12,860	16,722

€2,572 million of the debt securities in issue is covered by fair value hedges (previous year: €5,450 million).

Debt securities in issue consist solely of financial instruments classified as liabilities at amortized cost.

€8,462 million (previous year: €8,067 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 €12.0 billion (previous year: €15.6 billion) and variable-interest liabilities in the amount of €0.8 billion (previous year: €1.1 billion).

Repurchased own bonds amounting to €500 million (previous year: €706 million) were deducted directly from debt securities in issue.

(33) 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, 2010 €m	Dec. 31, 2009 €m
Negative fair values of trading derivatives	23,031	19,229
Negative fair values of banking book derivatives	2,075	2,223
Negative fair values from derivatives relating to hedged items accounted for under the fair value option	1,060	982
Delivery obligations under securities sold short	8	–
Total	26,174	22,434

Trading liabilities of €20,735 million (previous year: €16,553 million) are due after more than 12 months.

(34) 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, 2010 €m	Dec. 31, 2009 €m
Assets		
Hedging derivatives on loans to other banks		
Loans and receivables	16	30
	16	30
Hedging derivatives on loans to customers		
Loans and receivables	113	128
	113	128
Hedging derivatives on investment securities		
Bonds and other fixed-income securities	1,131	1,775
Equities and other non-fixed-income securities	–	–
	1,131	1,775
Liabilities		
Deposits from other banks	1	–
Due to customers	41	4
Debt securities in issue	68	49
Subordinated debt	81	65
	191	118
Total	1,451	2,051

€1,291 million of hedging derivatives (previous year: €1,685 million) is due after more than 12 months.

(35) Provisions for pensions and other employee benefits

The provisions for pension obligations are as follows:

	Reconciliation of the present value of obligations, fair value of plan assets and net pension provisions at December 31				
	2010 €m	2009 €m	2008 €m	2007 €m	2006 €m
Present value of obligations of fully or partially funded benefits	766	728	660	698	773
Present value of obligations of non-funded benefits	879	815	733	729	824
Present value of total defined benefit obligation	1,645	1,543	1,393	1,427	1,597
Fair value of plan assets	–480	–470	–392	–392	–381
Unrealized gains (+)/ losses (–)	–39	31	148	108	–101
Net pension provisions	1,126	1,104	1,149	1,143	1,115

	Change in present value of total defined benefit obligation	
	2010 €m	2009 €m
Present value of total defined benefit obligation at January 1	1,543	1,393
Current service cost, excluding employee contributions	25	22
Employee contributions	4	3
Interest cost	80	79
Pension benefits paid	–79	–77
Past service cost	1	5
Plan settlements	–	–
Transfers	–1	2
Changes in basis of consolidation	0	–2
Actuarial gains (–)/losses (+)	71	118
Currency effects	1	–
Present value of total defined benefit obligation at December 31	1,645	1,543

	Change in plan assets	
	2010 €m	2009 €m
Fair value of plan assets at January 1	470	392
Employer contributions	5	68
Employee contributions	–	–
Expected return on plan assets	20	17
Gains (+)/losses (–) on plan assets	3	10
Pension benefits paid	–18	–17
Transfers	–1	–
Changes in basis of consolidation	–	–
Plan settlements	–	–
Currency effects	1	–
Fair value of plan assets at December 31	480	470

Plan assets primarily consist of pension fund contracts (69 %, previous year: 70 %), fixed-income securities (23 %, previous year: 25 %), other assets (6 %, previous year: 3 %), and equities (2 %, previous year: 2%). None of the assets are used directly by the Postbank Group.

Gains and losses

	Gains and losses on plan assets				
	2010 €m	2009 €m	2008 €m	2007 €m	2006 €m
Actual return on plan assets	23	27	10	10	15
Expected return on plan assets	20	17	16	17	16
Experience gains (+)/losses (–) on plan assets	3	10	–6	–7	–1

	Gains and losses on defined benefit obligation				
	2010 €m	2009 €m	2008 €m	2007 €m	2006 €m
Experience gains (+)/losses (–) on defined benefit obligations	–3	–20	0	33	–12
Increase (+)/decrease (–) in defined benefit obligations arising from changes in assumptions	–68	–98	53	177	91
Total actuarial gains (+)/losses (–) on defined benefit obligations	–71	–118	53	210	79

	Change in net pension provisions	
	2010 €m	2009 €m
Balance at January 1	1,104	1,149
Pension expense	84	81
Pension benefits paid	–61	–60
Employer contributions	–5	–68
Employee contributions	4	2
Changes in basis of consolidation	–	–2
Transfers	–	2
Currency effects	–	–
Balance at December 31	1,126	1,104

Payments in the amount of €62 million are expected to be made to net pension provisions in 2011; these relate to directly anticipated pension payments by the Company. Employer contributions of €4 million are also expected.

	Pension expense	
	2010 €m	2009 €m
Current service cost	25	22
Interest cost	80	79
Expected return on plan assets	–20	–16
Recognized past service cost	1	5
Amortization of unrecognized gains (–)/losses (+)	–2	–9
Effects of plan settlements	–	–
Other	–	–
Pension expense	84	81

In accordance with IAS 19.92, actuarial gains and losses are only recognized if they exceed the greater of 10 % of the present value of the obligation and 10 % of the fair value of the plan assets. The excess amount is amortized over the remaining working lives of the active employees and recognized in income. A gain of €2 million was recognized in the income statement in 2010 (previous year: €9 million).

(36) Other provisions

The other provisions changed as follows in the year under review:

	Balance at Jan. 1, 2010 €m	Changes in basis of consolidation €m	Utilization €m	Reversal €m	Additions €m	Reclassification due to IFRS 5 €m	Balance at Dec. 31, 2010 €m
Provisions for home savings business	758	–	112	3	199	–	842
Staff-related provisions	95	–	44	2	81	–	130
Provisions for credit risks	42	–	11	12	15	–	34
Risk compensation amounts of the Postbeamten-Krankenkasse (Postal Civil Service Health Insurance Fund)	2	–	–	1	–	–	1
Miscellaneous	147	–	40	21	69	1	154
Total	1,044	–	207	39	364	1	1,161

€767 million (previous year: €715 million) of the recognized provisions is due after more than 12 months.

Provisions for the home savings business changed as follows in the year under review:

	Balance at Jan. 1, 2010 €m	Utilization €m	Reversal €m	Additions €m	Balance at Dec. 31, 2010 €m
Provisions for home savings business					
for interest premiums	593	86	0	163	670
for reimbursement claims from arrangement fees	84	11	0	4	77
for changes in interest rates	73	14	0	28	87
Miscellaneous	8	1	3	4	8
Total	758	112	3	199	842

Miscellaneous other provisions include provisions for litigation costs amounting to €16 million (previous year: €17 million), provisions for jubilee benefits amounting to €8 million (previous year: €10 million), and provisions for year-end closing costs amounting to €3 million (previous year: €4 million).

(37) Current and deferred tax liabilities

	Balance at Jan. 1, 2010 €m	Utilization €m	Reversal €m	Additions €m	Balance at Dec. 31, 2010 €m
Current taxes	174	132	6	41	77
Deferred taxes	305	–	212	191	284
Total	479	132	218	232	361

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, 2010 €m	Dec. 31, 2009 €m
Assets		
Loans and advances	301	290
Allowance for losses on loans and advances	–	–
Trading assets	160	3,312
Hedging derivatives	116	65
Investment securities	764	1,080
Property and equipment	8	6
Other assets	282	272
Liabilities		
Amounts due to other banks and customers	110	150
Trading liabilities	–	–
Hedging derivatives	–	–
Provisions for pensions and other employee benefits	11	11
Other provisions	52	153
Other liabilities	32	70
	1,836	5,409
Netted against deferred tax assets	1,552	5,104
Total	284	305

(38) Other liabilities

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Liabilities from other taxes	168	231
Trade payables	107	118
Liabilities from expenses for management bonuses	62	68
Liabilities from expenses for outstanding invoices	81	55
Deferred income	39	54
Liabilities from expenses for commissions and premiums	47	50
Liabilities from expenses for outstanding vacation entitlements and other compensated absences	41	43
Miscellaneous liabilities	120	92
Total	665	711

€49 million of other liabilities (previous year: €49 million) is due after more than 12 months.

(39) Subordinated debt

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Subordinated liabilities	2,545	2,589
Hybrid capital instruments	1,777	1,681
Profit participation certificates outstanding	1,230	1,224
Contributions by typical silent partners	25	13
Total	5,577	5,507

Subordinated debt consists solely of financial instruments classified as liabilities at amortized cost.

€5,134 million (previous year: €5,241 million) of subordinated debt is due after more than 12 months.

Due to the current maturity structure, only €3,296 million (previous year: €3,348 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 €113 million (previous year: €119 million). Deferred interest not yet due amounting to €30 million (previous year: €27 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 €22 million (previous year: €23 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 2010 on profit participation certificates outstanding totals €66 million (previous year: €58 million). Deferred interest not yet due amounting to €53 million (previous year: €45 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 €2,157 million of the subordinated debt (previous year: €2,010 million) is hedged against changes in fair value; of this figure €379 million (previous year: €329 million) is attributable to subordinated liabilities and €1,778 million (previous year: €1,681 million) to hybrid capital instruments.

€4 billion of subordinated debt (previous year: €4.8 billion) is fixed-interest, while €1.6 billion (previous year: €0.7 billion) is variable-interest.

(40) Liabilities directly associated with assets held for sale

	Dec. 31, 2010 €m
Deposits from other banks	556
Due to customers	6
Debt securities in issue	180
Provisions	1
Other liabilities	1
Subordinated debt	43
Total	787

€568 million of the fair values of the liabilities measured at amortized cost as of the reporting date of December 31, 2010 relates to deposits from other banks and €6 million to amounts due to customers. The total fair value of debt securities in issue and subordinated debt amounts to €226 million.

(41) Equity

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Issued capital	547	547
Share premium	2,010	2,010
Retained earnings	3,343	3,267
Foreign currency translation reserve	–142	–151
Revaluation reserve	–273	–502
Retained earnings	2,928	2,614
Consolidated net profit	138	76
Minority interest	4	4
Total	5,627	5,251

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 noncash contributions including mixed noncash contributions (Authorized Capital).

The shareholders must generally be 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 29, 2010 approved the contingent increase in share capital by up to €273.5 million by issuing up to 109.4 million new no-par value registered shares (Contingent Capital). The contingent capital increase serves to issue no-par value registered shares to the holders and/or creditors of convertible bonds and/or bonds with warrants, income bonds, and/or profit participation certificates (or combinations of these instruments) that are issued or guaranteed by the Company, or by a dependent or majority-held entity of the Company, in the period up to April 28, 2015 on the basis of the authorization resolved by the Annual General Meeting on April 29, 2010, and that grant a conversion or option right to new no-par value registered shares in the Company, or that establish a conversion obligation.

The "Contingent Capital I" and "Contingent Capital II" authorizations resolved by the Annual General Meeting on April 22, 2009 were revoked by a corresponding resolution by the Annual General Meeting on April 29, 2010.

In addition, the Management Board was authorized at Postbank's Annual General Meeting on April 29, 2010 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 April 28, 2015. The authorizations to purchase own shares in accordance with section 71 (1) no. 7 and no. 8 of the AktG existing at the time of the Annual General Meeting, which were valid for a limited period until October 21, 2010, were 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	
	2010 €m	2009 €m
Balance at January 1	–502	–724
Remeasurement gains	239	106
Available for sale, hedged (due to changes in credit risk)	–41	102
Available for sale, unhedged	280	4
Disposals and impairment	101	199
Impairment	6	56
thereof available for sale	6	48
thereof loans and receivables	–	8
Disposal/hedge termination	42	21
thereof available for sale	50	–3
thereof loans and receivables	–8	24
Writedown effect in net interest income	53	122
thereof available for sale	26	51
thereof loans and receivables	27	71
Income tax recognized directly in equity	–111	–83
Balance at December 31	–273	–502

€48 million (previous year: €77 million) of 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 category to the loans and receivables category in the year under review. The effect of the writedown of these financial instruments led to a reversal of €53 million from the revaluation reserve to income (previous year: €122 million). In addition, the revaluation reserve increased by €239 million (previous year: €106 million) due to the remeasurement of available-for-sale financial instruments. Income tax recognized directly in equity changed by €–111 million in the fiscal year under review (previous year: €–83 million), resulting in a closing balance of €140 million (previous year: €251 million); the revaluation reserve increased by a corresponding amount.

Other disclosures

(42) Segment reporting

Segment reporting by business division

	Retail Banking[1]		Corporate Banking[1]		Transaction Banking[1]		Financial Markets		Others[1]		Consolidation[1]		Group[1]	
	2010 €m	2009 €m	2010 €m	2009 €m	2010 €m	2009 €m	2010 €m	2009 €m	2010 €m	2009 €m	2010 €m	2009 €m	2010 €m	2009 €m
Net interest income	2,393	2,141	700	543	1	1	79	125	–449	–406	7	1	2,731	2,405
Net trading income	4	–32	–13	–140	–	–	60	47	–291	–372	–1	–1	–241	–498
Net income from investment securities	–6	–	–33	–51	–	–	–11	–21	49	–76	–	–	–1	–148
Net fee and commission income	1,082	1,113	108	104	349	349	31	27	–11	–42	–243	–213	1,316	1,338
Total income	3,473	3,222	762	456	350	350	159	178	–702	–896	–237	–213	3,805	3,097
Administrative expenses	–2,232	–2,189	–172	–185	–308	–317	–87	–90	–959	–864	824	781	–2,934	–2,864
Allowance for losses on loans and advances	–355	–345	–217	–300	–	–	11	–33	–	–	–	–	–561	–678
Other income/expenses	11	29	9	–2	19	6	2	5	551	577	–587	–568	5	47
Profit/loss before tax	897	717	382	–31	61	39	85	60	–1,110	–1,183	0	0	315	–398
Revenues from external customers	3,469	3,204	759	453	155	151	158	177	–702	–883				
Intersegmental revenues	4	18	3	3	195	199	1	1	0	–13				
Depreciation and amortization	–20	–19	–2	–1	–5	–6	–1	–2	–112	–110				
Impairment losses	–20	–19	–2	–1	–6	–6	–1	–2	–119	–135				
Reversal of impairment losses	0	0	0	0	0	0	0	0	0	7				
Cost/income ratio (CIR)	64.3 %	67.9 %	22.6 %	40.6 %	88.0 %	90.6 %	54.7 %	50.6 %	–	–			77.1 %	92.5 %
Return on equity before taxes (RoE)	39.4 %	32.5 %	65.2%	–5.7 %			10.5 %	8.1 %	–59.7 %	–73.9 %			5.7 %	–7.8 %
Segment assets	89,831	89,882	34,880	34,679	436	399	34,098	30,710	80,720	101,506	–25,281	–30,567	214,684	226,609
Segment liabilities	119,826	119,754	33,551	29,684	436	399	30,630	28,379	55,522	78,960	–25,281	–30,567	214,684	226,609

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, Postbank Filial GmbH, Postbank Direkt GmbH, 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.

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 Luxembourg-based activities (excluding corporate banking), fund administration and fund management for a number of Postbank's retail funds and special funds (Deutsche Postbank Privat Investment Kapitalanlagegesellschaft mbH (PPI) – only in 2009 – and Deutsche Postbank Financial Services GmbH) are allocated to the Financial Markets business division.

[1] Prior-year figures adjusted

The Consolidation segment comprises Group consolidation less intrasegment 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.

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. Income taxes are not calculated at segment level.

Reversals of impairment losses and impairment losses relate to intangible assets and property and equipment. Both amortization/depreciation and impairments are taken into account.

	2010 €m	2009[1] €m
Net trading income	–291	–372
of which		
Net loss on embedded derivatives from structured credit products	–286	–468
Net gain/loss on capital-guaranteed promissory note loans (CPPI structures)	–31	33
Asset/liability management	31	100
Other items	–5	–37
Net income from investment securities	49	–76
of which		
Net loss on structured credit products	–68	–90
Other debt instruments	3	–66
Writedowns of retail funds	–13	–30
Other items	127	110
Administrative expenses	–959	–864
of which		
Cost of central services	–313	–271
IT and other services	–423	–424
Other items	–223	–169
Other income/expenses	551	577
of which		
IT and other services	463	419
Other items	88	158

[1] Prior-year figures adjusted

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. Since the liabilities are also reconciled to the amounts reported in the consolidated financial statements, the liabilities of the Others segment also comprise those equity components that are not allocated to the legal entities of the other segments.

The change in the allocation of fee and commission income from other income to net fee and commission income has an effect in the Transaction Banking segment (see Note 6). In this context, internal income amounting to €18 million was also reclassified. Within segment reporting, the contributions made to the deposit protection fund have been allocated to the Retail Banking or Corporate Banking segments instead of the Others segment since the first quarter of 2010. This reduced administrative expenses allocated to the Others segment by €58 million in 2009, while the administrative expenses in the Retail Banking segment increased by €53 million and in the Corporate Banking segment by €5 million respectively. In addition, the presentation of the transactions relating to the fair value option in the Others segment and in the Consolidation column were changed in accordance with the principle of substance over form. For 2009, net interest income in the Others segment increased by €90 million and net trading income was reduced by the same amount. In the Consolidation column net interest income was reduced by €90 million, while net trading income increased by €90 million.

120

In 2009, the above-mentioned adjustments to segment reporting resulted in the following changes to profit before tax:
Retail Banking: €–53 million, Corporate Banking: €–5 million, Others: €58 million

Company level disclosures

The following table contains information about income per product or service:

	2010 €m	2009[1] €m
Deposits and loans for Retail and Corporate Banking customers	3,132	2,703
Payment transaction services for Retail and Corporate Banking customers	379	414
Retail and Corporate Banking fee and commission income	572	553
Transaction Banking insourcing (net fee and commission income)	154	150
Others	–432	–723
Total	3,805	3,097

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 includes the Group's net trading income and net income from investment securities, and hence the significant effects of the financial markets crisis.

The results of the geographical areas are calculated using the profit and loss as reported in the income statement of the legal entities and branches attributable to the areas.

The Others segment contains the entities from the Europe, U.S.A. (PB Capital), and Asia (Deutsche Postbank Home Finance) areas. 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 area.

Germany comprises all domestic business units including all consolidation adjustments.

The areas' 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	
	2010 €m	2009 €m	2010 €m	2009 €m	2010 €m	2009 €m	2010 €m	2009 €m
Germany	179,409	189,399	179,409	189,399	3,422	2,901	78	–312
Others	35,275	37,210	35,275	37,210	383	196	237	–86
Europe	26,611	29,077	26,611	29,077	269	267	140	96
U.S.A.	7,782	7,483	7,782	7,483	87	–93	79	–195
Asia	882	650	882	650	27	22	18	13
Total	214,684	226,609	214,684	226,609	3,805	3,097	315	–398

Non-current assets comprise intangible assets, property and equipment, and investment property.

	Non-current assets	
	2010 €m	2009 €m
Germany	3,228	3,269
Others	10	10
Europe	5	6
U.S.A.	3	3
Asia	2	1
Total	3,238	3,279

[1] Prior-year figures adjusted

(43) 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, 2010 €m	Dec. 31, 2009 €m
Contingent liabilities		
on guarantees and warranties	1,036	1,105
Other obligations		
irrevocable loan commitments	9,469	9,857
of which: building loans provided	2,409	2,641
miscellaneous obligations	12,094	12,107
Total	22,599	23,069

Miscellaneous obligations relate to credit lines that can be called in at any time. Contingencies and other obligations were reduced by the allowance for losses on loans and advances recognized.

(44) 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:

Quoted market prices for the identical asset or the identical liability exist for the instruments classified as belonging to Level 1. In other words, Level 1 fair value measurement is based solely on quoted market prices in an active market for the identical financial instrument. Level 1 therefore mainly consists of highly liquid securities and exchange-traded derivatives.

Level 2:

Level 2 fair values are measured either with the help of quoted prices in active markets for similar instruments or using techniques whose inputs are based solely on directly or indirectly observable market data. These include non-exchange-traded derivatives (e. g., swaps, caps, floors, and CDSs) as well as bonds and promissory note loans that are valued using yield and spread curves and volatilities.

Level 3:

Level 3 fair values are determined using measurement models whose significant inputs are not observable on the market. Such valuation techniques are used in particular to measure structured credit products.

The following tables show the allocation of the individual categories of financial instruments to the corresponding levels in the fair value hierarchy:

Assets measured at fair value	Dec. 31, 2010			
		Fair value reported in:		
Classes	Dec. 31, 2010 €m	Level 1 €m	Level 2 €m	Level 3 €m
Financial assets at fair value through profit or loss (FVtPL)				
Trading assets	24,150	693	23,446	11
Hedging derivatives	664	0	664	0
Loans and advances to customers	8,094	0	8,094	0
of which private mortgage lending	8,094	0	8,094	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	8,948	4,788	2,461	1,699
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	41,856	5,481	34,665	1,710

Liabilities measured at fair value	Dec. 31, 2010			
		Fair value reported in:		
Classes	Dec. 31, 2010 €m	Level 1 €m	Level 2 €m	Level 3 €m
Financial liabilities at fair value through profit or loss (FVtPL)				
Trading liabilities	26,174	9	25,538	627
Hedging derivatives	1,451	0	1,451	0
Total	27,625	9	26,989	627

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 and trading liabilities, and hedging derivatives are measured for the most part 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 disclosure purposes, financial instruments measured in this way 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 techniques (IAS 39.AG73 ff.). A significant proportion of the above-mentioned financial instruments are measured using discounted cash flow analysis, 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 discounted cash flow analysis. 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 rating model, which has been authorized by the supervisory authority.

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 disclosure purposes. If no such prices exist, they are measured using valuation techniques (generally discounted cash flow analysis). 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). An internal valuation technique is used to measure the fair value of structured credit products (SCPs) such as CDOs, consumer ABSs, commercial ABSs, CMBSs, and RMBSs since indicative prices cannot currently be verified. Embedded derivatives must be separated from synthetically structured credit products and their changes in value must be reported in net trading income. The fair values of these embedded derivatives are also calculated using this internal simulation model. The model uses discounted cash flow analysis (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 (RMBSs/retail). The model uses current ratings as its starting point, plus recovery rates that depend on the seniority of the underlyings to model losses. Current, detailed information on delinquencies is used to model RMBS losses 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 that 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 more extensive activity observed by Postbank in the bank bonds market segment significant volumes of financial assets were transferred between Level 1 and Level 2 in fiscal year 2010. A notional volume of €10.1 billion with a fair value of €10.3 billion measured using observable market prices was reclassified from Level 2 to Level 1. Further significant transfers resulted from a declining activity observed for bonds from the PIIGS countries which led to a transfer from Level 1 to Level 2 with a notional value of €1.9 billion and a fair value of € 1.7 billion. This applied particularly to Greek and Spanish bonds.

Valuation techniques whose input parameters mean they are allocable to Level 3 are used for both assets and liabilities. For liabilities, only the embedded derivatives from the synthetic SCP portfolios allocable to Level 3 are measured at fair value. Financial assets allocable to Level 3 changed as follows in fiscal year 2010:

Assets measured at fair value based on Level 3						
	Dec. 31, 2010					
	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	7	0	0	3,261	0	3,268
Total gains or losses	3	0	0	17	0	20
in profit or loss	3	0	0	–105	0	–102
in other comprehensive income	0	0	0	122	0	122
Purchases	0	0	0	0	0	0
Disposals	–1	0	0	–1,076	0	–1,077
Issues	0	0	0	0	0	0
Settlements	1	0	0	–555	0	–554
Exchange rate effects	1	0	0	52	0	53
Transfers out of Level 3	0	0	0	0	0	0
Transfers to Level 3	0	0	0	0	0	0
Closing balance	11	0	0	1,699	0	1,710
Total gains or losses for the period included in profit or loss for assets at held the end of the reporting period	1	0	0	0	0	1

This change is due to the following reasons:

The above-mentioned change in financial assets allocated to Level 3 is primarily due to settlements or redemptions of receivables.

This is contrasted by exchange rate effects resulting in a decrease in overall financial assets of approximately €1,558 million (previous year: €22 million).

Level 3 financial assets changed as follows as of December 31, 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

Level 3 assets are reported as follows in the income statement of the year under review:

Assets measured at fair value based on Level 3	Dec. 31, 2010			
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	–105	0	122
Total gains/losses recognized in profit or loss/ other comprehensive income for assets held at the end of the reporting period	1	0	0	93

Level 3 assets were reported in the prior-year income statement as follows:

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 2010:

Liabilities measured at fair value based on Level 3	Dec. 31, 2010		
	Fair value reported in Level 3		
Financial liabilities at FVtPL	Trading liabilities €m	Hedging derivatives €m	Total €m
Opening balance	1,106	0	1,106
Total gains	345	0	345
in profit or loss	345	0	345
Purchases	0	0	0
Disposals	–629	0	–629
Issues	0	0	0
Exchange rate effects	10	0	10
Settlements	–205	0	–205
Transfers out of Level 3	0	0	0
Transfers to Level 3	0	0	0
Closing balance	627	0	627
Total losses for the period included in profit or loss for liabilities held at the end of the reporting period	209	0	209

This change is due to the following reasons:

The above-mentioned change in financial liabilities allocated to Level 3 is due to the disposal and settlement of liabilities, which impact the embedded derivatives in structured credit products (which are allocated to trading liabilities) in full.

Level 3 financial liabilities changed as follows in the previous fiscal year:

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 loss	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

Level 3 liabilities are reported in the income statement as follows:

Liabilities measured at fair value based on Level 3		
	Dec. 31, 2010	
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	345	0
Total losses for the period included in profit or loss for liabilities held at the end of the reporting period	209	0

Level 3 liabilities are reported in the prior-year 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 reporting period	–454	0

When determining the fair value of structured credit products using the internal valuation technique, the illiquidity of the markets for structured products is taken into account in addition to the impact of default on 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 deterioration (improvement) in the impact of default due to a change of one rating notch in the probability of default for the underlying would result in a decrease (increase) in the fair values of the products measured using the internal valuation technique (notional value of around €1.9 billion) of approximately 6 % (approximately 5 %). An increase (decrease) of 1 basis point in the liquidity spreads used would result in a decrease (increase) in the fair values of approximately 3.1 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, 2010		Dec. 31, 2009	
	Carrying amount €m	Full fair value €m	Carrying amount €m	Full fair value €m
Assets				
Cash reserve	3,248	3,248	4,534	4,534
Loans and advances to other banks (loans and receivables)	12,140	12,101	14,467	14,360
Loans and advances to customers (loans and receivables)	103,689	109,029	102,408	107,406
Allowance for losses on loans and advances	−1,764	−1,764	−1,641	−1,641
Investment securities (loans and receivables)	50,032	47,992	59,401	58,116
Investment securities (held to maturity)	0	0	73	73
	167,345	170,606	179,242	182,848
Liabilities				
Deposits from other banks (liabilities at amortized cost)	22,419	22,403	39,318	39,198
Due to customers (liabilities at amortized cost)	136,476	137,831	131,988	132,817
Debt securities in issue and subordinated debt	18,437	17,977	22,229	21,545
	177,332	178,211	193,535	193,560

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.

134 139

Information on the fair values of the financial instruments belonging to the held-for-sale subsidiary Deutsche Postbank BHW Home Finance Ltd. is given in Notes 29 and 40.

(45) 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	2010 €m	2009 €m
Interest income and expense	(7)		
Loans and receivables		6,701	7,547
Available for sale		259	386
Held to maturity		1	5
Liabilities at amortized cost		−3,519	−4,799
Net gains or losses	(10), (11)		
Held for trading		−259	−471
Designated as at fair value		21	−20
Loans and receivables		61	−109
Available for sale		−55	−44

	Fair value hedges/option		Unhedged		Total	
	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Assets	35,075	39,439	172,642	179,421	207,717	218,860
Loans and receivables	24,687	26,221	141,174	150,055	165,861	176,276
Loans to other banks	272	547	11,868	13,920	12,140	14,467
Loans to customers	2,688	2,079	101,001	100,329	103,689	102,408
Investment securities	21,727	23,595	28,305	35,806	50,032	59,401
Available for sale	1,366	3,866	7,582	9,019	8,948	12,885
Investment securities	1,366	3,866	7,582	9,019	8,948	12,885
Held to maturity	–	–	–	73	–	73
Investment securities	–	–	–	73	–	73
Held for trading	264	197	23,886	20,274	24,150	20,471
Trading assets	264	197	23,886	20,274	24,150	20,471
Fair value option	8,094	8,635	–	–	8,094	8,635
Loans to customers	8,094	8,635	–	–	8,094	8,635
Hedging derivatives	664	520	–	–	664	520
Liabilities	11,584	14,138	193,373	203,882	204,957	218,020
Liabilities at amortized cost	9,073	11,105	168,259	182,430	177,332	193,535
Deposits from other banks	291	546	22,128	38,772	22,419	39,318
Due to customers	4,053	3,099	132,423	128,889	136,476	131,988
Debt securities in issue	2,572	5,450	10,288	11,272	12,860	16,722
Subordinated debt	2,157	2,010	3,420	3,497	5,577	5,507
Held for trading	1,060	982	25,114	21,452	26,174	22,434
Trading liabilities	1,060	982	25,114	21,452	26,174	22,434
Hedging derivatives	1,451	2,051	–	–	1,451	2,051

(46) Derivatives

The Postbank Group uses derivatives to hedge positions as part of its asset/liability management policy. Derivatives 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, and 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 equity/index options. 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 techniques 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, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Trading derivatives	809,846	802,735	23,221	19,287	26,166	22,434
Hedging derivatives	33,683	39,331	664	520	1,451	2,051
Total	843,529	842,066	23,885	19,807	27,617	24,485

The following table presents the Postbank Group's interest rate and foreign currency, conditional and unconditional forward and option contracts open at the balance sheet date.

			Fair value			
	Notional amount		Positive fair values		Negative fair values	
	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Trading derivatives						
Foreign currency derivatives						
OTC products						
Currency forwards	4,553	6,561	142	90	133	85
Currency swaps	13,099	21,209	119	111	96	235
Total holdings of foreign currency derivatives	17,652	27,770	261	201	229	320
Interest rate derivatives						
OTC products						
Interest rate swaps	735,279	676,514	22,803	18,904	25,064	20,694
Cross currency swaps	4,037	577	39	15	169	11
Forward rate agreements	40,563	81,591	5	18	9	25
OTC interest rate options	3,121	934	20	7	27	4
Other interest rate contracts	910	884	4	5	6	7
Exchange-traded products						
Interest rate futures	4,728	8,502	–	–	–	–
Interest rate options	13	70	–	–	–	–
Total holdings of interest rate derivatives	788,651	769,072	22,871	18,949	25,275	20,741

	Notional amount		Fair Value Positive fair values		Negative fair values	
	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Equity/index derivatives						
OTC products						
Equity options (long/short)	137	193	1	2	11	19
Exchange-traded products						
Equity/index options	119	141	4	6	–	–
Total holdings of equity/index derivatives	256	334	5	8	11	19
Credit derivatives						
Credit default swaps	3,287	5,559	84	129	651	1,354
Total holdings of credit derivatives	3,287	5,559	84	129	651	1,354
Total holdings of trading derivatives	809,846	802,735	23,221	19,287	26,166	22,434
of which: banking book derivatives	45,394	39,827	562	450	2,076	2,223
of which: derivatives relating to hedged items accounted for under the fair value option	32,947	31,728	264	197	1,060	982
Hedging derivatives						
Fair value hedges						
Interest rate swaps	32,529	37,834	561	469	1,428	2,024
Cross currency swaps	665	595	101	50	15	21
Credit default swaps	489	478	2	1	8	6
Interest rate futures	–	424	–	–	–	–
Total holdings of hedging derivatives	33,683	39,331	664	520	1,451	2,051
Total holdings of derivatives	843,529	842,066	23,885	19,807	27,617	24,485

Total holdings of recognized derivative assets and liabilities:

	Hedging derivatives			
	Positive fair values Dec. 31, 2010 €m	Positive fair values Dec. 31, 2009 €m	Negative fair values Dec. 31, 2010 €m	Negative fair values Dec. 31, 2009 €m
Remaining maturity				
less than 3 months	58	161	143	346
3 months to 1 year	2	23	17	20
from 1 to 2 years	20	5	72	61
from 2 to 3 years	54	8	124	116
from 3 to 4 years	25	56	100	187
from 4 to 5 years	70	19	113	156
more than 5 years	435	248	882	1,165
	664	520	1,451	2,051

	Trading and banking book derivatives			
	Positive fair values Dec. 31, 2010 €m	Positive fair values Dec. 31, 2009 €m	Negative fair values Dec. 31, 2010 €m	Negative fair values Dec. 31, 2009 €m
Remaining maturity				
less than 3 months	4,657	4,791	5,060	5,452
3 months to 1 year	294	374	378	429
from 1 to 2 years	844	543	996	688
from 2 to 3 years	1,493	881	1,871	1,232
from 3 to 4 years	1,109	1,414	1,401	2,048
from 4 to 5 years	1,702	888	1,891	1,306
more than 5 years	13,122	10,396	14,569	11,279
	23,221	19,287	26,166	22,434

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, 2010 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Counterparties				
Banks in OECD countries	23,497	19,480	26,991	23,103
Other counterparties in OECD countries	388	325	269	829
Non-OECD	0	2	357	553
	23,885	19,807	27,617	24,485

(47) Bonds outstanding

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Bonds outstanding		
Bonds issued	22,310	22,117
Registered mortgage *Pfandbriefe* issued as collateral	–	–
Public-sector *Pfandbriefe*/municipal bonds	–	–
Cover requirement for bonds outstanding	22,310	22,117

(48) Cover for bonds outstanding

	Cover assets	*Pfandbriefe* outstanding	Excess cover
	Dec. 31, 2010 €m	Dec. 31, 2010 €m	Dec. 31, 2010 €m
Mortgage *Pfandbriefe* Register A			
Principal amount	876	10	866
Present value	955	11	944
Public-sector *Pfandbriefe* Register B			
Principal amount	908	669	239
Present value	977	737	240
Bonds Register C (mixed cover)			
Principal amount	17,089	13,967	3,122
Present value	18,382	15,564	2,818
Mortgage *Pfandbriefe* Register D			
Principal amount	7,864	5,716	2,148
Present value	8,723	6,230	2,493
Public-sector *Pfandbriefe* Register E			
Principal amount	2,714	1,948	766
Present value	2,923	2,038	885

	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

(49) Foreclosures and compulsory administration

	Dec. 31, 2010 Number	Dec. 31, 2009 Number
Foreclosures pending	1,295	1,196
Compulsory administration proceedings	389	392
Foreclosures completed	477	394

(50) Foreign currency volume

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Foreign currency assets	20,260	22,440
Foreign currency liabilities	20,263	22,548

(51) Risk-weighted assets and capital ratio

Postbank ensures the correct calculation of liable capital and own funds at sub-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, 2010 €m	Dec. 31, 2009 €m
Credit and counterparty risk	58,100	57,738
Market risk positions	3,863	9,725
Operational risk	4,400	6,538
Total capital charge	66,363	74,001
Tier 1 capital	5,381	4,906
thereof: hybrid capital instruments	1,620	1,613
Tier 2 capital	2,124	1,866
thereof: profit participation certificates outstanding	1,149	1,115
thereof: subordinated liabilities	2,147	2,233
Tier 3 capital	0	0
Eligible own funds	7,505	6,772
Tier 1 ratio in %	8.1	6.6
Capital ratio in %	11.3	9.2

In accordance with the regulatory notification, the Tier 1 ratio of Postbank AG at single-institution level as of December 31, 2010 was 5.8 %, the capital ratio was 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 the sub-group'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. Postbank makes use of the transitional provision set out in section 64h (3) sentence 2 of the KWG, whereby half of the asset-side balancing item pursuant to section 10a (6) sentence 10 of the KWG may continue to be deducted from Tier 1 capital and half from Tier 2 capital instead of goodwill for equity investments acquired up to December 31, 2006.

(52) 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. Conservative discounts and limit buffers are used when calculating the risk cover amount in order to account for estimating uncertainties.

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 2010 and 2009 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		
Capital and risk components	Allocated risk capital	
	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Market risk	2,456	2,781
Credit risk	2,200	2,200
Operational risk	600	560
Investment and real estate risk	100	126
Collective risk	500	1,000
Business risk	2,100	1,893
Total before diversification	7,956	8,560
Diversification effects	1,449	1,456
Total after diversification	6,507	7,104
Unallocated risk cover amount	5,014	6,340
Total risk cover amount	11,521	13,444

Other disclosures relating to capital management can be found in the Risk Report section of the Group Management Report.

61

(53) Maturity structure

As of December 31, 2010:

	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	4,434	3,006	552	604	732	474	449	1,889	12,140
Loans and advances to customers	5,219	13,983	7,977	9,827	11,564	11,392	9,397	42,424	111,783
Trading assets	0	4,819	477	986	1,615	1,258	1,815	13,180	24,150
Hedging derivatives	0	58	2	20	54	25	70	435	664
Investment securities	0	3,939	4,755	7,311	5,965	5,186	6,897	24,927	58,980
Current tax assets	0	0	25	150	46	60	40	0	321
Deferred tax assets	0	0	0	103	181	63	0	0	347
Other assets	87	111	36	55	26	33	33	314	695
Total	9,740	25,916	13,824	19,056	20,183	18,491	18,701	83,169	209,080
Deposits from other banks	2,233	6,636	2,769	1,510	1,809	733	1,483	5,246	22,419
Due to customers	36,972	61,947	3,633	2,001	1,956	3,136	4,977	21,854	136,476
Debt securities in issue	211	2,627	1,560	582	1,880	2,779	1,084	2,137	12,860
Trading liabilities	0	5,061	378	996	1,871	1,401	1,898	14,569	26,174
Hedging derivatives	0	143	17	72	124	100	112	883	1,451
Provisions	28	113	315	358	248	204	195	826	2,287
Provisions for pensions	0	20	42	183	76	75	75	655	1,126
Other provisions	28	93	273	175	172	129	120	171	1,161
Current tax liabilities	0	0	12	14	0	22	29	0	77
Deferred tax liabilities	0	0	0	61	59	72	92	0	284
Other liabilities	293	113	210	13	8	6	6	16	665
Subordinated debt	42	17	384	261	320	238	706	3,609	5,577
Total	39,779	76,657	9,278	5,868	8,275	8,691	10,582	49,140	208,270

151

The remaining maturities of derivatives are presented separately in a table in Note 46.

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	–	–	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

(54) 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).

(55) 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).

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 noncancelable leasing agreements relate to land and buildings and have the following maturity structures:

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
in the first year after the balance sheet date	85	26
in the second year after the balance sheet date	79	21
in the third year after the balance sheet date	70	19
in the fourth year after the balance sheet date	62	16
in the fifth year after the balance sheet date	47	16
more than five years after the balance sheet date	113	50
Total	456	148

The figures for 2010 include the obligations of Postbank Filialvertrieb AG for the first time.

(56) Trust activities

Trust activities are composed of the following items:

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Trust assets		
Loans and advances to other banks	51	71
Loans and advances to customers	825	974
	876	1,045
Trust liabilities		
Trust funds for transmitted loans	425	489
Special fund of the State of Mecklenburg-Western Pomerania	45	46
Retired farmers' pension fund	12	12
Special-purpose funds	394	498
	876	1,045

(57) Employees

The average number of employees in the Group in the period under review was as follows:

	Total 2010	Total 2009
Full-time		
Civil servants	5,907	6,192
Salaried employees	11,239	11,235
	17,146	17,427
Part-time		
Civil servants	899	915
Salaried employees	2,627	2,592
	3,526	3,507
	20,672	20,934

The employees are employed almost exclusively in Germany.

(58) Related party disclosures

In addition to the companies included in the consolidated financial statements, Postbank has direct or indirect relationships with Deutsche Bank AG, which has controlled Postbank since December 3, 2010, and Deutsche Post AG, which exercises a significant influence on Postbank, and with a small number of unconsolidated Deutsche Postbank AG subsidiaries and other investees in the course of its ordinary business activities. Other related parties are Deutsche Bank AG's subsidiaries (as from December 3, 2010). Related parties are defined as key management personnel (Management Board and Supervisory Board) of Deutsche Postbank AG and of Deutsche Bank 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.

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.

118

The transactions with Deutsche Bank AG as the parent and relationships with its subsidiaries as other related parties are presented for the period from December 3 to December 31, 2010.

The income and expenses relating to Deutsche Bank AG and Deutsche Post AG incurred before December 3, 2010 are reported as attributable to companies with a significant influence over Deutsche Postbank AG.

Related party receivables

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Loans and advances to other banks		
Deutsche Bank AG	641	–
Companies with a significant influence	–	609
	641	609
Loans and advances to customers		
Companies with a significant influence	75	78
Subsidiaries	6	10
	81	88

Loans and advances to other banks relating to Deutsche Bank AG 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, 2010 €m	Dec. 31, 2009 €m
Trading assets		
Deutsche Bank AG	3,359	–
Companies with a significant influence	–	2,555
	3,359	2,555
Hedging derivatives		
Deutsche Bank AG	85	–
Companies with a significant influence	–	25
	85	25

Prior-year transactions involving trading assets and hedging derivatives relate solely to Deutsche Bank AG.

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Investment securities		
Deutsche Bank AG	131	–
Companies with a significant influence	–	181
	131	181

The investment securities relate to bonds issued by Deutsche Bank AG.

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Other assets		
Deutsche Post AG	9	–
Companies with a significant influence	5	9
Subsidiaries	1	1
	15	10

Other assets attributable to companies with a significant influence relate solely to Deutsche Post AG.

Related party payables

	Dec. 31, 2010 €m	Dec. 31, 2009 €m
Deposits from other banks		
Deutsche Bank AG	92	–
Companies with a significant influence	–	2
Other related parties	18	–
	110	2
Due to customers		
Companies with a significant influence	4	11
Subsidiaries	51	67
	55	78
Trading liabilities		
Deutsche Bank AG	3,857	–
Companies with a significant influence	–	3,040
	3,857	3,040
Hedging derivatives		
Deutsche Bank AG	32	–
Companies with a significant influence	–	31
	32	31
Other liabilities		
Deutsche Bank AG	1	–
Companies with a significant influence	43	53
Subsidiaries	2	3
	46	56
Subordinated debt		
Subsidiaries	56	100
	56	100

The deposits from other banks, trading liabilities, and hedging derivatives relate primarily 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 to the provision of services between Deutsche Postbank International S.A. and BHW Eurofinance B.V.

Other liabilities due to companies with a significant influence relate in full 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 Eurofinance 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, 2009: €3 million). As of the end of the reporting period, contingent liabilities from warranty obligations amounting to €36 million relate to Deutsche Bank AG. 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

	2010 €m	2009 €m
Interest income		
Deutsche Bank AG	8	–
Deutsche Post AG	–	3
Companies with a significant influence	26	80
Subsidiaries	4	9
	38	92
Interest expense		
Deutsche Bank AG	2	–
Deutsche Post AG	–	1
Companies with a significant influence	18	116
Subsidiaries	3	5
	23	122
Fee and commission income		
Deutsche Bank AG	4	–
Deutsche Post AG	–	76
Companies with a significant influence	43	44
Subsidiaries	5	3
	52	123
Fee and commission expense		
Subsidiaries	9	10
	9	10
Net income from investment securities		
Companies with a significant influence	–	3
Subsidiaries	6	4
	6	7
Net trading income		
Deutsche Bank AG	32	–
Companies with a significant influence	– 180	–143
	–148	–143
Administrative expenses		
Deutsche Bank AG	–3	–
Deutsche Post AG	–	45
Companies with a significant influence	198	179
Subsidiaries	18	19
Other related parties	–	26
	213	269
Other income		
Companies with a significant influence	3	–
Subsidiaries	4	8
Other related parties	–	3
	7	11
Other expenses		
Companies with a significant influence	3	3
	3	3

€21 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 €43 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.

Lease income from rentals to unconsolidated subsidiaries of Deutsche Postbank AG amounts to €1 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.

As of the balance sheet date, loans of €863 thousand had been granted to members of the key management personnel and deposits of €5,945 thousand received from members of the key management personnel.

Remuneration of the Management Board

Structure of the remuneration of the Management Board in fiscal year 2010

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

The Supervisory Board resolves the appropriateness of the remuneration of the members of the Management Board of Deutsche Postbank AG on the basis of a recommendation by the Executive Committee, 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 Management 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 amount of remuneration paid is performance-linked.

Overall remuneration consists of fixed and performance-related components.

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

The annual bonus is the performance-related component.

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 is capped on the basis of individual agreements.

The annual bonus is not paid out in full on an annual basis, even when the targets agreed have been reached.

Forty percent of the annual bonus calculated in accordance with the degree to which the target was reached is paid out directly in the following year (short-term component).

Sixty percent of the annual bonus calculated on the basis of the degree to which the target was reached depends on the Group's sustainable performance (long-term component). The sustainability of the Group's performance is determined three fiscal years after the base year (sustainability phase). The long-term component is not paid out until after the sustainability phase has ended and then only if the relevant sustainability criterion to be established by the Supervisory Board has been met. If the sustainability criterion is positive in the aggregate over the sustainability phase, or if it is the same or better than in the base year during the final year of the sustainability phase, the long-term component is paid out in the fourth year following the base year. Otherwise, the payment is forfeited without compensation. Remuneration of the Management Board is thus affected by any negative performance by the Company during the entire measurement period (malus system).

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

In accordance with the recommendation of the German Corporate Governance Code, the Company will provide compensation for no more than the remainder of the contract term in instances in which a member of the Management Board ends his or her service on the Board prematurely without cause, and will limit the payment to a maximum of two base-pay installments in addition to a maximum of 40 % of twice the maximum annual performance-related remuneration (severance-payment cap).

If the contract of a Management Board member is terminated prematurely as a result of permanent incapacity to work or death, the remuneration shall be paid pro rata up to the end of the agreed term of the contract, for a maximum of six months. In derogation of the above, three months' remuneration is payable to Management Board members Marc Hess and Ralf Stemmer in the period up to February 28, 2011 and June 30, 2011 respectively in the event of their deaths.

In the case of the Chairman of the Management Board, Stefan Jütte, three months' remuneration is payable in the event of the premature termination of his contract due to his death. If Stefan Jütte terminates his work on the Management Board prematurely due to incapacity to work, he is entitled to claim a pension. In the case that his contract is terminated prematurely without good cause, Stefan Jütte will receive a transitional allowance in the amount of his pension entitlement as of the time of his departure.

The amendments to the remuneration system required as a result of the *Institutsvergütungsverordnung* (InstVergV – Regulation Governing Supervisory Requirements for Remuneration Systems of Institutions) and other regulatory measures are currently being examined in detail and implemented.

Remuneration of the Management Board in fiscal year 2010

The seven members of the Management Board active in fiscal year 2010 received total remuneration of €6,640.2 thousand (previous year: €4,159.8 thousand) in the period under review. €4,564.0 thousand of this total amount relates to fixed remuneration components (previous year: €4,159.8 thousand) and €2,076.2 thousand to non-deferred performance-related components (previous year: €0). The Supervisory Board is expected to resolve the 2011 payment modalities for the non-deferred performance-related components for fiscal year 2010 on March 15, 2011. The total amount of the deferred performance-related component with a long-term incentive effect for fiscal year 2010 is €3,114.3 thousand (previous year: €0). The amount will be paid in fiscal year 2014 if the sustainability criterion has been met; if not, it will be forfeited.

The fixed component includes “other compensation” totaling €164.0 thousand (previous year: €196.2 thousand). This additional remuneration relates primarily to the use of company cars, the reimbursement of travel costs, and contributions to insurance schemes. In principle, the additional remuneration is available to all members of the Management Board equally; the amount varies depending on their different personal circumstances.

The total remuneration for the seven members of the Management Board active in fiscal year 2010 amounted to €6,640.2 thousand (previous year: €4,159.8 thousand).

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

Deutsche Postbank AG does not currently have a share-based compensation program.

Management Board remuneration in 2010

	Fixed remuneration component		Performance-related component	Total
	Fixed component	Other compen-sation	Short-term component[1]	
	€ thousand	€ thousand	€ thousand	€ thousand
Stefan Jütte (Chairman)	900.0	15.4	359.7	1,275.1
Mario Daberkow	600.0	21.4	280.0	901.4
Marc Hess	600.0	26.9	280.0	906.9
Horst Küpker	600.0	34.5	320.0	954.5
Michael Meyer	600.0	28.9	280.0	908.9
Hans-Peter Schmid	500.0	19.2	276.5	795.7
Ralf Stemmer	600.0	17.7	280.0	897.7
Total	4,400.0	164.0	2,076.2	6,640.2

[1] The Supervisory Board is expected to resolve the 2011 payment modalities on March 15, 2011.

Management Board remuneration in 2009

	Fixed remuneration component		Performance-related component	Total
	Fixed compo-nent	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

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. Exceptions to this minimum waiting period requirement exist in some cases for disability.

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. A cap on the pensionable base pay has been specified except in the cases of Management Board members Marc Hess and Horst Küpker. The basic rule is that pension benefits of 50 % of the 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 % of the 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; in this case, his maximum pension benefits amount to 50% of his pensionable income. He will reach this level of benefits when he turns 65. Due to the fact that his contract of service on the Management Board has been extended beyond this age, his claim to an old-age pension will only arise at the end of his contract of service.

In addition, the pension commitments include rules governing the payment of a transitional allowance for Management 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 contracts of Mario Daberkow, Hans-Peter Schmid, and Ralf Stemmer be terminated by Postbank prior to the expiration of their regular contract terms, their pensions shall be calculated as if their contracts had been fulfilled until their regular expiration. This shall not apply if Postbank terminates the employment relationship for good cause. The length of service of Management Board member Mario Daberkow shall be measured from the first time a Management Board employment contract was signed with him 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 for the first time after March 31, 2007 and to replace the previous final salary-based pension system by a defined contribution plan. The pension commitments of the members of the Management Board newly appointed after that date, Marc Hess, Michael Meyer, and Horst Küpker, are therefore based on the following basic system: A benefit contribution in the amount of 25 % of the pensionable basic pay is granted for each eligible year of service. The benefit contributions are credited to a virtual pension account that bears annual interest at the interest rate used in the assessment for tax purposes of direct pension commitments from the time of the grant until the insured event. An additional amount was credited to Marc Hess's pension account in the period under review; this replaced a pension commitment made by the Company before he became a member of the Management Board. In the case of Michael Meyer, his contract specifies that special contributions shall be granted. 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 the entitlements from pension commitments vest immediately. The pensions have a 1 % p.a. adjustment rate.

Members of the Management Board Marc Hess, Horst Küpker, and Michael Meyer 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, 2010 %	Maximum percentage of final salary %	Service cost for pension obligations €
Stefan Jütte	26.50	50.00	574,486
Mario Daberkow	50	60.00	133,709
Hans-Peter Schmid	50	60.00	249,048
Ralf Stemmer	52	60.00	82,351

A positive service cost arose in comparison to the previous year in the case of the Chairman of the Management Board, Stefan Jütte, due to the fact that his pensionable age has been increased to the end of his contract of service. Management Board members Mario Daberkow and Hans-Peter Schmid fulfilled the waiting period in fiscal year 2010 and reached the pension benefit level of 50 % of their final salary.

	Contribution amount for 2010 €	Pension account balance as of Dec. 31, 2010 €	Service cost for pension obligations €
Marc Hess	696,996	1,038,314	122,696
Horst Küpker	150,000	513,086	114,665
Michael Meyer	225,000	748,715	102,309

Contractually agreed grants of special amounts increased the contribution amounts in the case of Marc Hess and Michael Meyer.

The remuneration paid to former members of the Management Board and their surviving dependants amounted to €6.02 million (previous year: €4.68 million).

The defined benefit obligation (DBO) for current pensions and entitlements on the part of former members of the Management Board calculated in accordance with the International Financial Reporting Standards amounted to €47.54 million (previous year: €43.88 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 a fixed and an annual performance-related component, 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 Chairman and Deputy Chairman as well as the 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 annual 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 annual 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 of the full Supervisory Board or of one of the committees receives an attendance allowance of €250 per meeting.

The amount of the Supervisory Board's remuneration is capped in a number of ways: Neither of the two variable components may exceed the amount 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 their remuneration after the Annual General Meeting.

Persons who are members of the Supervisory Board for only part of a fiscal year receive the corresponding pro rata amount.

In line with Deutsche Bank AG's internal policies, Deutsche Bank Group employees do not receive any remuneration for supervisory board positions held at Group companies. Consequently, no remuneration will be paid to Rainer Neske and Werner Steinmüller for the period since Deutsche Bank AG acquired a majority interest in the capital of Deutsche Postbank AG. Rainer Neske and Werner Steinmüller have furnished Deutsche Postbank AG with a corresponding waiver.

The total remuneration paid to members of the Supervisory Board for fiscal year 2010 amounted to €547.2 thousand including attendance allowances (previous year: €536.3 thousand). The members of the Supervisory Board will not receive any variable (performance-related) remuneration for the past fiscal year.

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

Members of the Supervisory Board	Remuneration for fiscal year 2010				Remuneration for fiscal year 2009			
	Fixed remunertion	Variable remuneration[1]	Attendance allowances	Total	Fixed remunertion	Variable remuneration[1]	Attendance allowances	Total
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Frank Appel	52.5	–	3.3	55.8	52.5	–	2.8	55.3
Frank Bsirske	16.8	–	2.0	18.8	–	–	–	–
Michael Sommer	22.3	–	0.8	23.1	45.0	–	1.8	46.8
John Allan	–	–	–	–	10.0	–	0.3	10.3
Wilfried Anhäuser	22.5	–	3.3	25.8	22.5	–	2.5	25.0
Marietta Auer	22.5	–	3.5	26.0	22.5	–	2.0	24.5
Rolf Bauermeister	15.0	–	1.8	16.8	15.0	–	1.0	16.0
Wilfried Boysen	15.0	–	2.0	17.0	15.0	–	1.0	16.0
Henry B. Cordes	12.7	–	0.5	13.2	15.0	–	0.8	15.8
Edgar Ernst	30.0	–	4.8	34.8	30.0	–	3.8	33.8
Annette Harms	15.0	–	1.8	16.8	15.0	–	1.0	16.0
Timo Heider	7.6	–	1.3	8.9	–	–	–	–
Tessen von Heydebreck	22.5	–	1.8	24.3	14.9	–	2.0	16.9
Peter Hoch	30.0	–	4.0	34.0	32.3	–	3.0	35.3
Elmar Kallfelz	30.0	–	5.0	35.0	27.0	–	2.5	29.5
Ralf Krüger	22.5	–	3.5	26.0	28.6	–	2.5	31.1
Rainer Neske[2]	–	–	–	–	–	–	–	–
Hans-Dieter Petram	22.5	–	1.3	23.8	22.5	–	1.3	23.8
Bernd Pfaffenbach	–	–	–	–	4.6	–	0.0	4.6
Lawrence A. Rosen	15.0	–	1.8	16.8	4.6	–	0.5	5.1
Elmo von Schorlemer	–	–	–	–	4.6	–	0.3	4.9
Torsten Schulte	7.4	–	0.5	7.9	26.8	–	2.3	29.1
Eric Stadler	22.5	–	3.3	25.8	16.6	–	1.5	18.1
Werner Steinmüller[2]	33.8	–	3.5	37.3	24.5	–	2.8	27.3
Gerd Tausendfreund	22.5	–	3.8	26.3	22.5	–	3.0	25.5
Renate Treis	30.0	–	3.0	33.0	24.1	–	1.5	25.6
Total	490.6	–	56.6	547.2	496.1	–	40.2	536.3

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

[2] Under the Articles of Association of Deutsche Postbank AG, Rainer Neske and Werner Steinmüller also have a claim to remuneration for the period following the acquisition of the majority interest in the Bank's capital: Rainer Neske in the amount of €0.9 thousand and Werner Steinmüller in the amount of €4.5 thousand. Both members have waived their claim to remuneration in line with Deutsche Bank AG's internal Group policies.

Peter Hoch received remuneration of €26.2 thousand for his Supervisory Board work at the BHW Group, whereas Timo Heider received €19.5 thousand.

No further remuneration or benefits were granted to members of the Supervisory Board in return for services provided individually in addition to their 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 2010, 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 €863.1 thousand (previous year: €950.4 thousand) had been granted to members of the Management Board and members of the Supervisory Board. 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 effective January 1, 2010 in line with the requirements of section 93 of the AktG and section 3.8 of the German Corporate Governance Code.

(59) 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 $754.9 million for its subsidiary PB Capital Corp., Delaware, U.S.A. These include a guarantee bond for the commercial paper program ($532.3 million), a guarantee bond for swaps ($66.9 million), a guarantee bond for repos ($20.0 million), a guarantee bond for Deutsche Bank ($130.0 million), and a rental guarantee for business premises in New York ($5.7 million).

(60) Members of executive bodies

Management Board

The members of the Management Board of Deutsche Postbank AG are:
Stefan Jütte, Bonn (Chairman)
Mario Daberkow, Bonn
Marc Hess, Bonn
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, 2010 on supervisory boards or other supervisory bodies:

Stefan Jütte	Chairman
Function	**Company**
Chairman of the Supervisory Board	Postbank Filialvertrieb AG, Bonn
Chairman of the Supervisory Board	PB Firmenkunden AG, Bonn
Chairman of the Board of Directors	PB Capital Corp., Wilmington (Delaware, U.S.A.)
Chairman of the Board of Directors	PB (USA) Holdings, Inc., Wilmington (Delaware, U.S.A.)
Member of the Supervisory Board	IVG Institutional Funds GmbH, Wiesbaden
Member of the Advisory Board	CORPUS SIREO Holding GmbH & Co. KG, Cologne
Offices relinquished during the year	
Member of the Supervisory Board (until August 24, 2010)	BVVG Bodenverwertungs- und -verwaltungsgesellschaft mbH, Berlin

Mario Daberkow	
Function	**Company**
Chairman of the Supervisory Board	Betriebs-Center für Banken AG, Frankfurt am Main
Chairman of the Supervisory Board	Postbank Systems AG, Bonn
Chairman of the Advisory Board	Postbank Support GmbH, Cologne
Deputy Chairman of the Advisory Board	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	Eurogiro A/S, Taastrup (Denmark)
Member of the Supervisory Board	BHW Bausparkasse AG, Hamelin
Member of the Supervisory Board	BHW Holding AG, Berlin/Hamelin

Marc Hess

Function	Company
Member of the Supervisory Board	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	Postbank Finanzberatung AG, Hamelin
Member of the Board of Directors (since July 16, 2010)	PB Capital Corp., Wilmington (Delaware, U.S.A.)
Member of the Board of Directors (since July 16, 2010)	PB (USA) Holdings, Inc., Wilmington (Delaware, U.S.A.)

Michael Meyer

Function	Company
Chairman of the Supervisory Board	BHW Bausparkasse AG, Hamelin
Chairman of the Supervisory Board	BHW Holding AG, Berlin/Hamelin
Chairman of the Supervisory Board	Postbank Direkt GmbH, Bonn
Chairman of the Supervisory Board	Postbank Finanzberatung AG, Hamelin
Chairman of the Advisory Board	VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH, Bonn
Chairman of the Board of Directors (since May 10, 2010) Member of the Board of Directors (since May 10, 2010)	Deutsche Postbank Home Finance Ltd., Gurgaon/New Delhi (India)
Deputy Chairman of the Supervisory Board	Deutsche Postbank Financial Services GmbH, Frankfurt am Main
Deputy Chairman of the Supervisory Board	PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt am Main
Deputy Chairman of the Supervisory Board	Postbank Akademie und Service GmbH, Hamelin*
Deputy Chairman of the Board of Directors	Deutsche Postbank International S.A., Luxembourg
Deputy Chairman of the Board of Directors	Deutsche Postbank Vermögens-Management S.A., Luxembourg
Member of the Supervisory Board	Betriebs-Center für Banken AG, Frankfurt am Main
Member of the Supervisory Board	Postbank Filialvertrieb AG, Bonn
Member of the Supervisory Board	PB Lebensversicherung AG, Hilden
Member of the Supervisory Board	PB Versicherung AG, Hilden
Member of the Board of Directors	VISA Deutschland e.V., Frankfurt am Main
Member of the Advisory Board	Proactiv Holding AG, Hilden
Member of the Economic Advisory Board	HUK-Coburg Versicherungsgruppe, Coburg

* previously Postbank Vertriebsakademie GmbH, Hamelin

Hans-Peter Schmid

Function	Company
Chairman of the Supervisory Board (since July 1, 2010) Member of the Supervisory Board (until June 30, 2010)	Bayerische Börse AG, Munich
Member of the Supervisory Board	Postbank Finanzberatung AG, Hamelin
Member of the Supervisory Board	Postbank Akademie und Service GmbH, Hamelin*
Member of the Advisory Board (since January 1, 2011)	Proactiv Holding AG, Hilden

* previously Postbank Vertriebsakademie GmbH, Hamelin

Ralf Stemmer

Function	Company
Chairman of the Supervisory Board	Postbank Immobilien und Baumanagement GmbH, Bonn
Chairman of the Supervisory Board	Postbank Akademie und Service GmbH, Hamelin*
Deputy Chairman of the Supervisory Board	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 Administrative Board	Bundesanstalt für Post und Telekommunikation Deutsche Bundespost, Bonn
Member of the Board of Directors	PB Capital Corp., Wilmington (Delaware, U.S.A.)
Member of the Board of Directors	PB (USA) Holdings, Inc., Wilmington (Delaware, U.S.A.)

* previously Postbank Vertriebsakademie GmbH, Hamelin

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)	until December 31, 2010
Rainer Neske, Member of the Management Board of Deutsche Bank AG, Bad Soden (Chairman since January 1, 2011)	since December 17, 2010
Hugo Bänziger, Member of the Management Board of Deutsche Bank AG, London	since February 1, 2011
Wilfried Boysen, businessman, Hamburg	
Henry B. Cordes, *Ministerialdirektor*, Federal Ministry of Finance, Berlin	until November 5, 2010
Edgar Ernst, management consultant, Bonn	
Tessen von Heydebreck, previously Member of the Management Board of Deutsche Bank AG and current Chairman of the Board of Deutsche Bank Foundation, Berlin	
Peter Hoch, Munich	
Ralf Krüger, management consultant, Kronberg	
Hans-Dieter Petram, consultant, Inning	
Lawrence A. Rosen, Member of the Board of Management of Deutsche Post AG, Bonn	
Werner Steinmüller, Member of the Group Executive Committee, Head of Global Transaction Banking, Deutsche Bank AG, Dreieich	

2. Employee representatives	
Frank Bsirske, Chairman of the ver.di Trade Union, Berlin (Deputy Chairman)	since July 20, 2010
Michael Sommer, Chairman of the German Trade Union Federation, Berlin (Deputy Chairman)	until June 30, 2010
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	
Timo Heider, Chairman of the General Works Councils of BHW Bausparkasse AG and Postbank Finanzberatung AG, Hamelin	since July 1, 2010
Elmar Kallfelz, Chairman of Deutsche Post AG's European Works Council, Wachtberg	
Torsten Schulte, clerical employee, Hessisch Oldendorf	until June 30, 2010
Eric Stadler, Chairman of Betriebs-Center für Banken 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, 2010 on supervisory boards or other supervisory bodies:

Shareholder representatives

Hugo Bänziger	Member of the Supervisory Board since February 1, 2011

Function	Company
Chairman of the Supervisory Board	DWS Investment GmbH, Frankfurt am Main
Chairman of the Board of Directors	Deutsche Bank Luxembourg S.A., Luxembourg
Member of the Supervisory Board	EUREX Clearing AG, Frankfurt am Main
Member of the Supervisory Board	EUREX Frankfurt AG, Frankfurt am Main
Member of the Supervisory Board	EUREX Zürich AG, Zurich
Member of the Board of Directors	Deutsche Bank Trust Company Americas, New York (New York, U.S.A.)
Member of the Board of Directors	Deutsche Bank Trust Corporation, New York (New York, U.S.A.)

Wilfried Boysen

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

Henry B. Cordes	Member of the Supervisory Board until November 5, 2010

Function	Company
Deputy Chairman of the Supervisory Board (until October 21, 2010)	TLG Immobilien GmbH, Berlin
Member of the Supervisory Board (until October 1, 2010)	Flughafen Berlin-Schönefeld GmbH, Berlin
Member of the Supervisory Board (until October 21, 2010)	T-Mobile Deutschland GmbH, Bonn

Edgar Ernst

Function	Company
Member of the Supervisory Board (since April 22, 2010)	Österreichische Post AG, Vienna
Member of the Supervisory Board (since May 14, 2010)	Gildemeister AG, Bielefeld

Tessen von Heydebreck

Function	Company
Member of the Supervisory Board	Dussmann Verwaltungs AG, Frankfurt am Main
Member of the Supervisory Board	Vattenfall Europe AG, Berlin

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
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

Werner Steinmüller

Function	Company
Chairman of the Supervisory Board (since April 1, 2010)	Deutsche Bank Nederland N.V., Amsterdam
Chairman of the Supervisory Board	Deutsche Bank Portugal S.A., Lisbon
Member of the Supervisory Board (until June 25, 2010)	Deutsche Bank S.A.E., Barcelona
Member of the Supervisory Board (until May 12, 2010)	OOO Deutsche Bank, Moscow
Member of the Supervisory Board (until June 9, 2010)	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

Frank Bsirske — Member of the Supervisory Board since July 20, 2010

Function	Company
Deputy Chairman of the Supervisory Board	Deutsche Lufthansa AG, Cologne
Deputy Chairman of the Supervisory Board	RWE AG, Essen
Member of the Supervisory Board	IBM Central Holding GmbH, Ehningen
Member of the Board of Supervisory Directors	Kreditanstalt für Wiederaufbau, Frankfurt am Main

Michael Sommer — Member of the Supervisory Board until June 30, 2010

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 (until October 6, 2010)	Deutsche Post AG, Bonn

Timo Heider — Member of the Supervisory Board since July 1, 2010

Function	Company
Deputy Chairman of the Supervisory Board	BHW Bausparkasse, Hamelin
Deputy Chairman of the Supervisory Board	Pensionskasse der BHW Bausparkasse, Hamelin

Elmar Kallfelz

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

Torsten Schulte — Member of the Supervisory Board until June 30, 2010

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

(61) Auditors' fee in accordance with sections 285 no. 17 and 314 (1) no. 9 of the HGB

	2010 €m	2009 €m
Audits of the financial statements	5.5	7.4
Other assurance of valuation services	2.4	3.1
Tax advisory services	0.1	0.1
Other services rendered to the parent company or subsidiaries	1.5	1.3
Total	9.5	11.9

The fees for the fiscal year are presented net of value added tax in compliance with the revised requirements of IDW AcP HFA 36 "Disclosures on the Auditors' Fee in Accordance with Sections 285 no. 17 and 314 (1) no. 9 of the HGB". The prior-year figures were adjusted to improve comparability.

(62) Application of section 264 (3) of the HGB

Postbank has applied the simplification options contained in section 264 (3) of the HGB for the following companies in fiscal year 2010:

Postbank Filial GmbH

Postbank Direkt GmbH

Postbank Immobilien und Baumanagement GmbH

Postbank Beteiligungen GmbH

Postbank Support GmbH

In addition, Deutsche Postbank Financial Services GmbH applies the exemption from disclosure.

(63) Information in accordance with section 313(2) of the HGB

All companies that are controlled by Deutsche Postbank AG or over which the Group can exert a significant influence are given in the following table together with information on the equity interest held, the equity, and the profit or loss for the period.

List of shareholdings

Name and domicile of the company	Equity interest %	Equity € thousand	Profit/loss for the period € thousand
a) Subsidiaries			
Included in the consolidated financial statements			
Betriebs-Center für Banken AG, Frankfurt am Main	100.0	262,519	8,607
Betriebs-Center für Banken Processing GmbH, Frankfurt am Main	100.0	2,749	1,436
BHW Bausparkasse Aktiengesellschaft, Hamelin	100.0	983,674	0 [1]
BHW Gesellschaft für Vorsorge mbH, Hamelin	100.0	242,370	0 [1]
BHW Gesellschaft für Wohnungswirtschaft mbH, Hamelin	100.0	918,844	0 [1]
BHW Gesellschaft für Wohnungswirtschaft mbH & Co. Immobilienverwaltungs KG, Hamelin	100.0	83,872	3,747
BHW Holding Aktiengesellschaft, Berlin/Hamelin	100.0	709,493	–18,738
BHW Immobilien GmbH, Hamelin	100.0	2,065	–757
Deutsche Postbank Finance Center Objekt S.à.r.l., Schuttrange (Munsbach), Luxembourg	100.0	–305	440
Deutsche Postbank Financial Services GmbH, Frankfurt am Main	100.0	5,000	0 [1]
Deutsche Postbank Funding LLC I, Wilmington, Delaware, U.S.A.	100.0	25	17
Deutsche Postbank Funding LLC II, Wilmington, Delaware, U.S.A.	100.0	8	8
Deutsche Postbank Funding LLC III, Wilmington, Delaware, U.S.A.	100.0	29	6
Deutsche Postbank Funding LLC IV, Wilmington, Delaware, U.S.A.	100.0	67	20
Deutsche Postbank Funding Trust I, Wilmington, Delaware, U.S.A.	100.0	1	0
Deutsche Postbank Funding Trust II, Wilmington, Delaware, U.S.A.	100.0	1	0
Deutsche Postbank Funding Trust III, Wilmington, Delaware, U.S.A.	100.0	1	0
Deutsche Postbank Funding Trust IV, Wilmington, Delaware, U.S.A.	100.0	57	3
Deutsche Postbank Home Finance Limited, Gurgaon, India	100.0	76,205	10,129 [3]
Deutsche Postbank International S.A., Schuttrange (Munsbach), Luxembourg	100.0	741,172	85,642
Deutsche Postbank Vermögens-Management S.A., Schuttrange (Munsbach), Luxembourg	100.0	28,420	10,570
DPBI Immobilien S.C.A., Schuttrange (Munsbach), Luxembourg	100.0	348	120
DSL Holding Aktiengesellschaft i.A., Bonn	100.0	57,042	2,347
DSL Portfolio GmbH & Co. KG, Bonn	100.0	20,929	430
DSL Portfolio Verwaltungs GmbH, Bonn	100.0	25	1
Merkur I SICAV-FIS, Luxembourg, Luxembourg	100.0		[8]
Merkur II, SICAV-FIS, Luxembourg, Luxembourg	100.0		[8]
Miami MEI, LLC, Dover, Delaware, U.S.A.	0.0	11,151	0 [7]
PB (USA) Holdings, Inc., Wilmington, Delaware, U.S.A.	100.0	636,677	0
PB Capital Corp., Wilmington, Delaware, U.S.A.	100.0	389,589	8,562
PBC Carnegie, LLC, Wilmington, Delaware, U.S.A.	0.0	0	0 [7]
PB Factoring GmbH, Bonn	100.0	11,546	0 [1]
PB Finance (Delaware) Inc., Wilmington, Delaware, U.S.A.	100.0	184	0
PB Firmenkunden AG, Bonn	100.0	1,100	0 [1]
PB Hollywood II Lofts, LLC, Dover, Delaware, U.S.A.	0.0	16,889	–1,077 [7]
PB Hollywood I Hollywood Station, LLC, Dover, Delaware, U.S.A.	0.0	2,953	468 [7]
PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt am Main	100.0	10,277,865	373,243
PB (USA) Realty Corp., New York, U.S.A.	94.7	1,314,372	56,896
PMG Collins, LLC, Tallahassee, Florida, U.S.A.	100.0	11,221	1,161
Postbank Beteiligungen GmbH, Bonn	100.0	325	300 [1]
Postbank Direkt GmbH, Bonn	100.0	20,858	0 [1]
Postbank Filial GmbH, Bonn	100.0	–	– [1,8]
Postbank Filialvertrieb AG, Bonn	100.0	55	0 [1]
Postbank Finanzberatung AG, Hamelin	100.0	27,419	–26,336
Postbank Immobilien und Baumanagement GmbH, Bonn	100.0	18,874	0 [1]
Postbank Immobilien und Baumanagement GmbH & Co. Objekt Leipzig KG, Bonn	90.0	0	2,893
Postbank Leasing GmbH, Bonn	100.0	500	0 [1]
Postbank Support GmbH, Cologne	100.0	759	0 [1]
Postbank Systems AG, Bonn	100.0	51,573	0 [1]
Postbank Versicherungsvermittlung GmbH, Bonn	100.0	25	0 [1]
VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH, Bonn	75.0	11,946	3,099

Name and domicile of the company	Equity interest %	Equity € thousand	Profit/loss for the period € thousand
a) Subsidiaries			
Not included in the consolidated financial statements			
BHW Direktservice GmbH, Hamelin	100.0	3,466	493
BHW Eurofinance B.V., Arnheim, Netherlands	100.0	3,853	309
BHW Financial S.r.l., Verona, Italy	100.0	907	220
BHW Invest S.à.r.l., Luxembourg, Luxembourg	100.0	36,896	1,301
CREDA Objektanlage- und -verwaltungsgesellschaft mbH, Bonn	100.0	1,000	0[1]
DPB Financial Consultants Limited, Gurgaon, India	100.0	82	37[3]
DPB Regent´s Park Estates (GP) Holding Limited, London, U.K.	100.0		[8]
DPB Regent´s Park Estates (LP) Holding Limited, London, U.K.	100.0		[8]
easyhyp GmbH, Hamelin	100.0	144	38
EC EUROPA IMMOBILIEN FONDS NR. 3 GmbH & Co. KG, Hamburg	65.0	10,287	282
Fünfte SAB Treuhand und Verwaltung GmbH & Co. Suhl "Rimbachzentrum" KG, Bad Homburg v.d. Höhe	74.0	–1,705	–77
Iphigenie Verwaltungs GmbH, Bonn	100.0	22	0
PB EuroTurks Finanzdienstleistungen GmbH i.L., Bonn	100.0	–	–[4]
PB Sechste Beteiligungen GmbH, Bonn	100.0	55	–2
Postbank Akademie und Service GmbH, Hamelin	100.0	886	116
Postbank P.O.S. Transact GmbH, Eschborn	100.0	6,409	3,927
RALOS Verwaltung GmbH & Co. Vermietungs-KG, Pullach i. Isartal	94.0	0	440
SAB Real Estate Verwaltungs GmbH, Hamelin	100.0	26	3

[1] Profit and loss transfer agreement

[2] Translated at the following exchange rate: €1 = DKK 7.44

[3] Translated at the following exchange rate: €1 = INR 60.06

[4] In accordance with section 286(3) sentence 1 of the HGB and section 313(2) no. 4 of the HGB, information has not been provided on the equity and profit/loss of companies whose effect on the net assets, financial position, and results of operations of Deutsche Postbank AG or of the Deutsche Postbank Group is not material.

[5] The share of the voting rights amounts to 5.0 %

[6] The share of the voting rights amounts to 4.8 %

[7] The share of the voting rights amounts to 100.0 %

[8] The company was formed in 2010. No financial statements have yet been prepared.

List of shareholdings

Name and domicile of the company	Equity interest %	Equity € thousand	Profit/loss for the period € thousand
b) Other investees			
IG BCE Mitglieder-Service GmbH, Hanover	50.0	153	44
Regent´s Park Estates LP, Douglas, Isle of Man	50.0		[8]
Regent´s Park Estates (GP) Limited, Douglas, Isle of Man	50.0		[8]
Starpool Finanz GmbH, Berlin	50.0	200	0
Fünfte SAB Treuhand und Verwaltung GmbH & Co. „Leipzig-Magdeburg" KG, Bad Homburg v. d. Höhe	40.7	–1,275	–79
giropay GmbH, Frankfurt am Main	33.3	0	–116
Fünfte SAB Treuhand und Verwaltung GmbH & Co. Dresden „Louisenstraße" KG, Bad Homburg v. d. Höhe	30.6	–771	–36
SRC Security, Research & Consulting GmbH, Bonn	16.9	3,793	1,115
GENOPACE GmbH, Berlin	15.0	200	0 [1]
Domus Beteiligungsgesellschaft der Privaten Bausparkassen mbH, Berlin	14.1	17,025	0
BSQ Bauspar AG, Nuremberg	14.1	34,010	–7,300
Quelle Immo-Service GmbH, Fürth	14.1	26	0
Landgesellschaft Mecklenburg-Vorpommern mbH, Leezen	11.0	38,390	1,962
Gut Dummerstorf GmbH, Dummerstorf	11.0	732	– 91
Metallrente Pensionsfonds AG i.G., Stuttgart	10.0	–	– [4]
LHA Anlagenverwaltungsgesellschaft mbH, Munich	10.0	225	113
Hypoport AG, Berlin	9.7	25,403	3,782
SILEX Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Bad Schwalbach KG, Düsseldorf	9.5	0	–488 [5]
SUSIK Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Rathaus Lübben KG, Düsseldorf	9.5	0	9 [5]
MAXUL Beteiligungs GmbH & Co. Vermietungs-KG, Pullach i. Isartal	9.0	0	0 [6]
Eurogiro A/S, Taastrup, Denmark	8.6	2,067	319 [2]
SENA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Sonderhausen KG, Düsseldorf	7.5	0	171
ROSARIA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Bankakademie KG, Düsseldorf	6.0	0	7 [4]
SAB Spar- und Anlageberatung GmbH, Bad Homburg v. d. Höhe	6.0	–	– [4]
SIDA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt BBS IV Oldenburg KG, Düsseldorf	5.5	0	–129 [5]
TOSSA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Perleberg KG, Düsseldorf	5.5	0	192
Von Gablenz Straße GmbH & Co. KG, Frankfurt am Main	5.2	–	– [4]
MFG Flughafen-Grundstücksverwaltungsgesellschaft mbH & Co. BETA KG, Grünwald	4.6	–	– [4]
Fernkälte Geschäftsstadt Nord GbR, Hamburg	2.8	–	– [4]
ConCardis GmbH, Frankfurt am Main	1.5	–	– [4]
EURO Kartensysteme GmbH, Frankfurt am Main	1.5	–	– [4]
SALEG Sachsen-Anhaltinische Landesentwicklungsgesellschaft mbH, Magdeburg	1.3	–	– [4]
Standard Life Investments UK Property Development Fund No.3 Unit Trust, Edinburgh, U.K.	0.7	–	– [4]
Liquiditäts-Konsortialbank GmbH, Frankfurt am Main	0.5	–	– [4]
Börse Düsseldorf AG, Düsseldorf	0.5	–	– [4]
Standard Life Investments UK Property Development Fund No.4 Unit Trust, Edinburgh, U.K.	0.5	–	– [4]
Standard Life Investments UK Property Development Fund No.2 Unit Trust, Edinburgh, U.K.	0.2	–	– [4]
AKA Ausfuhrkredit-Gesellschaft mbH, Frankfurt am Main	0.1	–	– [4]
Standard Life Investments UK Property Development Fund No.1 Unit Trust, Edinburgh, U.K.	0.1	–	– [4]

[1] Profit and loss transfer agreement

[2] Translated at the following exchange rate: €1 = DKK 7.44

[3] Translated at the following exchange rate: €1 = INR 60.06

[4] In accordance with section 286(3) sentence 1 of the HGB and section 313(2) no. 4 of the HGB, information has not been provided on the equity and profit/loss of companies whose effect on the net assets, financial position, and results of operations of Deutsche Postbank AG or of the Deutsche Postbank Group is not material.

[5] The share of the voting rights amounts to 5.0 %

[6] The share of the voting rights amounts to 4.8 %

[7] The share of the voting rights amounts to 100.0 %

[8] The company was formed in 2010. No financial statements have yet been prepared.

(64) Declaration of compliance with the German Corporate Governance Code

On November 29, 2010, 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 2010 required by section 161 of the AktG. The full wording of the declaration of compliance can be accessed on the Internet on our homepage at www.postbank.com.

On February 8, 2011, the Management Board and the Supervisory Board of Deutsche Postbank AG made an additional declaration concerning section 5.4.2 sentence 4 of the German Corporate Governance Code. The full wording of the declaration can be found 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 material opportunities and risks associated with the expected development of the Group.

Bonn, February 22, 2011
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, 2010. 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 23, 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

Other Information

Consolidated Income Statement – Quarterly Overview

	2010				2009[1]				2010	2009[1]
	Q4 €m	Q3 €m	Q2 €m	Q1 €m	Q4 €m	Q3 €m	Q2 €m	Q1 €m	Jan.–Dec. €m	Jan.–Dec. €m
Interest income	1,705	1,740	1,735	1,798	1,868	1,901	2,009	2,209	6,978	7,987
Interest expense	–1,041	–1,019	–1,064	–1,123	–1,247	–1,323	–1,440	–1,572	–4,247	–5,582
Net interest income	664	721	671	675	621	578	569	637	2,731	2,405
Allowance for losses on loans and advances	–112	–134	–175	–140	–308	–142	–120	–108	–561	–678
Net interest income after allowance for losses on loans and advances	552	587	496	535	313	436	449	529	2,170	1,727
Fee and commission income	409	385	381	411	418	414	405	386	1,586	1,623
Fee and commission expense	–70	–67	–65	–68	–73	–70	–65	–77	–270	–285
Net fee and commission income	339	318	316	343	345	344	340	309	1,316	1,338
Net trading income	–26	–92	–40	–83	–149	–139	–103	–107	–241	–498
Net income from investment securities	–55	0	26	28	–45	15	–14	–104	–1	–148
Administrative expenses	–788	–738	–716	–692	–765	–696	–719	–684	–2,934	–2,864
Other income	70	26	50	29	81	34	35	28	175	178
Other expenses	–73	–30	–38	–29	–49	–23	–17	–42	–170	–131
Profit/loss before tax	19	71	94	131	–269	–29	–29	–71	315	–398
Income tax	–99	–6	–37	–34	170	91	44	170	–176	475
Profit/loss from ordinary activities after tax	–80	65	57	97	–99	62	15	99	139	77
Minority interest	0	0	0	–1	0	0	0	–1	–1	–1
Consolidated net profit/loss	–80	65	57	96	–99	62	15	98	138	76

Condensed Statement of Comprehensive Income – Quarterly Overview

	2010				2009				2010	2009
	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	–80	65	57	97	–99	62	15	99	139	77
Other comprehensive income after tax	–11	188	–25	86	75	241	37	–131	238	222
Change in revaluation reserve	–17	293	–51	115	108	343	49	–195	340	305
thereof remeasurement gains/losses	–53	286	–103	109	–35	344	34	–237	239	106
thereof disposals and impairment	36	7	52	6	143	–1	15	42	101	199
Change in currency translation reserve	5	–15	11	8	5	–6	–7	8	9	0
Income tax relating to other comprehensive income	1	–90	15	–37	–38	–96	–5	56	–111	–83
Total comprehensive income for the period attributable to minority interest	0	0	0	–1	0	0	0	–1	–1	–1
Total comprehensive income	–91	253	32	182	–24	303	52	–33	376	298

[1] Prior-year figures adjusted (see Note 6)

120

Consolidated Income Statement – Multi-Year Overview

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	2006 €m	2007 €m	2008 €m	2009[1] €m	2010 €m
Interest income	7,650	8,384	9,938	7,987	6,978
Interest expense	−5,496	−6,144	−7,443	−5,582	−4,247
Net interest income	2,154	2,240	2,495	2,405	2,731
Allowance for losses on loans and advances	−337	−338	−498	−678	−561
Net interest income after allowance for losses on loans and advances	1,817	1,902	1,997	1,727	2,170
Fee and commission income	1,623	1,675	1,683	1,623	1,586
Fee and commission expense	−216	−246	−252	−285	−270
Net fee and commission income	1,407	1,429	1,431	1,338	1,316
Net trading income	264	281	−389	−498	−241
Net income from investment securities	292	294	−1,249	−148	−1
Administrative expenses	−2,812	−2,937	−2,969	−2,864	−2,934
Other income	205	160	218	178	175
Other expenses	−232	−137	−103	−131	−170
Profit/loss before tax	941	992	−1,064	−398	315
Income tax	−245	−135	179	475	−176
Profit/loss from ordinary activities after tax	696	857	−885	77	139
Minority interest	−1	−1	−1	−1	−1
Consolidated net profit or loss	695	856	−886	76	138
Cost/income ratio (CIR)	68.3 %	69.2 %	129,8 %	92.5 %	77.1 %
Return on equity (RoE)					
before tax	18.9 %	19.2 %	−23.3 %	−7.8 %	5.7 %
after tax	14.0 %	16.6 %	−19.4 %	1.5 %	2.5 %

[1] Prior-year figures adjusted (see Note 6)

120

Consolidated Balance Sheet – Multi-Year Overview

Assets	Dec. 31, 2006 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m
Cash reserve	1,015	3,352	3,417	4,534	3,248
Loans and advances to other banks	16,350	24,560	18,684	14,467	12,140
Loans and advances to customers	87,182	92,064	105,318	111,043	111,783
Allowance for losses on loans and advances	–1,155	–1,154	–1,323	–1,641	–1,764
Trading assets	13,280	9,940	16,573	20,471	24,150
Hedging derivatives	485	421	474	520	664
Investment securities	63,299	68,582	83,058	72,359	58,980
Intangible assets	2,505	2,415	2,371	2,368	2,339
Property and equipment	941	927	879	838	826
Investment property	74	73	73	73	73
Current tax assets	86	117	162	280	321
Deferred tax assets	244	522	863	552	347
Other assets	581	529	670	745	695
Assets held for sale	–	565	–	–	882
Total assets	184,887	202,913	231,219	226,609	214,684

Equity and Liabilities	Dec. 31, 2006 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2009 €m	Dec. 31, 2010 €m
Deposits from other banks	47,319	61,146	62,790	39,318	22,419
Due to customers	101,316	110,696	117,472	131,988	136,476
Debt securities in issue	15,886	9,558	16,342	16,722	12,860
Trading liabilities	3,618	5,600	16,987	22,434	26,174
Hedging derivatives	958	873	2,693	2,051	1,451
Provisions	3,691	2,107	2,138	2,148	2,287
a) Provisions for pensions and other employee benefits	1,115	1,143	1,149	1,104	1,126
b) Other provisions	2,576	964	989	1,044	1,161
Current tax liabilities	84	122	192	174	77
Deferred tax liabilities	974	1,104	1,091	305	284
Other liabilities	786	835	826	711	665
Subordinated debt	5,048	5,603	5,736	5,507	5,577
Liabilities directly related to assets held for sale	–	44	–	–	787
Equity	5,207	5,225	4,952	5,251	5,627
a) Issued capital	410	410	547	547	547
b) Share premium	1,160	1,160	2,010	2,010	2,010
c) Retained earnings	2,940	2,797	3,278	2,614	2,928
d) Consolidated net profit/loss	695	856	–886	76	138
Minority interest	2	2	3	4	4
Total equity and liabilities	184,887	202,913	231,219	226,609	214,684

Segment Reporting – Multi-Year Overview

	Retail Banking					Corporate Banking					Transaction Banking				
	2006	2007	2008	2009[1]	2010	2006	2007	2008	2009[1]	2010	2006	2007	2008	2009[1]	2010
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Net interest income	2,339	2,392	2,226	2,141	2,393	260	292	386	543	700	5	4	4	1	1
Net trading income	32	5	25	−32	4	5	−9	−92	−140	−13	–	–	–	–	–
Net income from investment securities	25	50	−2	–	−6	2	−5	−241	−51	−33	−1	–	–	–	–
Net fee and commission income	1,061	988	1,178	1,113	1,082	105	104	107	104	108	263	350	340	349	349
Total income	3,457	3,435	3,427	3,222	3,473	372	382	160	456	762	267	354	344	350	350
Administrative expenses	−2,178	−2,210	−2,220	−2,189	−2,232	−171	−163	−171	−185	−172	−245	−331	−312	−317	−308
Allowance for losses on loans and advances	−277	−292	−304	−345	−355	−38	−28	−143	−300	−217	–	–	–	–	–
Other income/expenses	−78	2	26	29	11	2	–	1	−2	9	5	13	16	6	19
Profit/loss before tax	924	935	929	717	897	165	191	−153	−31	382	27	36	48	39	61
Cost/income ratio (CIR)	63.0 %	64.3 %	64.8 %	67.9 %	64.3 %	46.0 %	42.7 %	106.9 %	40.6 %	22.6 %	91.8 %	93.5 %	90.7 %	90.6 %	88.0 %
Return on equity before taxes (RoE)	32.7 %	32.4 %	41.9 %	32.5 %	39.4 %	46.7 %	50.5 %	–37.4%	−5.7 %	65.2 %	–	–	–	–	–
Segment assets	77,370	79,691	87,048	89,882	89,831	16,364	21,162	28,650	34,679	34,880	82	129	351	399	436
Segment liabilities	93,200	98,533	107,579	119,754	119,826	17,179	19,077	23,023	29,684	33,551	0	129	351	399	436

[1] Prior-year figures adjusted

	Financial Markets					Others					Consolidation			Group				
	2006	2007	2008	2009	2010	2006	2007	2008	2009[1]	2010	2008	2009[1]	2010	2006	2007	2008	2009[1]	2010
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Net interest income	92	114	162	125	79	−542	−562	−281	−406	−449	−2	1	7	2,154	2,240	2,495	2,405	2,731
Net trading income	46	72	−6	47	60	181	213	−325	−372	−291	9	−1	−1	264	281	−389	−498	−241
Net income from investment securities	6	1	−110	−21	−11	260	248	−895	−76	49	−1	–	–	292	294	−1,249	−148	−1
Net fee and commission income	63	83	57	27	31	−85	−96	−33	−42	−11	−218	−213	−243	1,407	1,429	1,431	1,338	1,316
Total income	207	270	103	178	159	−186	−197	−1,534	−896	−702	−212	−213	−237	4,117	4,244	2,288	3,097	3,805
Administrative expenses	−78	−83	−92	−90	−87	−140	−150	−973	−864	−959	799	781	824	−2,812	−2,937	−2,969	−2,864	−2,934
Allowance for losses on loans and advances	−3	4	−22	−33	11	−19	−22	−29	–	–	–	–	–	−337	−338	−498	−678	−561
Other income/expenses	6	−1	−3	5	2	38	9	662	577	551	−587	−568	−587	−27	23	115	47	5
Profit/loss before tax	132	190	−14	60	85	−307	−360	−1,874	−1,183	−1,110	0	0	0	941	992	−1,064	−398	315
Cost/income ratio (CIR)	37.7 %	30.7 %	89.3 %	50.6 %	54.7 %	–	–	–	–	–				68.3 %	69.2 %	129.8%	92.5 %	77.1 %
Return on equity before taxes (RoE)	23.8 %	37.2 %	−2.2 %	8.1 %	10.5 %	25.6 %	−26.3 %	−145.9 %	−73.9 %	−59.7 %				18.9 %	19.2 %	−23.3 %	−7.8 %	5.7 %
Segment assets	28,209	22,725	31,437	30,710	34,098	58,086	79,206	115,812	101,506	80,720	−32,079	−30,567	−25,281	180,111	202,913	231,219	226,609	214,684
Segment liabilities	11,313	13,577	27,113	28,379	30,630	46,447	71,597	105,232	78,960	55,522	−32,079	−30,567	−25,281	168,139	202,913	231,219	226,609	214,684

[1] Prior-year figures adjusted

I International Financial Reporting Standards (IFRSs)

International Financial Reporting Standards (IFRSs) applied as of December 31, 2010

Standard [1]	Status (last amendment)	Original Title	German Title	Effective since [2]	Adopted by EU Regulation [3,6]
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. 2008	Consolidated and Separate Financial Statements	Konzern- und separate Einzelabschlüsse nach IFRS	Jan. 1, 2009	495/2009, June 3, 2009
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. 2008	Business Combinations	Unternehmenszusammen-schlüsse	Jan. 1, 2009	495/2009, June 3, 2009
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	rev. 2009	n. r.	Risikoberichterstattung von Kredit- und Finanz-dienstleistungsinstitu-tionen	Jan. 1, 2010	n. r.
DRS 15	rev. 2009	n. r.	Lageberichterstattung	Jan. 1, 2010	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	2010	n. r.	Deutscher Corporate Governance Kodex	Dec. 31, 2010	n. r.
FWBO	2010	n. r.	Frankfurter Wertpapier-börsenordnung	Dec. 31, 2010	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 (IASB). Also the name for new financial reporting standards issued by the IASB 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 companies need only draw on a single 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 amendments made up to October 15, 2008.

Executive Bodies

Management Board

Stefan Jütte, Bonn
Chairman

Mario Daberkow, Bonn

Marc Hess, Bonn

Horst Küpker, Bad Honnef

Michael Meyer, Bonn

Hans-Peter Schmid, Baldham

Ralf Stemmer, Königswinter

Supervisory Board

Rainer Neske, Bad Soden
since December 17, 2010
Chairman since January 1, 2011
Member of the Management Board of Deutsche Bank AG

Frank Bsirske*, Berlin
Deputy Chairman since July 20, 2010
Chairman of the ver.di Trade Union

Frank Appel, Königswinter
Chairman until December 31, 2010
Chairman of the Board of Management of Deutsche Post AG

Michael Sommer*, Berlin
Deputy Chairman until June 30, 2010
Chairman of the German Trade Union Federation

Wilfried Anhäuser*, Kerpen
Chairman of Postbank Filialvertrieb AG's General Works Council

Marietta Auer*, Unterhaching
Head of Department, Deutsche Postbank AG, Head Office

Hugo Bänziger, London
since February 1, 2011
Member of the Management Board of Deutsche Bank AG

Rolf Bauermeister*, Berlin
Head of National Postal Services Group,
at ver.di Trade Union (national administration)

Wilfried Boysen, Hamburg
Businessman

Henry B. Cordes, Berlin
until November 5, 2010
Ministerialdirektor, Federal Ministry of Finance

Edgar Ernst, Bonn
Management consultant

Annette Harms*, Hamburg
Deputy Chair of Deutsche Postbank AG's Works Council,
Hamburg

Timo Heider*, Hamelin
since July 1, 2010
Chairman of the General Works Councils of BHW Bausparkasse AG
and Postbank Finanzberatung AG

Tessen von Heydebreck, Berlin
previously Member of the Management Board
of Deutsche Bank AG and current Chairman of the Board
of Deutsche Bank Foundation

Peter Hoch, Munich

Elmar Kallfelz*, Wachtberg
Chairman of Deutsche Post AG's European Works Council

Ralf Krüger, Kronberg
Management consultant

Hans-Dieter Petram, Inning
Consultant

Lawrence A. Rosen, Bonn
Member of the Board of Management of Deutsche Post AG

Torsten Schulte*, Hessisch Oldendorf
until June 30, 2010
Clerical employee

Eric Stadler*, Markt Schwaben
Chairman of Betriebs-Center für Banken AG's Works Council

Werner Steinmüller, Dreieich
Member of the Group Executive Committee,
Head of Global Transaction Banking, Deutsche Bank AG

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

Amortized cost	The amount at which a financial asset or liability was measured at initial recognition, minus principal repayments, plus or minus the amortization of a premium/discount, and minus any impairment losses.
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 operating 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 that are not allocated to either the held for trading or the loans and receivables categories and, in the case of debt securities, that are not held to maturity. They are carried at fair value. Changes in fair value are generally recognized directly in the revaluation reserve in equity. If, due to other than temporary 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 taxes payable or receivable in the future 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 historical cost of a financial instrument and its notional value.

Discounted cash flow (DCF) Discounted cash flow analysis 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 operating 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)	Under 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 German Accounting Standards Board (GASB), a body of the Accounting Standards Committee of Germany (ASCG).
Hedge accounting	Presentation of the opposing changes in value 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.
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 that an entity has the positive intent and ability to hold to maturity, with the exception of loans and advances originated by the entity.
ICAAP	Internal Capital Adequacy Assessment Process. An internal process whereby banks have to ensure that they have sufficient capital to cover all key risks at all times.
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 the term used 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	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 receivables between two parties can be offset against each other under certain circumstances, 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	Nonstandardized 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 credit quality 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 loans (retransfer of the same type and quantity of securities at an agreed date in the future) and open term loans (securities are made available until future notice).

Securitization The substitution 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.

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 and 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. Examples of underlyings are shares, currencies, or bonds.

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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