Deutsche Postbank
2011 Group Annual Report

2011

Postbank

Postbank Group in figures 2011

		Jan. 1 – Dec. 31, 2011	Jan. 1 – Dec. 31, 2010
Consolidated income statement			
Total income	€m	3,672	3,805
Administrative expenses	€m	–3,204	–2,934
Profit before tax	€m	78	315
Consolidated net profit	€m	111	138
Total cost/income ratio	%	87.3	77.1
Return on equity			
before tax	%	1.3	5.7
after tax	%	1.9	2.5
Earnings per share[1]	€	0.51	0.63

		Dec. 31, 2011	Dec. 31, 2010
Consolidated balance sheet			
Total assets	€m	191,982	214,684
Customer deposits	€m	112,961	116,201
Customer loans	€m	108,896	109,303
Allowance for losses on loans and advances	€m	1,826	1,764
Equity	€m	5,709	5,627
Tier 1 ratio	%	10.8	8.1
Headcount (FTEs)	thousand	19.23	20.36
Long-term ratings			
Moody's		A1 / outlook negative	A1 / outlook negative
Standard & Poor's		A / outlook negative	A / outlook stable
Fitch		A+ / outlook stable	A+ / outlook stable
Information on Postbank shares		Dec. 31, 2011	Dec. 31, 2010
Share price at the balance sheet date	€	24.14	20.80
Share price (Jan. 1 – Dec. 31)	high €	24.40	27.80
	low €	19.81	19.47
Market capitalization on December 31	€m	5,282	4,551
Number of shares	million	218.8	218.8

[1] Based on 218.8 million shares

Milestones

February 1, 2011	Hugo Bänziger joined the Supervisory Board of Deutsche Postbank AG.
February 8, 2011	Deutsche Postbank AG issued another *Jumbo Hypothekenpfandbrief* totaling €1.0 billion. The issue has a term of 10 years and was 2.5 times oversubscribed.
February 9, 2011	The Supervisory Board of Deutsche Postbank AG appointed Hanns-Peter Storr to the Management Board effective March 1, 2011. He was appointed Chief Risk Officer (CRO).
March 25, 2011	Postbank successfully completed the sale announced in December 2010 of its Indian mortgage lending subsidiary, Deutsche Postbank Home Finance Ltd. (DPHFL), to Dewan Housing Finance Ltd. The purchase price was INR 10.79 billion, or about €170 million. The deconsolidation yielded income of €55 million.
June 17, 2011	The Supervisory Board of Deutsche Postbank AG appointed Frank Strauss to the Management Board effective July 1, 2011. As the Board member responsible for Sales, he oversees Postbank's business with corporate and business customers as well as commercial real estate finance. He also directs the Bank's mobile sales.
September 16, 2011	Deutsche Postbank AG moved from Deutsche Börse's Prime Standard to its General Standard. This change reduced the Bank's reporting requirements.
October 19, 2011	The five millionth private checking account was opened at Postbank.
January 10, 2012	Postbank and Deutsche Bank entered into negotiations on a control and profit and loss transfer agreement with the goal that the Annual General Meeting of Deutsche Postbank AG on June 5, 2012, will approve it once negotiations are successfully concluded.
February 28, 2012	Deutsche Bank announced in a press release that as of this date it holds 93.7 % of Deutsche Postbank AG shares.

Financial Calendar 2012

March 28, 2012	Publication of 2011 Group Annual Report
May 11, 2012	Interim Management Statement as of March 31, 2012
June 5, 2012	Annual General Meeting, Frankfurt am Main
August 10, 2012	Publication of Interim Report as of June 30, 2012
November 14, 2012	Interim Management Statement as of September 30, 2012

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

Deutsche Postbank AG
2011 Group Annual Report

The Postbank Group, with approximately 14 million customers and more than 19,000 employees, is one of the largest financial service providers in Germany. The core of our activities is formed by our business with retail, business and corporate customers. In addition, we are also 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 as well as authenticity and reliability. 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 live out our fundamental convictions in our daily life – how the traditionally cultivated values of Postbank are reflected in the services we offer our customers.

Contents

Postbank Group 2011

Fiscal Year 2011

Key

123 Cross-reference with page number

@ Reference to Internet

Reference to service

Ladies and gentlemen,

At Postbank, the year 2011 was shaped by two major external influences. On the one hand, international money and capital markets proved a difficult environment, in particular because of a worsening of the sovereign debt crisis in Europe. On the other hand, the economy in our home market of Germany turned out to be extremely robust. Gross domestic product rose sharply while the unemployment rate sank to its lowest level since German reunification. These developments had a significant impact on Postbank's business and earnings performance. We were able to significantly increase our customer business once again while at the same time reducing our allowance for losses on loans and advances. The results of both the Retail Banking and Corporate Banking segments were up noticeably and made an essential contribution to operating earnings of just over €980 million before non-recurring factors.

This strong operating business made it possible for Postbank, in light of the continuing sovereign debt crisis, to write down its holdings of Greek government bonds to 27 % of their principal amount and recognize the writedowns in our income statement. Taking into account all other non-recurring charges from integration and restructuring, e.g. in administrative expenses, the reporting year yielded a profit before tax of €78 million, following €315 million in 2010, and a consolidated net profit (after tax) of €111 million, after €138 million in the prior year.

The strong development in Postbank's core business in the past year can best be seen in the performance of our operating business divisions – Retail Banking, Corporate Banking and Transaction Banking.

Profit in the business with our approximately 14 million retail customers, a figure that also includes our 280,000 business customers, continued to improve, rising to €940 million. Here we once again benefited from growth in the interest-bearing customer business. As Germany's largest checking account provider, we were able to surpass the milestone of 5 million accounts for the first time. Postbank was also the market leader in the savings deposit and lending business in Germany in 2011 – and in particular in mortgage lending through our brands BHW and DSL. We have consistently set forth the value-oriented management of new business and existing business of the previous years and thus ensured that contributions from these product areas will continue to grow.

The corporate banking business that we conduct as a reliable partner to our approximately 30,000 customers, most of them in Germany, experienced satisfying growth in profit before tax of over 17 %, nearly reaching €450 million. We benefited here from the good macroeconomic environment in Germany and the brightening mood on the international real estate markets – two factors that also resulted in a significant reduction of the need for the allowance for losses on loans and advances. Our loans, primarily to small and mid-sized corporate customers, totaled approximately €30 billion. Postbank is working hard to continue strengthening its position here as the core bank for small and mid-sized enterprises in particular.

In the field of transaction banking we are the largest provider in Germany, performing around 7.6 billion transactions per year. Following the departure of a client, however, 2011 was devoted to restructuring, with the consequence that the segment result – €48 million – could not match the high level of the prior year. Nonetheless, our modern IT infrastructure gives us an excellent basis for continuing to assert ourselves on the market with our solutions for efficient and economical payment transaction processing.

The business with private, business and corporate customers will remain the core of our activities in the future as well. In 2011, we continued to hone Postbank's profile, a course of action born from our three-year Postbank4Future strategy program, which was initiated in 2009 and has now been now successfully concluded. In addition to tailoring the product range more closely to our customer's needs, we also focused on further optimizing our quality and complaints management in 2011. To do that, we not only set up a Customer Service Center to improve how complaints are processed, but also introduced immediate goodwill solutions to accommodate customers in the branches. Our new Customer Advisory Board, comprised by representatives from every age group, helps ensure that we take the needs of our customers optimally into account. In addition, we have ensured even greater transparency and comprehensibility of the products. In regard to our availability, we have benefited from the various measures implemented over the course of the past years, in particular the acquisition of an additional 277 Deutsche Post retail outlets as well as partnership agreements in the area of cash withdrawal, especially the cooperation with Shell.

In addition to further expanding our position as a core bank for our corporate customers, our strategy program has focused on another key area of action, cost management. Here too we have accomplished much over the past three years. Numerous measures in the area of personnel and non-personnel costs have enabled us to lay the foundation for reaching the goal we have set for ourselves: offering competitive terms in the hard-fought retail and corporate banking business, based on efficient operating processes and structures.

Lastly, the strategy program also aimed at a consistent reduction of capital market investment and exposure to the associated risks, and we achieved great success here as well. Since the start of 2009 we have reduced our holdings of investment securities by more than €36 billion, thus reaching a level that was originally planned for the end of 2013. This accomplishment has created the basis for reducing the Bank's future susceptibility to the consequences of capital market fluctuations. This successful de-risking is also in large part responsible for the significant rise in our capital ratios: the Tier 1 ratio reached 10.8 % at the end of the reporting year, up 2.7 percentage points over the close of 2010. We were thus able to achieve the goal of 9.5 % envisaged for 2012 considerably earlier than planned.

Ladies and gentlemen, as I see it, Postbank is well equipped for the future. With the solid income streams from our customer business, the Bank will grow sustainably and make key contributions to the results of the Deutsche Bank Group's retail banking business. We are proud of already having made a substantial contribution in 2011 to the sharp increase – described by Deutsche Bank as a "quantum leap" – in pre-tax profit in the Private and Business Clients unit (PBC). Over the course of the past year, we have developed important fields for successful cooperation and together defined the ways in which we intended to achieve cost and income synergies. In many areas corresponding measures have already been implemented. And it has once again become clear in the process that Postbank will not suffer from a loss of identity due to the altered corporate structure. On the contrary, the integration of the two companies is yielding new, positive impulses for development of our business model.

Our more than 19,000 employees have played a key role in shaping and supporting this business model. In 2011, it was their commitment and know-how that enabled the Bank's core business to grow despite considerable additional demands from the integration process. On behalf of the entire Management Board of Postbank, I would like to extend my sincere gratitude to them and ask that they continue to play a lasting part in the shaping of our Bank's future.

Bonn, March 28, 2012

Sincerely,

Stefan Jütte
Chairman of the Management Board

Management Board of Deutsche Postbank AG

Stefan Jütte
Management Board Chairman, Group Management

Mario Daberkow
IT/Operations

Marc Hess
Finance/CFO

Horst Küpker
Financial Markets

Michael Meyer
Retail Banking

Hans-Peter Schmid
Branch Sales

Ralf Stemmer
Resources/Lending

Hanns-Peter Storr
Chief Risk Office

Frank Strauss
Sales

Report of the Supervisory Board

Dear shareholders,

The economies in the world's industrial countries slowed considerably in fiscal year 2011. Germany was able to largely avoid the pull of this downturn. The European sovereign debt crisis continued to worsen in 2011, reaching a preliminary climax in the third quarter. The tense sovereign debt situation of individual eurozone members at times strongly drove down the value of these countries' bonds, and this development had a negative impact on the earnings of financial institutions. Deutsche Postbank AG however was able to defend its position in this challenging, volatile market environment and generate positive earnings in 2011. In the coming years, toughening regulatory requirements that are the result of the financial and sovereign debt crisis – and the task of implementing those changes – will be key issues facing the financial sector.

During this past fiscal year, Postbank successfully completed the Group strategy program Postbank4Future that it launched two years earlier. The measures initiated during this program had a positive effect on Postbank earnings in 2011 and will have a sustainable, positive impact on them in the future.

The cooperation with majority shareholder Deutsche Bank AG was intensified further in various areas. Negotiations on the conclusion of a control and profit and loss transfer agreement between Postbank and Deutsche Bank were initiated in 2012.

In fiscal year 2011, the Management Board informed us in a regular, timely and comprehensive manner about all issues concerning the Company's planning, the financial and economic performance of the Bank, risks, the risk management system, the internal control system and compliance. Together with the Management Board we also discussed changes to the remuneration system, 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 the Company's strategic focus as well as all the measures requiring the approval of the Supervisory Board, and regularly advised and supervised the Management Board. Where required by law, the Articles of Association or the Bylaws, we passed resolutions after a thorough examination and discussion. When it was necessary to consider issues outside regularly scheduled meetings, decisions were made by means of written procedures. The Chairmen of the Supervisory Board, the Executive Committee and the Loan and Equity Investments Committee were also informed by the Management Board about important business transactions and forthcoming decisions between meetings of the Supervisory Board. The Chairman of the Supervisory Board also kept in constant contact with the Chairman of the Management Board.

Main subjects of discussion by the Supervisory Board

During fiscal year 2011, the Supervisory Board met seven times. Three discussions were held during extraordinary meetings. In all regularly scheduled meetings of the Supervisory Board or its committees, 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 sovereign debt crisis and its impact on the risk structure of Postbank, the effect of current and future regulatory changes and the restructuring of the Management Board's remuneration system. We also intensely discussed the issues of diversity and corporate governance. The members of the Supervisory Board regularly received up-to-date information about the Company.

In 2011, all Supervisory Board members attended all meetings of the Supervisory Board and the committees, with only a few exceptions.

In the extraordinary meeting held on February 8, 2011, we discussed the creation of the Chief Risk Office (CRO) board department and approved the appointment of Hanns-Peter Storr as of March 1, 2011. Furthermore, we discussed the Management Board's target achievement in 2010 and the amount of variable remuneration. The Supervisory Board was informed by the Management Board about the status of Deutsche Bank and Postbank's joint work in the area of core banking, took note of the amended agreement structure for implementing "cooperation package 1" and approved the conclusion of a system development agreement.

At the meeting on March 15, 2011, following a thorough examination and earlier discussion with the auditor – and on the recommendation of the Audit Committee – we approved the annual and consolidated financial statements of Deutsche Postbank AG for 2010. We were also informed during the meeting by the Management Board and auditor about key findings in 2010. Other topics discussed during the Supervisory Board's meeting were the Bank-wide risk report, the objectives for the composition of the Supervisory Board pursuant to section 5.4.1 of the German Corporate Governance Code, the joint report of the Management Board and Supervisory Board on corporate governance, the agenda with proposed resolutions for the Annual General Meeting in 2011 and the cooperation project with Deutsche Bank.

On May 23 and 24, 2011, two extraordinary meetings of the Supervisory Board were held. At the earlier one on the day before the Annual General Meeting, we discussed the order of events at the Annual General Meeting. Resolutions were passed where necessary. In addition, we were informed about the results of discussions by the Audit Committee regarding the sovereign debt crisis. The extraordinary meeting of the Supervisory Board following the Annual General Meeting involved the election of the Supervisory Board Chairman and new appointments or re-appointments to committees following new election or re-election of individual Supervisory Board members by the Annual General Meeting.

In the regularly scheduled meeting that followed on June 17, 2011, the Management Board informed us about the financial situation of the Group and in the individual segments. We intensely discussed both the financial and the risk situation of Postbank with the Management Board, and asked probing questions. Other topics of the discussions included the Bank's overall risk strategy in 2011 in accordance with MaRisk as well as a status update on the cooperation project with Deutsche Bank. In addition we passed resolutions on the appointment of Frank Strauss to the position of Management Board member responsible for the new Sales board department as of July 1, 2011, and on the extension of Mario Daberkow's Management Board appointment and contract.

Topics for discussion and resolution in the third regularly scheduled Supervisory Board meeting of the year held on September 30, 2011, included the current business performance, risk reporting, the human resources and social report and the current status of the cooperation project with Deutsche Bank.

As part of a Supervisory Board closed meeting on November 23, 2011, the Management Board provided us with in-depth information about business planning for 2012, including segment planning and the Bank's strategic and risk orientation. We carefully reviewed this information and critically discussed it with the Management Board.

In the last regularly scheduled Supervisory Board meeting of the year held on November 24, we explored the issues more extensively, including the medium-term planning for 2012 to 2016, and approved the Management Board's business plan for 2012. In addition we were informed about business performance in the third quarter, including the development of the Tier 1 capital ratio, the current status of the cooperation project with Deutsche Bank and the Bank-wide risk report including a status update on regulatory projects, and discussed these items with the Management Board. The business and risk strategies in accordance with MaRisk for fiscal year 2012 were presented by the Management Board and discussed intensively with us. Other issues addressed during the meeting were the 2010 remuneration report, the refinement of the remuneration system for the Management Board with due regard to the *Instituts-Vergütungsverordnung* (InstVergV – Regulation Governing Supervisory Requirements for Remuneration Systems of Institutions) and the annual decision on the Declaration of Compliance in accordance with section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act). The Management Board also presented the Bank's human resources and social report to us.

By means of two circulated documents, we exercised our participation rights regarding co-determination under section 32 of the *Mitbestimmungsgesetz* (MitbestG – Co-Determination Act) during this past fiscal year and approved the expansion of the IT partnership with Deutsche Bank.

Conflict of interest

In consideration of the conflicts of interest listed and proactively reported in the Declaration of Compliance, no other conflicts among members of the Supervisory Board were reported in fiscal year 2011 and the Supervisory Board is not aware of any.

Work of the committees

Members of the Postbank Supervisory Board and its regular committees as of December 31, 2011:

Supervisory Board

Rainer Neske (chair)	Rolf Bauermeister	Timo Heider	Lawrence A. Rosen
Frank Bsirske (deputy chair)	Wilfried Boysen	Tessen v. Heydebreck	Eric Stadler
Wilfried Anhäuser	Edgar Ernst	Peter Hoch	Werner Steinmüller
Marietta Auer	Annette Harms	Elmar Kallfelz	Gerd Tausendfreund
Hugo Bänziger	Stefanie Heberling	Ralf Krüger	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)	Tessen v. Heydebreck
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; preparing the financial statements; 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 six times last year. The meetings focused on Management Board issues, changes in the remuneration system for the Management Board in terms of the InstVergV, and on preparations for the Supervisory Board decision on the annual Declaration of Compliance in accordance with section 161 of the AktG.

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 four times and, in line with its remits, discussed the approval of new loans, the extension of existing loans and increases in the lending limits for various individual loans and credit facilities. In addition, the Loan and Equity Investments Committee received reports on credit risk and discussed both the reports and the credit risk strategy itself regularly with the Management Board. In meetings in the past fiscal year, the Management Board provided regular comprehensive information to the Loan and Equity Investments Committee about developments related to the financial market and sovereign debt crises and their impact on Postbank. During the meetings, 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 29 resolutions by means of circulated documents in 2011.

The Audit Committee is assigned the issues of accounting, risk management, compliance, the internal control system and auditing. It met 11 times in the period under review. The meetings – at which the auditor was present – focused on providing extensive support to the examination of the annual financial statements of Deutsche Post AG and the consolidated 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 autonomy of the auditor pursuant to the guidelines of the German Corporate Governance Code. During its meetings, it conducted a thorough examination of the findings of the auditor and Internal Audit as well as intensely supported the execution of findings during the entire fiscal year. The committee was regularly provided with reports about developments in the sovereign debt crisis and its impact on Postbank. Ways to reduce risk were scrutinized and intensely discussed. In addition, the Audit Committee was informed about changes in regulatory conditions and their impact on Deutsche Postbank AG and was continuously apprised by the Management Board about the status of projects related to these changes. Pursuant to the recommendations of section 7.1.2 of the German Corporate Governance Code, the Audit Committee discussed the half-yearly report and the quarterly reports for 2011 with the Management Board before publication.

The Human Resources Committee addresses Deutsche Postbank AG's human resources structures and human resources development policies. The committee met twice in fiscal year 2011. In the Human Resources Committee meetings, the reports on human resources given by the Management Board focused on human resources development within the Group, including diversity, the age structure at 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 appointment of shareholder representatives by the Annual General Meeting. It held one meeting in the past fiscal year to discuss questions of succession in the Supervisory Board.

The Mediation Committee is a committee required by the provisions of the MitbestG. 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 2011 evinced no need here. For that reason, the Mediation Committee did not meet in the period under review.

Audit of the annual and consolidated financial statements

The auditor elected by the previous year's Annual General Meeting – PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf – audited the accounting, the annual financial statements of Deutsche Postbank AG and the consolidated financial statements, including the respective management reports, for fiscal year 2011 and issued an unqualified audit opinion for each one. The auditor 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 accurate,
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 auditor 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 auditor. They reported on the execution and key findings of the audit during the Supervisory Board meeting on March 19, 2012, and were available to provide supplemental information and answer questions. During that meeting, the Chairman of the Audit Committee reported on the results of the Audit Committee's examination of the annual and consolidated financial statements. 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 statement.

We approve the annual financial statements of Deutsche Postbank AG that were put forward by the Management Board as well as the consolidated financial statement. The annual financial statements of Deutsche Postbank AG are thus adopted. We also examined and endorsed the proposal sent to us and explained by the Management Board for the appropriation of the net retained profit.

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

Hanns-Peter Storr was appointed to the Management Board of Postbank effective March 1, 2011, and took over the newly created position of Chief Risk Officer (CRO).

Frank Strauss was appointed to the Management Board of Postbank as of July 1, 2011. He oversees the Bank's sales operation with some 30,000 corporate customers and approximately 280,000 business customers. He also directs the business area of commercial real estate and mobile sales at Postbank.

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

Hugo Bänziger was appointed to the Supervisory Board of Postbank effective February 1, 2011, by the Bonn Local Court. In addition, Stefanie Heberling was elected to the Supervisory Board by the Annual General Meeting on May 24, 2011. Hans-Dieter Petram left his position on the Supervisory Board on May 24, 2011.

After the Annual General Meeting confirmed Rainer Neske's election to the Supervisory Board of Deutsche Postbank AG on May 24, 2011, he was once again elected by the Supervisory Board to the positions of Chairman of that board and Deputy Chairman of the Human Resources Committee effective May 24, 2011. As part of his board chairmanship duties, he also became head of the Executive, Nomination and Mediation committees.

We would like to thank departed Supervisory Board member Hans-Dieter Petram for his extraordinary dedication to the Supervisory Board and the constructive support he provided to the company and the Management Board in the past years.

Corporate governance

The Declaration of Compliance in accordance with section 161 of the AktG was last issued by the Management Board and the Supervisory Board of Deutsche Postbank AG on November 24, 2011, and it was made permanently available to shareholders on the Company's website. With the exception of the deviations previously mentioned, Postbank has been in compliance with all recommendations made by the Government Commission of the German Corporate Governance Code in the version dated May 26, 2010, since the Bank issued its Declaration of Compliance on November 24, 2011.

28

Detailed information about corporate governance, including the text of the Declaration of Compliance on November 24, 2011, can be found in the Corporate Governance Report including the Annual Corporate Governance Statement, starting on page 28.

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

Bonn, March 19, 2012

The Supervisory Board

Rainer Neske
Chairman


großartich
Hohe Zinsen plus attraktiver Bonus
Postbank Aktiv-Sparen
Sonnige Zeiten für mein Geld – kein Wunder bei der Pflege.
UNTERM STRICH ZÄHL ICH.
· www.postbank.de
· 01803 2881 (9 Cent/Min.)*
· Postbank Finanzcenter
· Postbank Finanzberatung, gerne auch bei Ihnen zu Hause
Postbank
* 9 Cent/Minute aus dem deutschen Festnetz; Mobilfunktarif maximal 42 Cent/Minute.

einfach

Postbank brand value:
Simple, transparent and comprehensible services for all customers

With some 14 million customers, 19,200 employees and total assets of €192 billion, the Postbank Group is one of Germany's key financial service providers. It focuses on consumer banking for retail and business customers, but is also active in the business with corporate customers. Postbank's Transaction Banking segment performs back-office services for other financial service companies as well.
Postbank offers its retail customers simple, affordable products for their daily needs. The range of services extends from payment transactions through the deposit and lending business all the way to bonds, investment funds, insurance and home loan and savings contracts.

Retail Banking:
The growth story continues

Postbank continued honing its profile in the private customer business in 2011. Consistent simplification of our product offer, a high level of transparency, fair terms and continual improvement of our service were well-received by our customers. Positive momentum was provided by the savings business and in particular the checking, home savings and mortgage lending business.

We offer our approximately 14 million customers need-oriented products and an innovative service infrastructure that is nationwide: from convenient, multi-channel cash withdrawal provisions all the way to Postbank's multi-award winning online banking.

Market leadership in the checking business solidified

Postbank has long been the largest provider of checking accounts on the German market. With an approximately 10 % increase in sales performance as compared to the prior year, we were able to further strengthen this leadership position in 2011. In mid-October, for the first time, the number of private checking accounts exceeded 5 million.

One reason for our growth in 2011 was the reduction of the required minimum monthly deposit amount for free checking. As a result substantially more customers benefited from our offer. The premium account "Giro extra plus" has been proving a success with customers since 2010 thanks to such features as free cash withdrawals with a credit card at ATMs in countries outside Germany. In addition, all Postbank checking customers benefited from discounted fuel through our partnership with Shell. These additional improvements to the quality of our service was reflected for example in the accolade of "TOP Gehaltskonto" (top salary account) awarded the Bank by the financial advisory firm FMH.

The positive trend seen in the prior year continued not just in the number of private checking accounts, but also in the volume of demand deposits. With an increase of €0.5 billion to €20.6 billion at the end of 2011, we exceeded the level for the previous year by 2.5 %.

Additional Retail Banking information

		Book 2011		Market shares in the book 2011
Checking accounts	million	5.01	%	5.3
Savings deposits	€bn	54.8	%	6.0
Home savings deposits	€bn	17.7	%	13.1
Private mortgage lending book incl. portfolio acquisitions	€bn	73.9	%	9.2
Private loan book	€bn	4.2	%	2.8
Volume of securities accounts	€bn	11.8	%	n. a.

Success with focal products in the savings business

Our sales and marketing activities in the savings business in 2011 continued to focus on products offered exclusively via telephone and Internet sales channels: "Postbank Aktiv-Sparen" and "SparCard direkt".

In "Aktiv-Sparen", Postbank paid out a quadruple bonus for deposit increases over the course of the entire second half of the year – successfully scoring in a highly competitive market. The volume of savings deposits through "Aktiv-Sparen" rose by €1.65 billion, while "SparCard direkt" registered growth of €1.74 billion.

The book of savings deposits and call money reached approximately €54.8 billion at the end of 2011, a slight decrease of some 3.5 % in year-on-year comparison. Postbank's market share here amounted to around 6.0 %.

New business in mortgage lending remains at high level

Postbank operates its mortgage lending business under the BHW and DSL brands. The Postbank subsidiary BHW Bausparkasse and DSL Bank, a business division of Postbank, each have their own independent yet complementary business models. While BHW is geared directly to private customers as the Postbank mortgage lender, DSL Bank regards itself as a partner bank to financial service providers.

The strategic course we charted in the prior year paid off in the year under review. In 2010, we had more closely dovetailed various areas of the two brands and honed their product range profiles. As a result, the volume of new business in private mortgage lending – including the payout of home-savings loans but excluding extensions – rose approximately 2.5 % over the prior-year level to some €8.2 billion. This was an outstanding performance given the strong competitive pressure. In addition to the traditionally strong main sales channels of Postbank Finanzberatung and DSL Sales, the Postbank branches enjoyed ever increasing success here as well, bringing in approximately 16 % more new business than in the prior year.

At the end of 2011, Postbank's portfolio of mortgage loans totaled €73.9 billion, thus remaining stable vis-à-vis 2010, which ended with €74.0 billion. The volume of self generated mortgage loans contained therein (excluding acquisitions) even increased, rising 2.1 % or €1.4 billion to €68.6 billion. Our market share, in terms of the overall portfolio, was 9.2 % (prior year's end: 9.3 %).

Strong upswing in home savings business

The German market for home savings products continued its upward trend in 2011. Postbank, which is active in this market through its subsidiary BHW Bausparkasse, was able to sharply increase new total home savings written by 7.5 % in year-on-year comparison with a volume of some €13.0 billion. It thus once again surpassed market growth in the reference period of 6.1 %.

All sales channels contributed equally to the positive growth, both the branches and cooperation partners as well as the main sales channel, Postbank Finanzberatung. A large part of the new business success could be attributed to attractive new home-savings plans that offer even more closely tailored solutions for important target groups. For example, young people under 25 have been benefiting from a youth bonus with the "BHW Dispo maXX" product available since 2011, and those determined to build or buy their own home can obtain the construction money especially quickly and economically with the new "BHW Wohn maXX" product.

Continued success in the installment loan business

Postbank's clear orientation on transparency and flexibility is apparent in the installment loan business in among other things our especially customer-friendly services. They include no-fee unscheduled repayments, extended revocation periods and attractive terms.

Thanks to this positioning, we were able to buck the market trend (–1%) and grow our new business by 8.8% to just under €1.5 billion. With the installment loan book at €4.2 billion, Postbank's market share rose substantially to around 2.8%, following 2.5% in the prior year.

Especially strong growth took place in the cooperation business with various providers such as the price comparison portal check24 and Deutsche Bank. The DSL business, which focuses on brokering special products for individual customer needs, also performed well.

The "Postbank Privatkredit" (personal loan) was not only well received by customers; it also delivered impressive results in independent comparative tests. In November 2011, the German Institute for Service Quality designated Postbank as the "Best Installment Loan Provider" of all supra-regional branch banks. Moreover, in December 2011, the business magazine *Euro am Sonntag* awarded our product a "very good" rating in a test of installment loans based on creditworthiness from the ten largest providers in Germany.

Securities business stays strong

The strong impact of the European sovereign debt crisis on the securities business created a sense of unease among private investors. As a result the sales climate cooled noticeably in the last six months of 2011 following a good first half-year.

Postbank's new securities business performed well nevertheless, ending the reporting year on nearly the exact same level as the prior year: €1.8 billion. Postbank was thus able to defy the negative market trend. This was mostly attributable to a measure initiated in 2010 to achieve an even clearer profiling of the product range – a measure that has also had a positive impact on advising quality in the securities business. At €11.8 billion, the total volume of securities held in our customers' securities accounts was just below the prior year's level.

Strengthening of commitment to business customers

With some 280,000 business customers, Postbank is one of the leading banks for freelancers, self-employed persons and small businesses in Germany. We enjoyed extraordinary success in the acquisition of new customers in 2011. More than 40,000 newly opened business accounts represented growth of some 25% as compared to the previous year. This success is attributable for the most part to the optimization of sales processes and effective marketing campaigns. Both the 4.5% increase in demand deposits in business checking accounts to €1.9 billion as well as the strong growth in business overnight money – the volume of which rose approximately 50% to €400 million – confirmed the positive growth trend seen in the previous years.

The lending business also performed well. Compared with the prior year, the Postbank Business Loan saw significant growth both in the volume of new business and the portfolio volumes. New business increased by approximately 70% to €42 million, while the portfolio grew just under 40% to €72 million. We also introduced Aval, a new loan product for business customers, which we anticipate will generate profitable business for us in the future.

New branch formats enhance quality of service and advice

We are continuing to pursue our strategy of ongoing improvement in advisory and service quality in branch sales, Postbank's largest sales channel. Our customers have widespread access to our services six days a week as a rule thanks to 1,088 of our own branches and over 4,500 Deutsche Post retail outlets. Here the combination of banking and postal services is an essential competitive advantage. The last five of the ten planned regional centers were opened during the reporting year. Here we are able to optimally satisfy our customers' desire for qualified advising with regard to all investment and retirement questions. The regional centers also serve as a learning platform for customer advisors from the financial centers who are provided with extensive product knowledge and gain in-depth insight into the sale of investment and retirement provision products from experienced colleagues here.

Since December 2011, we have been testing a new branch format in high-traffic locations such as shopping centers where the focus will be placed on the offer of financial service products.

Strong growth in mobile sales, in particular in new home savings business

Postbank's mobile sales force is bundled in Postbank Finanzberatung AG. Some 3,500 advisors work at Postbank Finanzberatung AG and offer their support to our customers at over 800 service centers and during visits to customers even outside normal business hours. Postbank Finanzberatung AG plans to orient its activities more strongly on solutions for the home. In 2011, with a volume of more than €9.1 billion in business brokered, it made a significant contribution to growth in our home savings business. In year-on-year comparison, this represents an increase in sales performance of some €500 million. In this context, we are especially pleased to see that customers are increasingly taking advantage of state incentives for building society contracts. The mobile sales force was thus able to increase the revenue share of the "Wohn-Riester" product to 11 %, nearly twice as much as in the previous year.

In a positive market environment, Postbank was also able – as in the preceding two years – to significantly bolster its private real estate brokerage business. BHW Immobilien GmbH, a wholly-owned subsidiary of Postbank Finanzberatung AG, increased its new business in this field by 26 % to just under €700 million in the reporting year. We thus considerably surpassed the growth rate for the overall market in the area of real estate brokerage for private residential use.

Retail Banking[1]

Segment result	2011 €m	2010 €m
Total income	3,479	3,431
Administrative expenses	–2,259	–2,178
Profit before tax	940	908
Cost/income ratio	64.9 %	63.5 %
Return on equity before taxes	53.0 %	57.9 %

58 139

[1]see Segment comments in the Group Management Report, p. 58, and/or Note 39, p. 139.

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

Corporate Banking:
Successful with focus on SMEs

The Corporate Banking segment encompasses the services Postbank provides in its business with corporate customers, the majority of whom are in Germany, as well as those services it renders in the area of national and international commercial real estate finance.

The main target group consists of traditional German small and medium-sized enterprises (SMEs) with a family-operated company structure, for which Postbank serves as a durable and powerful partner throughout Germany. In the future, Postbank wants to further enhance its position as a core bank that covers the basic daily needs of these companies.

In addition, Postbank is using its strength in payment transaction processing to focus on "mass payers", i.e. companies with a large number of transactions for processing as a result of their business model and which are searching for custom-fit individual solutions.

Strengthening position as a core bank

Our goal is to further expand Postbank's position as "the bank that meets the daily needs of SMEs." To this end, Postbank will continue to provide its approximately 30,000 corporate customers with need-based and standardized payment transaction products as well as offer low-risk financial investment solutions, classic credit products and – selectively – derivative hedging instruments for interest rate and currency management. The current offer is already augmented by standardized leasing and market-based factoring products.

In summer 2011, Postbank approved further measures for expanding the SME business. Among other things, these measures include hiring additional consultants and specialists.

Stable lending and deposit business in 2011

In keeping with our strategy, the business with SME loans over the past several years has grown steadily. During this development, we have acted strictly in accordance with our proven risk-conscious lending policy.

In the deposit business we benefit from long-term customer relationships based on the high level of trust that customers have in Postbank as a solid and strong banking partner.

At the end of 2011, the overall portfolio of loans to corporate customers totaled €29.7 billion, thus nearly on a par with the prior-year amount of €30.3 billion. The investment volumes of our corporate customers fell €2.5 billion to €19.8 billion.

Stable development in commercial real estate finance

Commercial real estate finance forms another pillar of the corporate banking business, with Postbank's activities focused primarily on the Central and Western European markets. The Bank is also represented in the United States via a subsidiary in New York as well as in Great Britain via a branch in London. Management is performed centrally for all of Postbank. This ensures a high level of transparency, decision-making security and a more uniform risk perspective in regard to individual investment properties as well as the entire portfolio.

With its recognized expertise and well-established business relationships, Postbank has created a good starting position for business success in Germany and abroad.

First and foremost we support institutional and commercial investors in investment projects in continental Europe. We also participate in financing consortia led by well-known national and international banks represented on site. New business in the year 2011 was once again concluded selectively, especially in the foreign units. In total, we were able to newly acquire €2.4 billion in commercial real estate finance in the reporting year (prior year: €2.6 billion). As expected, commercial real estate finance declined slightly by €1.0 billion to €16.6 billion.

Leveraging and expanding on payment transaction strengths

Postbank's core competencies include processing standardized payment transactions and individual solutions efficiently, smoothly and in large volumes. To this end, we adapt our range of products and services as well as our IT infrastructure to the payment transaction needs of small and mid-sized enterprises. We also fully satisfy the requirements of the "mass payers" among our customers with appropriate individual solutions.

The Postbank Group is continuing to invest in the expansion of the payment transaction platform in order to further optimize the performance of this business division as well as to optimally satisfy our customers' wants and needs. Our focus here is in particular on speed, security and efficiency.

In 2011 we were able to increase the number of transactions for our main target group of German SMEs by around 5 % compared with the prior year. Overall, the number of transactions handled by the Transaction Banking division grew to 835 million.

Corporate Banking[1]

Segment result	2011 €m	2010 €m
Total income	673	733
Administrative expenses	–152	–151
Profit before tax	448	382
Cost/income ratio	22.6 %	20.6 %
Return on equity before taxes	115.8 %	115.2 %

59 139

[1] see Segment comments in the Group Management Report, p. 59, and/or Note 39, p. 139.

Transaction Banking:
Stable business development

Postbank's Transaction Banking business division utilizes a modern platform to offer all processing services related to payment transactions, accounts and loans. Since 2004, we have been providing payment transaction processing services through our subsidiary Betriebs-Center für Banken AG (BCB), also on behalf of third parties.

Market leader once again in payment transactions

BCB processed some 7.6 billion transactions during the year under review, 5 % fewer than in the previous year. This reduction was attributable primarily to the elimination, announced well in advance, of payment transaction processing services for Commerzbank AG in late April 2011. Adjusted for this one-time effect, transaction volumes were encouragingly stable and Postbank, with a market share of over 20 %, remains the largest provider in Germany. Some 98 % of payment transactions processed by Postbank in the reporting year were paperless. For 2012, we once again expect a decrease in transaction volumes, here to approximately 7.2 billion transactions, coupled with a further shift towards paperless payment transactions.

New business and restructuring

The payment transaction services we performed for the former Dresdner Bank were reintegrated into Commerzbank as planned in the second quarter of 2011, following the recent merger of the two. Thanks to early restructuring measures such as early retirement schemes and process optimizations as well as good cost management, it was possible to sharply reduce the decline in revenue and earnings to be expected from this development.

During the year under review Deutsche Bank commissioned BCB with extensive special tasks closely related to payment transactions, in addition to the existing service agreements that have been in effect for several years now.

The services provided by the Postbank subsidiary VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH have been attributed to the Transaction Banking segment since 2011. This company performs services such as processing of card revenues, network operation of electronic cash devices and operation of ATMs.

VÖB-ZVD Bank is to be merged with BCB Processing GmbH in the first half of 2012 to create a high-performance company for card transactions. The goal is to further expand the service offer for the Group as well as third parties.

Transaction Banking[1]

Segment result	2011 €m	2010 €m
Total income	329	365
Administrative expenses	–295	–318
Profit before tax	48	67
Cost/income ratio	89.7 %	87.1 %
Return on equity before taxes	–	–

59 139

[1] see Segment comments in the Group Management Report, p. 59, and/or Note 39, p. 139.

Financial Markets: Accelerated reduction of capital market risks

The core responsibilities of the Financial Markets business division include liquidity management, risk management, asset/liability management and asset management.

Business division has new structure

The Financial Markets division is divided into two departments. The Treasury is responsible for safeguarding net interest margin contributions from the customer business, the management of liquidity risks and the generation of additional income through active risk management. The Financial Markets Chief Operating Office ensures coordinated action with the subsidiaries in the management of the investment securities and is responsible for the portfolio of structured credit products. This division is also responsible for our *Pfandbrief* business.

Risks from investment securities and derivatives further reduced

In 2011, financial markets were strongly influenced by the deterioration of the crisis in European government bonds. In this difficult environment Postbank nevertheless held to its strategy and significantly reduced investment securities holdings in the year under review, from €59.0 billion at the end of 2010 to €46.5 billion. This also includes the structured credit substitution business that was decreased from €3.7 billion to just under €2.0 billion and will be reduced even further in 2012.

The restructuring of the Financial Markets division and the closing of the location in Frankfurt in the first half of 2011 were also in line with Postbank's de-risking strategy, developed in response to significantly changed conditions on the capital market. A conscious decision was made to no longer take on tasks such as book running in swap transactions. The goal is to adapt the trading book in line with the de-risking strategy. For example, we were able to significantly reduce the portfolio volume in the area of derivatives by approximately two-thirds. This also led to considerable reduction of risk-weighted assets.

Pfandbriefe a good source of refinancing

In February 2011, Postbank issued its second *Jumbo Hypothekenpfandbrief* with a maturity of ten years and a volume of €1.0 billion. The *Jumbo Hypothekenpfandbrief* was given the AAA Best Rating from 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 an important issuer in this market segment. In addition, Postbank regularly issues *Pfandbriefe* by means of private placement. With a volume of just over a half-billion euros in 2011, the Bank is one of the most important market participants in this field as well.

Postbank retail funds perform well

A total of €1.7 billion (previous year: €3.1 billion) were invested in the retail funds managed by Postbank in 2011. While the euro pension and money market funds and the defensive mixed funds did well among the competition with a performance of between –1.25 % and +3.44 %, the stock-oriented funds suffered from falling prices. The generally quite steady performance of the retail funds confirms the success of Postbank's regulated hedging concepts that include risk prevention and/or minimization in market phases subject to intense fluctuation.

Financial Markets[1]

Segment result	2011 €m	2010 €m
Total income	–657	–470
Administrative expenses	–132	–106
Profit before tax	–795	–571
Cost/income ratio	–20.1 %	–22.6 %
Return on equity before taxes	–22.4 %	–15.8 %

59 139

[1] see Segment comments in the Group Management Report, p. 59, and/or Note 39, p. 139.

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

erbaulich
23
BHW
Wohn maXX
Wie schnell und günstig man doch in die eigenen vier Wände kommen kann
...
UNTERM STRICH ZÄHL ICH.
· www.bhw.de
· 0180 3040300 (9 Cent/Min.)*
· Postbank Finanzberatung, 0180 3040350 (9 Cent/Min.)*, gerne auch bei Ihnen zu Hause.
BHW
Der Baufinanzierer der Postbank
* 9 Cent/Minute aus dem deutschen Festnetz; Mobilfunktarif maximal 42 Cent/Minute.

solide

Postbank brand value:
Stability through over 100 years of experience and our unique business model

Postbank has embodied security and trust in financial services since 1909. This naturally also holds true of the home savings and mortgage lending segment, which has been represented by the BHW brand at the Postbank Group since 2006. BHW provides customers with a unique combination of advantages: a comprehensive, innovative range of products from a single source, individual service and high-quality advising – at economical terms. Transparent, impressive services are also the driving force behind BHW's many decades of success.

Corporate Governance Report including the Annual Corporate Governance Statement

In this statement Deutsche Postbank AG reports on its principles of corporate governance pursuant to section 289a of the *Handelsgesetzbuch* (HGB – German Commercial Code) and/or section 161 of the *Aktiengesetz* (AktG – Stock Corporate Act) and section 3.10 of the *Deutsche Corporate Governance Kodex* (DCGK – German Corporate Governance 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.

Current implementation of the code regulations

During the past fiscal year the Commission did not revise the version of the DCGK published on May 26, 2010. Postbank's executive bodies therefore used that period to examine governance at the company and refine its practices pursuant to DCGK standards.

In keeping with section 4.1.1 of the code, the focus of corporate governance is oriented above all on the creation of sustainable value. The basis for that task is formed by clear corporate values and minimum standards for conduct in day-to-day business as well as by remuneration for employees, executives and members of the Management and Supervisory Boards that is aligned with sustainable targets bound in particular to the Company's performance. (Additional information is available on the website at www.postbank.de/nachhaltigkeit.)

When management positions in the Company are staffed (section 4.1.5 of the DCGK), members of the Management Board appointed (section 5.1.2) or the composition of the Supervisory Board is determined (section 5.4.1), diversity is heeded – with priority given to the appropriate consideration of women. In October 2011, the Management Board launched the project "Gender Diversity Management" in order to significantly increase the share of women in management positions by 2017.

In this connection, with the participation of the Management Board, the course has now been set Group-wide for successful diversity management. Target values to be achieved within the scope of the diversity project, including any required measures and potential changes to processes, have also been defined.

As part of the project existing HR structures and processes are being analyzed, existing measures expanded and new programs implemented. The refinement of workflow processes and incentive structures as well as the sensitization of executives to the subject matter play as great a role as flexible working time. Postbank's efforts here include a further expansion of the general framework for reconciling work and private life. In order to ensure structured, sustainable further development of a family-friendly HR policy, Postbank took part in the "audit berufundfamilie" – a work and family audit program – in 2011 and successfully completed it with certification in December. The task now, in a three-year long audit process, is to achieve the goals set for re-auditing. This work and family audit will also be conducted in Postbank Filialvertrieb AG starting in 2012.

In addition, participation in the research initiative „Women in Careers - Opportunities and Risks Posed by New Work and Corporate Concepts for Women's Career Possibilities" from the German Federal Ministry of Education and Research is giving Postbank the opportunity to take part in the latest developments and findings in order to implement them in the Company.

With regard to the recommendations of the German Corporate Governance Code (DCGK) to take the requirement of diversity into consideration when filling positions on the Supervisory Board, and with regard to the recommendation to the Supervisory Board to define concrete objectives to achieve the required level of diversity, the Supervisory Board, in its meeting on March 15, 2011, named concrete objectives for the its composition pursuant to section 5.4.1 of the DCGK.

The focus here is on having an appropriate degree of female representation. When reviewing potential candidates for new election or appointment of replacements for Supervisory Board positions that have become vacant, qualified women are to be included in the selection process and given appropriate consideration in election proposals. Since the Supervisory Board elections in 2003, between 15 % and 20 % of the members of our Supervisory Board have been women. In 2011, based on a proposal by the Supervisory Board Nominating Committee, the Annual General Meeting elected Stefanie Heberling to be an additional shareholder representative. Currently, four women serve on the Supervisory Board, which corresponds to 20 %. The Supervisory Board will strive to maintain this number at minimum and to increase it to 30 % by 2017. It should be taken into account that the Supervisory Board can only influence its own composition by means of election proposals to the Annual General Meeting.

Moreover, objectives were formulated for filling positions on Postbank's Supervisory Board to ensure that its members as a whole have the requisite knowledge, skills and professional experience. Particular attention is to be paid to the integrity, personality, motivation, professionalism and independence of the individuals proposed for election. Both fundamental and temporary conflicts of interest are to be avoided. A standard age limit of 72 years exists for Supervisory Board members. Importance should also be attached to the presence of international experience.

I Declaration of compliance

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

With regard to the DCGK recommendations on conflicts of interest, the Management Board and Supervisory Board of Postbank declared on November 29, 2011, the following deviations in light of the specific shareholder structure of Postbank and an individual decision by the Higher Regional Court in 2011:

"The Management Board and Supervisory Board of Deutsche Postbank AG declare that all recommendations of the 'Government Commission of the German Corporate Governance Code' (version May 26, 2010) have been complied with since the last declaration of compliance on March 18, 2011, with the exception of the qualifications mentioned below, and that the intention exists to comply in the future with the recommendations of the DCGK in the applicable version as of May 26, 2010, with the following qualifications:

1. 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. 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. As of December 17, 2010, Rainer Neske, Board Member of Deutsche Bank AG, Head of Private & Business Clients, is a member of the Supervisory Board of Deutsche Postbank AG. As of February 1, 2011, Hugo Bänziger, Board Member of Deutsche Bank AG, Chief Risk Officer, is 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 important competitors of the Company. In intracompany relations, it is without exception a customary practice for representatives of the parent company to be members of the Supervisory Board of the Company.

   It is the judgment 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 much more to representatives of an enterprise's external competitors. The Management Board and the Supervisory Board have nevertheless decided as a precaution to make a declaration of deviation from section 5.4.2 (4) of the DCGK.

2. Pursuant to section 5.5.3 (1) of the DCGK the Supervisory Board reports to the Annual General Meeting any conflicts of interest that have arisen, together with their treatment. In an individual decision, not yet final, of the Higher Regional Court from the year 2011, the requirements on the scope of the information to be provided in Supervisory Board reports about conflicts of interests to the Annual General Meeting were tightened. Consequently, the Management Board and the Supervisory Board of Deutsche Postbank AG believe that it cannot be ruled out that Supervisory Board reports in individual cases could possibly fail to fulfill the requirements specified in this legal decision on reporting in line with section 5.5.3 (1) of the DCGK. It is the opinion of the Company that reporting that exceeds the level required to date is an infringement of the legally protected right to secrecy of deliberations and confidentiality in the Supervisory Board. The Management Board and the Supervisory Board of Deutsche Postbank AG have decided as a precaution to make a declaration of deviation from Section 5.5.3 (1) of the DCGK."

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.

Postbank's values are recorded in a Code of Conduct and a Supplier Code of Conduct and are meant to guide the business activities of employees throughout the Postbank Group as well as suppliers. The codes are binding for the Group's executive employees. The letter and spirit of these values are reflected in the Postbank guidelines and provisions that determine daily business life (such as organizational handbooks and working instructions). The codes reflect Postbank's obligation to act responsibly, ethically and lawfully.

The following seven values of the Postbank Group 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. For that reason principles of sustainability have been laid down in a mission statement on the topic.

Ensuring continued viability is the goal of Postbank. After the introduction of the three-pillar model in 2010, our commitment to sustainability has been divided into social, ecological and economic aspects. Making active positive contributions to climate protection as well as to the social and stable economic 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. Postbank is committed to providing its employees attractive and safe working conditions as well as to conserving natural resources. As a company, it is an integral part of the society in which it operates. By taking this approach, the Bank intends to secure the long-term success of the Company and impart the principles of sustainability to every employee, principles that must transcend the realm of ideas and be lived out in daily life.

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 keeping with its responsibilities outlined in stock corporation law, the Management Board performs corporate management duties. The Supervisory Board fulfills its supervisory, monitoring and advisory duties. The shareholders – that is, the owners of Postbank – 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 Postbank consisted of nine members, each of whom is responsible for a board department. The responsibilities are divided among the departments of Group Management, Finance, Chief Risk Office, Retail Banking, Branch Sales, IT/Operations, Financial Markets, Resources/Lending and Sales.

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 them 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 and regularly consults with the Supervisory Board about these goals and the current progress toward their achievement as well as about implementing strategy.

The majorities required for adopting resolutions within the Management Board, the issues whose discussion is the responsibility of the entire Management Board, and the current assignments of board departments to 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 the competency 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 are required to report to the Group Management Board.

The Bank Risk Committee (BRC) ensures management and planning for all major and minor risk in the Postbank Group across the various types of risk. The BRC is responsible for strategic overall management of the risk situation and risk profile of the Postbank Group within the context of the framework conditions laid down by the Group Management Board. In fulfilling its tasks, the BRC is supported by the Market Risk Committee, the Operational Risk Committee and the Credit Risk Committee.

Supervisory Board

The Supervisory Board appoints, monitors and advises the Management Board. Its members possess the knowledge, skills, professional experience and suitability needed to properly carry out their responsibilities. The Supervisory Board is directly involved in decisions of fundamental importance for the Company, including matters subject to approval by the Supervisory Board according to the Articles of Association or as set down in the Bylaws. 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 next election, in accordance with the provisions of the AktG. 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 10).

10

The efficacy of the Supervisory Board's work is reviewed on a regular basis within the scope of an efficiency audit.

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.

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 – as well as 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 with regard to relevant questions of planning, business development, the risk position, risk management, compliance and strategic measures. The chairpersons 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 Management Board members have to be approved by the Supervisory Board and/or the Executive Committee.

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. The essential documents and the notice convening the Annual General Meeting are available for download on the Internet. 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.

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

Other corporate governance principles

Transparency

@ Postbank 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 the public's trust, new information is disclosed to all interest groups simultaneously in the interests of fair disclosure. To this end, Postbank publishes annual and quarterly reports as well as management statements, and communicates through press releases, Investor Relations releases, press conferences, ad hoc disclosures, disclosures required by section 15a of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act), Company reports, or the Company's website (www. postbank. de). Both current and historical data in German and English can be downloaded there. The dates of the principal recurring publications are published sufficiently in advance in the Financial Calendar on our website.

165 A list of the offices held by members of the Management and Supervisory Boards can be found on page 165, Note 55.

Accounting and auditing

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

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft was elected as the auditor for fiscal year 2011 by last year's Annual General Meeting. The auditor's independence is reviewed and ensured, including for services already delivered or agreed. The Postbank auditors are also subject to internal rotation. In addition, the auditors are required to inform the Company's executive bodies directly of any anomalies and to document any errors in their audit. In particular, they must report immediately any grounds for impaired independence during the audit and any findings that affect the Supervisory Board or indicate inaccuracies in the compliance declaration. Details of the auditors' total fee can be found on page 169, Note 56.

169

Compliance

Postbank strives continually to further enhance its internal compliance. The primary focus of the Postbank's Compliance Program is to ensure adherence to statutory securities and capital market provisions. In the interests of its customers, shareholders and employees, Postbank has created a compliance organization designed to support the Management Board and employees in their concerns for compliance with statutory and regulatory 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 information on essential matters. 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 auditor.

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. In line with the requirements of company and banking supervision law, Postbank has installed an extensive risk management system in order to recognize, analyze, monitor 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 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 by the Management Board to the Supervisory Board and discussed by them together. Both specific and portfolio risks are managed – this includes the management of concentration risks. Postbank compares the risks from business activities with the risk-bearing capacity of the Group to allow it to judge whether they are in suitable 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.

62

For further explanations and information on risk management, please see the Risk Report on page 62.

Remuneration report for 2011

In this report, Deutsche Postbank AG publishes the principles used to determine the remuneration of the Management Board and the Supervisory Board. The report also explains the level of remuneration and the structure of the remuneration systems 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 DCGK.

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 on 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 2011

The overall structure of the remuneration of the Management Board and the principal Management Board contract components are stipulated and regularly reviewed by the Supervisory Board of Deutsche Postbank AG. The remuneration system was amended retrospectively to January 1, 2010, to comply with the regulations of the *Instituts-Vergütungsverordnung* (InstitutsVergV – Regulation Governing Supervisory Requirements for Remuneration Systems of Institutions), which came into force on October 13, 2010. As a result, share-based remuneration components coupled with a separate blocking period and installment payments for components with a long-term incentive effect were introduced.

The Supervisory Board resolves the appropriateness of the remuneration of the members of the Management Board of Deutsche Postbank AG on the basis of recommendations by the Executive Committee, taking into account the Company's performance, the sector, and the outlook for the future.

As well as appropriateness and suitability, the core criterion for the design of the Management Board remuneration structure is to ensure that incentives for taking disproportionately high risks are avoided. Therefore, an upper limit has been set for the ratio of fixed to variable remuneration. Furthermore, 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 position, 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 level of remuneration is performance-linked and designed so as to motivate members of the Management Board to achieve the Bank's strategic aims and thus contribute to the Company's sustainable growth.

Overall remuneration consists of fixed and performance-related components.

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

The performance-related component is the variable remuneration.

The variable remuneration awarded to the members of the Management Board is based on their achieving quantitative and qualitative targets. These targets are laid down in a target agreement entered into at the start of each fiscal year (base year). The amount of variable remuneration paid depends on predetermined targets being met and is capped on the basis of individual agreements.

As was already the case before the remuneration system was modified, the variable remuneration is not paid out in full, even where the agreed targets have been reached. It continues to be split into a short-term component (40 %) and a long-term component (60 %).

Half of the short-term component is immediately paid out in cash in the following year after it has been determined that the targets have been reached (short-term component I). The second half of the short-term component (short-term component II) is converted into phantom shares of Deutsche Postbank AG. For this purpose, the euro amount is divided by the Xetra closing price of Deutsche Postbank AG shares for the day on which the Supervisory Board determined that the targets have been reached. Following a one-year blocking period, the euro amount is calculated based on the then current Xetra closing price of Deutsche Postbank AG shares, and this amount is paid out. The phantom shares of Deutsche Postbank AG also attract a dividend equivalent equal to the actual dividend paid.

The long-term component continues to depend on the Group's sustainable performance as well as the achievement of a sustainability criterion and continues to be governed by a multi-year assessment period. In the first year following the fiscal year for which remuneration is to be calculated, the Supervisory Board examines and determines whether the predetermined targets have been met. The following three years are the sustainability phase, during which the sustainability criterion, which is determined by the Supervisory Board at the start of this phase in accordance with the regulatory requirements, must be met. This is known as the adjusted profit after cost of capital (APACC). Sustainable Group performance and the sustainability criterion are achieved if the value of the APACC equates to, or exceeds, or at the end of the sustainability phase cumulatively exceeds on the average, the value in the base year.

In line with the three-year sustainability phase, the long-term component is divided into three equal tranches. Again, half of each tranche is paid out in cash (long-term component I) and half is converted into Deutsche Postbank AG phantom shares (long-term component II).

If the sustainability criterion is met, the cash element is paid out immediately after its achievement has been established by the Supervisory Board. The procedure for dealing with the second half of the long-term component that was converted into Deutsche Postbank AG phantom shares is the same as outlined above for short-term component II.

If the sustainability criterion is not met for a particular year, the corresponding tranche of the long-term component is deferred to the following year. A renewed examination based on the sustainability criterion is then performed to establish if payment can be made. If the sustainability criterion has not been met after the end of the third year, i.e., the last year of the sustainability phase, payment of all deferred components also lapses without compensation. In this way, remuneration of the Management Board is affected by any negative Company performance during the entire measurement period (malus system). There is also an additional malus system, whereby payment for outstanding tranches or for performance-related components can be reduced retroactively or canceled completely during the sustainability phase based on the overall performance of the Management Board member concerned. The members of the Management Board are not permitted to use hedging transactions or other countermeasures to mitigate or remove the risk orientation of deferred remuneration components.

The Supervisory Board has the right to award members of the Management Board an appropriate special bonus for exceptional performance. Its size is effectively limited by the upper limit set by the Supervisory Board for the proportion of fixed to variable remuneration.

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

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

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 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.

Fixed and potential remuneration of the Management Board for fiscal year 2011

The nine members of the Management Board active in fiscal year 2011 could receive total remuneration of €9,701.1 thousand (previous year: €9,763.4 thousand) for the period under review (not including fluctuations in the share price at the time of conversion into phantom shares). €5,489.1 thousand of this total amount relates to fixed remuneration components (previous year: €4,564.0 thousand) and €4,212.0 thousand to performance-related components (previous year: €5,199.4 thousand). €842.4 thousand of the performance-related remuneration relates to non-deferred performance-related components (previous year: €1,039.9 thousand) and €842.4 thousand to performance-related components blocked for one year (previous year: €1,039.9 thousand). The total amount of the deferred performance-related components with a long-term incentive effect for fiscal year 2011 is €2,527.2 thousand (previous year: €3,119.6 thousand). The amount will be paid – and/or the conversion into phantom shares and the blocking period will only take place – in fiscal years 2013 to 2015 only if the sustainability criteria have been met; if not, they will lapse in part or in full.

The fixed component includes "other compensation" totaling €179.1 thousand (previous year €164.0 thousand). These fringe benefits relate primarily to the use of company cars, the reimbursement of travel costs, and contributions to insurance schemes. In principle, fringe benefits are available to all members of the Management Board equally; the amount varies depending on their different personal circumstances.

Total remuneration for the nine members of the Management Board active in fiscal year 2011 potentially amounts to €9,701.1 thousand (previous year: €9,763.4 thousand), not including fluctuations in the share price at the time of conversion into phantom shares. The exact level of remuneration is dependent on the sustainability targets for the deferred components being met.

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 separate share-based remuneration program. However, share-based remuneration components exist in the context of the sustainability concept, as outlined above.

Management Board remuneration in 2011

	Fixed remuneration		Performance-related remuneration	Total paid	Performance-related remuneration		Subtotal	Total	Payments for previous years
	Fixed component	Fringe benefits	Short-term compo-nent I Immediate cash payment		Short-term compo-nent II Converted into phantom shares and blocked[1]	Possible long-term component Deferred[2]			Long-term component 2010, Tranche 1 Cash payment[3]
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Stefan Jütte (Chairman)	900.0	23.9	125.0	1,048.9	125.0	375.0	500.0	1,548.9	89.9
Mario Daberkow	600.0	21.8	89.0	710.8	89.0	267.0	356.0	1,066.8	70.0
Marc Hess	650.0	20.2	108.0	778.2	108.0	324.0	432.0	1,210.2	70.0
Horst Küpker	630.0	27.6	100.0	757.6	100.0	300.0	400.0	1,157.6	80.0
Michael Meyer	600.0	23.6	89.0	712.6	89.0	267.0	356.0	1,068.6	70.0
Hans-Peter Schmid	500.0	21.6	95.0	616.6	95.0	285.0	380.0	996.6	70.0
Ralf Stemmer	630.0	12.1	100.0	742.1	100.0	300.0	400.0	1,142.1	70.0
Hanns-Peter Storr (Member since March 1, 2011)	500.0	19.4	83.4	602.8	83.4	250.2	333.6	936.4	0.0
Frank Strauss (Member since July 1, 2011)	300.0	8.9	53.0	361.9	53.0	159.0	212.0	573.9	0.0
Total	5,310.0	179.1	842.4	6,331.5	842.4	2,527.2	3,369.6	9,701.1	519.9

[1] Short-term component II is converted into phantom shares of Deutsche Postbank Postbank AG. For this purpose, the euro amount is divided by the Xetra closing price of Deutsche Postbank AG shares for the day on which the Supervisory Board determines that the targets have been reached. After a one-year blocking period, the phantom shares are translated into euros based on the then current share price and this amount is paid out immediately.

[2] The long-term component is divided into three equal tranches. Half of each tranche consists of a cash element. The second half is converted into phantom shares at the Xetra closing price for the day on which the Supervisory Board determined that the sustainability criterion was met, and blocked for one year, before being translated into the euro amount at the then current share price and paid out. Tranches 2013, 2014, and 2015 will only be paid out/converted into phantom shares and blocked, if the respective sustainability criteria are met. Otherwise, the particular tranche is deferred to the following year and reassessed. If the sustainability criterion is not met in the final year of the sustainability phase, the long-term component lapses without compensation. Otherwise the portions that were deferred are also paid out.

[3] Since the sustainability criterion has been met, half of the first tranche of the long-term component for 2010 is being paid out in cash at the amount shown. The second half is being converted into phantom shares based on the Xetra closing price for the day on which the Supervisory Board determined that the sustainability criterion was met, blocked for one year, and translated at the then current share price into euros and paid out immediately.

Management Board remuneration in 2010

	Fixed remuneration		Performance-related remuneration	Total paid	Performance-related remuneration		Subtotal	Total
			Short-term component I		Short-term component II	Possible long-term component		
	Fixed component	Fringe benefits	Immediate cash payment		Converted into phantom shares and blocked[1]	Deferred[2]		
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Stefan Jütte (Chairman)	900.0	15.4	179.9	1,095.3	179.9	539.6	719.5	1,814.8
Mario Daberkow	600.0	21.4	140.0	761.4	140.0	420.0	560.0	1,321.4
Marc Hess	600.0	26.9	140.0	766.9	140.0	420.0	560.0	1,326.9
Horst Küpker	600.0	34.5	160.0	794.5	160.0	480.0	640.0	1,434.5
Michael Meyer	600.0	28.9	140.0	768.9	140.0	420.0	560.0	1,328.9
Hans-Peter Schmid	500.0	19.2	140.0	659.2	140.0	420.0	560.0	1,219.2
Ralf Stemmer	600.0	17.7	140.0	757.7	140.0	420.0	560.0	1,317.7
Total	4,400.0	164.0	1,039.9	5,603.9	1,039.9	3,119.6	4,159.5	9,763.4

The level of variable remuneration for Management Board member Hans-Peter Schmid has been corrected.

[1] The short-term component has been converted into phantom shares of Deutsche Postbank AG by dividing the euro amount by €21.00, which was the Xetra closing price of Deutsche Postbank shares as of March 15, 2011. After a one-year blocking period, the phantom shares are translated into euros based on the then current share price and this amount is paid out immediately.

[2] The long-term component is divided into three equal tranches. Half of each tranche consists of a cash element. The second half is converted into phantom shares at the Xetra closing price for the day on which the Supervisory Board determined that the sustainability criterion was met, and blocked for one year, before being translated into the euro amount at the then current share price and paid out. Since the sustainability criterion has been met, half of the first 2012 tranche is being paid out in 2012 (see remuneration table 2011), while the second half is being converted into phantom shares and blocked. If the 2013 and 2014 sustainability criteria are also met, the remaining tranches will be paid out/converted into phantom shares and blocked. Otherwise the respective tranche will be deferred to the following year and reassessed. If the sustainability criterion is not met in the final year of the sustainability phase, the deferred tranches of the long-term components lapse without compensation.

Pension commitments

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

Pensions are paid if the member of the Management Board leaves the Company's 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, Horst Küpker, Hanns-Peter Storr, and Frank Strauss. 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 regularly accrue at a 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 reached this level of benefits when he turned 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, Horst Küpker, Michael Meyer, Hanns-Peter Storr, and Frank Strauss – are therefore based on the following basic system: A benefit contribution in the amount of 25 % of the pensionable base 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. 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, Michael Meyer, Hanns-Peter Storr, and Frank Strauss 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, 2011 %	Maximum percentage of final salary %	Service cost for pension obligation €
Stefan Jütte	50	50.00	0
Mario Daberkow	52	60.00	146,008
Hans-Peter Schmid	52	60.00	268,394
Ralf Stemmer	54	60.00	90,735

	Contribution amount for 2011 €	Pension account balance as of Dec. 31, 2011 €	Service cost for pension obligation €
Marc Hess	150,000	1,259,613	184,118
Horst Küpker	150,000	702,871	152,267
Michael Meyer	225,000	1,004,048	113,701
Hanns-Peter Storr	124,980	131,229	0
Frank Strauss	75,000	77,250	0

Contractually agreed grants of special amounts increased the contribution amount in the case of Michael Meyer.

The remuneration paid to former members of the Management Board and their surviving dependants amounted to €2.77 million (previous year: €6.02 million).

The defined benefit obligation (DBO) for current pensions and entitlements attributable to former members of the Management Board calculated in accordance with the International Financial Reporting Standards amounted to €51.34 million (previous year: €47.54 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 performance-related 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. Rainer Neske, Hugo Bänziger, Werner Steinmüller, and Stefanie Heberling have furnished Deutsche Postbank AG with a corresponding waiver.

The total remuneration paid to members of the Supervisory Board for fiscal year 2011 amounted to €825.6 thousand including attendance allowances (previous year: €547.2 thousand). The members of the Supervisory Board will not receive any annual performance-related short-term remuneration for fiscal year 2011. As a result of Postbank's sustainable performance improvement, the Supervisory Board members will receive performance-related remuneration with a long-term effect.

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

Members of the Supervisory Board	Remuneration for fiscal year 2011			Remuneration for fiscal year 2010		
	Fixed remuneration € thousand	Variable remuneration[1] € thousand	Total € thousand	Fixed remuneration € thousand	Variable remuneration[1] € thousand	Total € thousand
Rainer Neske[2]	–	–	–	–	–	–
Frank Bsirske	45.0	3.3	48.3	16.8	2.0	18.8
John Allan	–	3.3	3.3	–	–	–
Wilfried Anhäuser	22.5	26.5	49.0	22.5	3.3	25.8
Frank Appel	–	35.0	35.0	52.5	3.3	55.8
Marietta Auer	22.5	25.3	47.8	22.5	3.5	26.0
Hugo Bänziger[2]	–	–	–	–	–	–
Rolf Bauermeister	15.0	16.8	31.8	15.0	1.8	16.8
Wilfried Boysen	15.0	16.5	31.5	15.0	2.0	17.0
Henry B. Cordes	–	9.2	9.2	12.7	0.5	13.2
Edgar Ernst	30.0	34.5	64.5	30.0	4.8	34.8
Annette Harms	15.0	16.8	31.8	15.0	1.8	16.8
Stefanie Heberling[2]	–	–	–	–	–	–
Timo Heider	15.0	1.5	16.5	7.6	1.3	8.9
Tessen von Heydebreck	27.1	18.6	45.7	22.5	1.8	24.3
Peter Hoch	30.0	35.3	65.3	30.0	4.0	34.0
Elmar Kallfelz	30.0	31.5	61.5	30.0	5.0	35.0
Ralf Krüger	22.5	27.3	49.8	22.5	3.5	26.0
Hans-Dieter Petram	8.9	18.7	27.6	22.5	1.3	23.8
Bernd Pfaffenbach	–	1.5	1.5	–	–	–
Lawrence A. Rosen	15.0	6.4	21.4	15.0	1.8	16.8
Elmo von Schorlemer	–	1.5	1.5	–	–	–
Torsten Schulte	–	11.4	11.4	7.4	0.5	7.9
Michael Sommer	–	22.4	22.4	22.3	0.8	23.1
Eric Stadler	22.5	19.9	42.4	22.5	3.3	25.8
Werner Steinmüller[2]	–	–	–	33.8	3.5	37.3
Gerd Tausendfreund	22.5	26.5	49.0	22.5	3.8	26.3
Renate Treis	30.0	27.4	57.4	30.0	3.0	33.0
Total	388.5	437.1	825.6	490.6	56.6	547.2

[1] The reported variable remuneration comprises the short- and long-term remuneration and the attendance allowance to be paid to the Supervisory Board member for the relevant fiscal year.
[2] Under the Articles of Association of Deutsche Postbank AG, a claim to remuneration exists for the period following the acquisition of the majority interest in the Bank's capital. Rainer Neske, Hugo Bänziger, Werner Steinmüller, and Stefanie Heberling 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 2011, 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 €766.8 thousand (previous year: €863.1 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 the members 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:
Expertise of our employees in high demand during integration process with Deutsche Bank

Thanks to their know-how and great dedication Postbank employees have made key contributions over the past several years to the Bank's success. They share a great deal of responsibility for the strength of our operating customer business and the innovative power of our products and processes – and they are the foundation of the on-going integration process with Deutsche Bank.

Postbank confirmed as an attractive employer

Postbank's corporate culture accords great importance to the well-being of employees. This is reflected in the employees' high level of identification with the company as seen for example in a moderate staff turnover rate of a mere 6.5 % and an average period of employment with the company of approximately 22 years. In order to further enhance our attractiveness as an employer during the reporting year, we intensified our activities related to offers for promoting health, family-friendly working conditions, and active participation and idea management, among other things.

Our commitment has received recognition not only from our employees, but also from independent experts. In 2011, the independent market research company CRF (Corporate Research Foundation, Düsseldorf) awarded us its exclusive "Top Employer" quality seal for the fourth time. And in "Career's Best Recruiters", a study conducted by the GPK communications agency, Postbank came in fourth place out of 500 German companies.

Postbank's activities as a family-friendly company include participating in the study project "Women in Careers", sponsored by the German Federal Ministry of Education and Research. Indeed our family-friendly corporate policy led during the reporting year to the Bank's receiving the "Job and Family" quality seal from the renowned Hertie Foundation.

We were equally pleased by the recognition accorded our idea management program by the German Institute for Idea and Innovation Management, the acknowledgment of our learning platform for the EU directive on insurance mediation by the e-Learning Journal and our top-place finish among German companies in the Demographic Fitness Index (DFI) 2011 from the Adecco Group.

Workforce developing as planned[1]

As of December 31, 2011, the Postbank Group employed a total of 19,232 full-time equivalents; 1,129 fewer than at the end of 2010. The vast majority of them (98 %) work in Germany and have an average age of 43. 925 other people are currently undergoing vocational training in the Postbank Group.

Employees

	Dec. 31, 2011	Dec. 31, 2010
Number of employees (full-time equivalents)[1]	19,232	20,361
Number of part-time employees	5,237	5,397
Percentage of female FTEs	58 %	58 %
Percentage of male FTEs	42 %	42 %
Percentage of civil servants	32 %	33 %

[1] On a calculation basis comparable to the prior year. The data published by Deutsche Bank on Postbank may deviate from these figures.

Integration process with Deutsche Bank

As integration moves forward, the specific strengths of the Postbank employees can be further brought to bear in the Deutsche Bank Group. During the upcoming cooperation phases, our HR work will ensure that the competencies, needs and initiatives of the employees are taken into account – among other things by involving employee representatives early on in the integration process.

Sustainability:
Expansion of our commitment to sustainability

Postbank has defined Group-wide principles for sustainable action that serve as important foundational elements of our business activities. Since 2010, our commitment to sustainability has been managed via a three-pillar model, divided into the aspects of social, ecological and economic sustainability.

I Social sustainability

If a society wishes to attain peace and prosperity, its members must be ready to assume social responsibility. Postbank recognizes that it too must take on such responsibility and demonstrates this recognition in its conduct towards employees, customers and society. For example, we help our employees achieve a good work-life balance, have set up a Customer Advisory Board to devote special consideration to customer interests, and actively sponsor educational institutions.

Together with our employees, we also regularly collect donations for worthy causes. In 2011, our donations went to help victims of the disasters in Japan and East Africa. Moreover, in December we held our second annual Christmas Tree Wish List Campaign to benefit "Die Arche e.V.", a Christian children and young people's charity organization. As part of this initiative, Postbank employees donated more than 1,600 gifts that were distributed to children at all Arche locations in Germany.

I Ecological sustainability

With its commitment to corporate environmental and climate protection, Postbank makes an effective contribution to the efforts to address global climate change. The foundation of our activities in this area is formed by the environmental management system we implemented in 2008. In 2011, the scope of certification for this system was further expanded. The locations in Berlin and Dortmund are now also included in the audits conducted in accordance with ISO 14001 by TÜV Rheinland, along with those in Bonn, Frankfurt, Hamburg, Hamelin and Munich. In addition, Postbank gives its customers the opportunity to take ecological concerns into account when investing their capital.

I Economic sustainability

As a responsible company, Postbank strives to create secure jobs, offer its customers added value and benefit the economy as a whole. That is why we make every effort to safeguard our competitiveness and to achieve long-term profitability. One source of support for these efforts is offered by our Customer Advisory Board, founded in 2011. It replaces the Customer Board 60plus established in 2006 and contains representatives from all age groups. Their constructive criticism helps us to optimize our products and services continually and thus satisfy our customers' needs and wants in the best way possible.

I Sustainability reporting

A full overview of Postbank's commitment to sustainability is available at www.postbank.de/nachhaltigkeit or www.postbank.com/sustainability. Detailed information can also be found in our annual sustainability report.


reichlich
Attraktive Tagesgeldverzinsung
Postbank Giro plus, das kostenlose Girokonto*
Meine Tochter kann nie genug bekommen. Das hat sie wohl von mir.
UNTERM STRICH ZÄHL ICH.
· www.postbank.de
· 01803 2881 (9 Cent/Min.)**
· Postbank Finanzcenter
· Postbank Finanzberatung, gerne auch bei Ihnen zu Hause
Postbank
*Kostenloses Girokonto für alle Privatkunden mit monatlichem bargeldlosem Geldeingang ab 1.250 Euro, ansonsten 5,90 Euro pro Monat. **9 Cent/Minute aus dem deutschen Festnetz; Mobilfunktarif maximal 42 Cent/Minute.

günstig

Postbank brand value:
Leading price-performance ratio, especially in checking and savings

Germany is one of the most competitive markets for consumer banking in Europe. As the largest retail customer bank in Germany, Postbank is exceptionally successful here with its free checking account. Germany's most popular checking account, Postbank Giro plus, surpassed the milestone of five million accounts in 2011.

Excellent service at no cost – this successful concept earned the Postbank Giro plus account a designation as the "top salary account" by the German business news television station n-tv in 2011. In addition, the computer magazine CHIP voted Postbank the "Best Online Bank 2011". A modern, powerful IT structure as well as standardization and automation of processes enable Postbank to set the industry benchmark for price-performance ratio.

Contents

Fiscal Year 2011

Group Management Report

Consolidated Financial Statements

Other Information

Deutsche Postbank AG Group Management Report

I Business and Environment

Organization and management of the Group

Business activities, important products, services and business processes

The Deutsche Postbank Group (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. On December 3, 2010, Postbank became part of the basis of consolidation of Deutsche Bank, which holds more than 50 % of Deutsche Postbank AG shares.

Postbank 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. In 2011, Transaction Banking was expanded to include the Postbank subsidiary VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH (originally part of Retail Banking), which provides services related to the processing of card transactions, the network operations of electronic cash machines and the operation of ATMs.

- 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 includes 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. In addition, Postbank operates a national network of branches that had 1,088 locations in Germany at the end of 2011. The subsidiary BHW Bausparkasse AG is domiciled in Hamelin.

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 in terms of the number of customers. Its major product fields are savings, checking accounts, private mortgage lending and home savings. In each of these areas, based on balance-sheet volumes, Postbank is among the leaders in Germany. Private retirement-provision solutions, personal loans and the securities business round out 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 particularly in this area on German SMEs. Postbank is also currently the largest provider of the in-sourcing of payment transaction services. With three clients and some 7.6 billion transactions per year including its own, Postbank's Transaction Banking division 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 Postbank is the expectation of returns on equity in accordance with IFRSs, as measured by return on equity (RoE) before and/or after tax. This includes profit/loss from ordinary activities after tax, a parameter that facilitates reconciliation from profitability to efficiency.

Efficiency is measured by the cost/income ratio (CIR) – the central metric for income and productivity management. It shows the ratio of administrative expenses to total income (excluding other income) before the allowance for losses on loans and advances.

As the most important metric used to judge and manage income power, total income includes 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 performed much the way it is on the Group level, in which expectations for returns are measured on the basis of RoE before tax. The allocation of equity to the segments is based on their risk capital requirements.

The previously mentioned income and expense figures serve as operational 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 uses the risk/return ratio in internal management. Similar to RoE, the return is calculated on the basis of regulatory capital (RoReC) and forms a basis for decision making on the individual transaction level and the aggregate level. Management in terms of return on risk adjusted capital (RoRaC) is currently being implemented. The initial figures have been calculated since mid-2011 using approximate solutions. 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 at Postbank is closely linked to this management system. It is based on individual targets, division targets and Group targets as expressed in profit/loss before tax and CIR. As a result of regulatory requirements and the company goal of sustainable success, a sustainability factor is used to calculate the long-term portion of the variable remuneration (long-term components) of our executives, risk takers and the Management Board. Additional details can be found in the Remuneration report starting on page 52 or page 159.

52 159

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.

Disclosures in accordance with Section 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, 2011, 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 at the moment 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 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 %

According to a disclosure statement issued on January 3, 2011, in accordance with the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act), Deutsche Bank AG, Frankfurt am Main, holds through DB Finanz-Holding GmbH and DB Valoren S.à r.l. or DB Equity S.à r.l., approximately 51.98 % of Deutsche Postbank AG shares.

Deutsche Post AG, Bonn, held an interest in Postbank of around 39.5 % on December 31, 2011.

As a result, the free float traded on stock exchanges amounts to around 8.5 % of Deutsche Postbank AG's share capital.

On February 27, 2012, a mandatory exchangeable bond of Deutsche Post AG came due. As a result, Deutsche Bank AG was entitled to acquire an additional 27.4 % of shares (60,000,000 shares) of Deutsche Postbank AG. Option contracts for an additional 12.1 % (26,417,432 shares) were concluded by Deutsche Bank AG and Deutsche Post AG. The period in which the call options may be exercised is between February 28, 2012, and February 25, 2013. The date of expiration is February 25, 2013.

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.

On April 29, 2010, the Annual General Meeting created the basis pursuant to the Articles of Association for contingently increasing the Bank's 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 combinations 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.

Furthermore, the Management Board was authorized during the Annual General Meeting of Deutsche Postbank AG 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 following the conclusion of the Annual General Meeting described here and remain in force through April 28, 2015.

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 demonstrate 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

The Articles of Association of Deutsche Postbank AG 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, resolutions 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, 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 to the Company's business operations.

The contractual relationship described above is unaffected by the indirect purchase of a total of approximately 52 % of shares in Deutsche Postbank AG (see above) by Deutsche Bank AG 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.

Section 298a of the HGB: Corporate Governance Statement

The Corporate Governance Statement is available on our Internet homepage at www.postbank.de/ir.

Remuneration of the Management Board and Supervisory Board

Structure of the Remuneration of the Management Board in fiscal year 2011

The overall structure of the remuneration of the Management Board and the principal Management Board contract components are stipulated and regularly reviewed by the Supervisory Board of Deutsche Postbank AG. The remuneration system was amended retrospectively as of January 1, 2010, to comply with the regulations of the *Instituts-Vergütungsverordnung* (InstitutsVergV – Regulation Governing Supervisory Requirements for Remuneration Systems of Institutions), which came into force on October 13, 2010. As a result, share-based remuneration components coupled with a separate blocking period and installment payments for components with a long-term incentive effect were introduced.

The Supervisory Board resolves the appropriateness of the remuneration of the members of the Management Board of Deutsche Postbank AG on the basis of recommendations by the Executive Committee, taking into account the Company's performance, the sector, and the outlook for the future.

As well as appropriateness and sustainability, the core criterion for the design of the Management Board remuneration structure is to ensure that incentives for taking disproportionately high risks are avoided. Therefore, an upper limit has been set for the ratio of fixed to variable remuneration. Furthermore, 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 position, 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 level of remuneration is performance-linked and designed so as to motivate members of the Management Board to achieve the Bank's strategic aims and thus contribute to the Company's sustainable growth.

Overall remuneration consists of fixed and performance-related components.

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

The performance-related component is the variable remuneration.

The variable remuneration awarded to the members of the Management Board is based on their achieving quantitative and qualitative targets. These targets are laid down in a target agreement entered into at the start of each fiscal year (base year). The amount of variable remuneration paid depends on predetermined targets being met and is subject to a cap set out in the individual agreements.

As was already the case before the remuneration system was modified, the variable remuneration is not paid out in full, even where the agreed targets have been reached. It continues to be split into a short-term component (40%) and a long-term component (60 %).

Half of the short-term component is immediately paid out in cash in the following year, after it has been determined that the targets have been reached (short-term component I). The second half of the short-term component (short-term component II) is converted into phantom shares of Deutsche Postbank AG. For this purpose, the euro amount is divided by the Xetra closing price of Deutsche Postbank AG shares for the day on which the Supervisory Board determined that the targets have been reached. Following a one-year blocking period, the euro amount is calculated based on the then current Xetra closing price of Deutsche Postbank AG shares, and this amount is paid out. The phantom shares of Deutsche Postbank AG also attract a dividend equivalent equal to the actual dividend paid.

The long-term component continues to depend on the Group's sustainable performance as well as the achievement of a sustainability criterion and continues to be governed by a multi-year assessment period. In the first year following the fiscal year for which remuneration is to be calculated, the Supervisory Board examines and determines whether the predetermined targets have been met. The following three years are the sustainability phase, during which the sustainability criterion, which is determined by the Supervisory Board at the start of this phase in accordance with the regulatory requirements, must be met. This is known as the adjusted profit after cost of capital (APACC). Sustainable Group performance and the sustainability criterion are achieved if the value of the APACC equates to, or exceeds, or at the end of the sustainability phase cumulatively exceeds on the average, the value in the base year.

In line with the three-year sustainability phase, the long-term component is divided into three equal tranches. Again, half of each tranche is paid out in cash (long-term component I) and half is converted into Deutsche Postbank AG phantom shares (long-term component II).

If the sustainability criterion is met, the cash element is paid out immediately after its achievement has been established by the Supervisory Board. The procedure for dealing with the second half of the long-term component that was converted into Deutsche Postbank AG phantom shares is the same as outlined above for short-term component II.

If the sustainability criterion is not met for a particular year, the corresponding tranche of the long-term component is deferred to the following year. A renewed examination based on the sustainability criterion is then performed to establish if payment can be made. If the sustainability criterion has not been met after the end of the third year, i.e., the last year of the sustainability phase, payment of all deferred components also lapses without compensation. In this way, remuneration of the Management Board is affected by any negative Company performance during the entire measurement period (malus system). There is also an additional malus system, whereby payment for outstanding tranches or for performance-related components can be reduced retroactively or canceled completely during the sustainability phase based on the overall performance of the Management Board member concerned. The members of the Management Board are not permitted to use hedging transactions or other countermeasures to mitigate or remove the risk orientation of deferred remuneration components.

The Supervisory Board has the right to award members of the Management Board an appropriate special bonus for exceptional performance. Its size is effectively limited by the upper limit set by the Supervisory Board for the proportion of fixed to variable remuneration.

In accordance with the recommendation of the German Corporate Governance Code, the Company will provide compensation for no more than the remaining term of the contract in instances in which the contract of a member of the Management Board is terminated prematurely without good cause, and will limit the payment to a maximum of two base-pay installments plus 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.

Remuneration of the Supervisory Board in fiscal year 2011

Deutsche Postbank AG's Annual General Meeting last changed the remuneration of the Supervisory Board in 2004, adjusting 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 performance-related 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.

28 156

For further information on and explanations of the remuneration of the Management Board and Supervisory Board, please see the Corporate Governance Report or Note 53 of the notes to the consolidated financial statement.

Employees

At the end of 2011, Postbank employed 19,232 full-time equivalents, about 1,129 fewer than on December 31, 2010. The workforce included 6,140 civil servants, or about 32 % of the headcount. About 25 % of our employees work part time.

Our external turnover in 2011 was about 6.5 %. The average length of a person's employment at the company was approximately 22 years. Postbank remunerates almost all of its employees on the basis of fixed and performance-related criteria that flow into a variable remuneration component.

44

You will find other information in the Employees section on page 44.

Macroeconomic Environment in 2011

World economy continued to grow

The world economy continued to surge in 2011. But it was unable to keep pace with the level it achieved in the previous year. Emerging markets remained a key pillar of the global economy, even if their growth slowed somewhat as the year progressed. In industrial countries, on the other hand, the economy suffered a setback. In the process, the differences among regions and among individual countries remained unusually high – just as they were in the previous year. While some developed countries generated high growth rates, others fell into recession. Overall, the IMF reported that world economic output rose by 3.8 % in 2011, compared with 5.2 % in the previous year.

In the United States of America, the country's economic recovery stalled during the year under review. In the first half, the economy just barely crept along, but it gained new life as the year continued. One key reason for this revival was positive trends related to investments in machinery and equipment whereas investments in construction remained mostly stagnant. Private consumption rose only moderately once again, and foreign trade failed to generate any significant momentum. Reduced government spending and inventory investments also acted as a major drag on growth. As a result, gross domestic product (GDP) rose only by a moderate 1.7 % during the year.

At nearly 8 %, the emerging countries of Asia generated high growth rates during the reporting year. Once again, China achieved the highest level with GDP growth of 9.2 %, even though the pace of economic growth did slow. In 2011, the Japanese economy suffered from the aftermath of the devastating earthquake and tsunami that struck the country in March. Economic output plummeted in the first half of the year, and the strong recovery achieved in the second half of the year was unable to offset this setback. As a result, GDP fell considerably in Japan in the year under review.

In the eurozone, GDP rose only moderately at 1.6 %. After getting off to a fast start in early 2011, the economy began to limp in the second quarter. It was held back by the slowing global economy in general and the continued worsening of the sovereign debt crisis in particular. This crisis intensified the need to consolidate government budgets. As a result, public spending came to a virtual standstill. Private consumption rose only slightly. But growth momentum was produced by exports and gross capital expenditures. As in the previous year, the differences in growth rates among countries in the eurozone were very broad. While Germany and Austria produced high growth rates, countries like Italy grew only slightly. Greece and Portugal even suffered a recession.

Germany experiences a continued upswing

Germany's economy remained robust in 2011 with GDP growth reaching 3.0 %. This surge had a very broad base. Once again, foreign trade was a major force behind the growth. Exports climbed sharply. Even though imports rose steeply as well, foreign trade contributed 0.8 percentage points to GDP growth. Gross capital expenditures generated significant momentum as well. Investments in machinery and equipment rose particularly high. Investments in construction also generated big gains, which was partially the result of favorable weather conditions, and commercial construction made especially good headway. A high growth rate was also produced by residential construction. By contrast, public-sector investment in construction fell.

Private consumption in Germany grew moderately in 2011. At 2.3 %, the substantially higher inflation rate prevented private consumption from rising even more. On the other hand, private consumption benefited from the upswing in the German job market. The average annual unemployment rate decreased by 0.6 percentage points to 7.1 %, and the number of jobless people dropped by an average of 263,000 to 2.976 million. At the same time, the number of employed people jumped by more than 500,000, exceeding 41 million.

As a whole, macroeconomic trends in Germany were more positive in 2011 than we expected at the time of our last Annual Report. By contrast, they were more negative in other major economies.

Market developments

The spread of the sovereign debt crisis in euro countries and in other important industrial countries shook global markets. Further turbulence was generated by gloomy economic forecasts. Expectations about the economy were optimistic at the beginning of 2011, but they gave in to temporary fears that the world economy would slip into a recession.

International stock markets overall were weak in 2011. Prices rose at the beginning of the year. In August, however, they went into a nosedive. The tumble in prices was triggered by growing worries about a global recession and the approval of another rescue package for Greece that included for the first time debt waivers involving private sector creditors. Leading stock indexes reached their bottoms in September and the beginning of October 2011. In the three remaining months of the year, they rebounded as, among other things, worries about a recession proved to be exaggerated. Nonetheless, the DAX shed nearly 15 % in 2011. The EURO STOXX 50, which includes a higher share of financial stocks, plunged by more than 17 %. Wall Street, on the other hand, performed much better. The S&P 500 ended the year nearly unchanged from its close at the end of 2010. Corporate bonds were also hurt by the increased uncertainty, and risk premiums rose during the year under review. Bonds with weak ratings were hit harder than those with good ones. Nonetheless, risk premiums for both groups remained well below the highs they reached during the financial crisis of 2008/2009.

For the sovereign bonds issued by eurozone members, the problems spread in 2011. In April, Portugal followed in the footsteps of Greece and Ireland to request financial aid, more than €78 billion of it. In July, a second rescue package for Greece, totaling €109 billion, was approved. Among other things, this plan included voluntary writedowns by private-sector investors such as banks of 21 % of the principal amount of their Greek government bonds. But these decisions were unable to calm markets for long. The risk premiums for Greek, Portuguese, Italian and Spanish government bonds in particular continued to rise after a brief break. In response, the European Central Bank reactivated its program of buying the government bonds of eurozone members and extended the program to Spanish and Italian bonds. Despite the extensive purchases by the ECB, the widening of spreads picked up considerable speed during the autumn. In the case of Greece, doubts grew regarding whether the agreed-upon steps would be sufficient to produce a long-term restructuring of the government's finances. At the end of October 2011, the European Council announced a change in the decisions it made in July, calling on private-sector investors to now accept a voluntary writedown of 50 % of the principal amount of their Greek bond holdings, among other things. The markets intensified their focus in particular on Italy, whose ability to produce a long-term consolidation of the government budget was being increasingly doubted. Immediately thereafter, the risk premiums for Italian and Spanish government bonds hit record highs. Risk premiums eased somewhat toward the end of the year, thanks in part to budget-cutting steps announced by the new Italian government, continued bond purchases by the ECB and a package of measures employed by the central bank to help ease the increasingly strained liquidity provisioning of European banks.

The rapidly changing situation forced the ECB to alter its strategy twice during 2011. As a result of initially positive economic trends and rising inflation rates, it increased its benchmark interest rate in April for the first time since 2008. A second rate increase followed in July. As a result of both decisions, the benchmark rate rose 0.5 percentage points in the first seven months of the year, reaching 1.50 %. As Europe's sovereign debt crisis intensified, the ECB shifted course in contrast to our earlier expectations and took an increasingly expansive approach. As mentioned above, it reactivated its purchase program of government bonds in August and even expanded it once again. In October, it introduced an additional program to purchase covered bonds and decided to conduct a refinancing operation with a maturity of 12 months once again. In November, the first cut in the benchmark interest rate was made, lowering it to 1.25 %. This step was followed by another reduction to 1.0 % in December. The decision was complemented by a decrease in the minimum reserve rate from 2 % to 1%. Furthermore, the ECB offered banks longer-term refinancing operations with a maturity of three years for the first time. By the time 2011 ended, the benchmark interest rate was indeed back to its level at the beginning of the year. But as a result of the number of special steps taken during the year, the monetary policies of the ECB had become significantly more expansive. Because of the increase in the benchmark rate during the reporting year, money market interest rates initially rose. By year's end, they had fallen again following the monetary steps taken by the ECB. The three-month Euribor rate was about 0.35 percentage points higher at the end of the year than it was at the start. In contrast to the ECB, the U.S. Federal Reserve (Fed) stuck to its course. Its benchmark interest rate remained more or less constant at 0 % to 0.25 % in 2011. As scheduled, the Fed ended its $600 billion purchasing program of U.S. Treasuries at mid-year. But it then swapped out short term bonds with longer term Treasury bonds in a move to drive down yields on the long end of the capital market. The Fed surprised market players by announcing that it would maintain the current level of interest rates as long as inflation and the economy warranted such levels. The Fed is working to keep capital market returns at a low level and to reduce uncertainty in financial markets.

Trends in capital market interest rates in Germany were dominated by the sovereign debt crisis in the eurozone. In the process, though, government bonds issued by the Federal Republic of Germany profited from their reputation as a "safe haven". In a reflection of this, yields of 10-year German bunds began to fall steeply at mid-year, hitting a historic low of 1.67 % in September. They then rose somewhat, but fluctuated frequently. On balance, they fell by more than 1.1 percentage points during the reporting year and dipped to 1.83 %. Yields of 10-year U.S. Treasuries dropped by over 1.4 percentage points in the same period and reached about 1.9 %, much more than we had expected. The yield curve in both Germany and the United States flattened considerably.

In the first months of the year, the euro gained considerable strength against the dollar on currency markets thanks to the economy's solid appearance in the eurozone and the ECB's initial increase of interest rates. Starting at an exchange rate of nearly $1.34, the euro hit its high for the year in May: nearly $1.49. As a consequence of the intensification of the sovereign debt crisis and the ECB's substantially more expansive monetary policies, the euro became caught in a strong downdraft beginning in September. At year's end, it was worth nearly $1.30, 3.0 % less than its value at the end of the previous year.

The markets performed differently from the way we expected at the time of our last Annual Report. For 2011, we believed that the ECB would raise its benchmark rates slightly and that capital market rates would rise moderately in the eurozone. The flattening of the yield curve was more pronounced than we projected.

Sector situation

The dominant issue for the European banking industry in the second half of 2011 remained the sovereign debt crisis in the eurozone's so-called periphery countries. Greece was and remains the focal point. For months now, the Greek government has been negotiating with private-sector banks that have invested in Greece's sovereign bonds about the terms for a voluntary debt-waiver of 50 %. We think that the affected German banks should have already taken writedowns on their balance sheets for their portfolios. The crisis among the so-called GIIPS countries (Greece, Italy, Ireland, Portugal, and Spain) also had a negative impact on other euro countries such as France. As a result, it is not just the bond prices of the directly affected countries that are coming under pressure.

The European Banking Authority (EBA) used the continuing sovereign debt crisis as reason to conduct another stress test of European banks in late 2011. As a result of its integration into the Deutsche Bank Group, Postbank was not included in the stress test as an individual financial institution. The stress test results for European banks were released on December 8, 2011. The basis of the test was the market value of sovereign bonds issued by the eurozone's periphery countries as of September 30, 2011. Based on the writedowns determined during the test, the EBA found a capital shortfall of €114.7 billion among the banks under review. Thirty-one of the 71 tested banks missed the tough 9 % target for the Tier 1 capital ratio. The stress test determined that the capital shortfall of German banks totaled €13.1 billion. As the result of a quick test that was based on preliminary calculations as of June 30, 2011, the EBA determined on October 26, 2011, that the capital needs of German banks totaled €5.2 billion. The primary reason for the significant rise in calculated capital needs was the EBA's decision to no longer permit banks to offset gains in prices – for instance, for German bunds – against losses in prices for the sovereign bonds of the periphery countries during the test it conducted at the end of the period under review. The 31 affected banks were ordered to provide their national regulatory authorities by January 20, 2012, with detailed information about how they intended to make up for the capital shortfall. The recapitalization must be completed by June 30, 2012.

At the beginning of November 2011, the Financial Stability Board set up by G20 countries classified 29 banks around the world, including Deutsche Bank and Commerzbank, as being system relevant. These 29 banks are to be subjected to higher standards regarding the capital they are required to hold than the level planned in Basel III. Extra amounts of 1 percentage point to 3.5 percentage points depending on the bank are being discussed. The rules are to be gradually introduced beginning in 2016.

During the first three quarters of 2011, the volume of loans issued to domestic companies and private individuals in Germany rose 2.6 % to €2,414 billion. It fell slightly in the same period last year. Loans issued to companies rose disproportionately by 5.2 % to €985 billion after volume decreased in the previous year. A major reason for this trend was probably intense investment activities. On the other hand, loans issued to self-employed private individuals saw gains of only 0.4 % and reached €382 billion, continuing the very moderate development of this market segment observed in the previous year. Loans issued to non-self-employed and other private individuals increased in the first three quarters by 1.0 % to €1,033 billion, an increase that was higher than the previous year's level. Residential construction loans again rose by 0.9 % to €803 billion. But new business for residential construction loans for retail customers climbed steeply by 3.9 % to €192.4 billion in 2011. A clear effect of the European sovereign debt crisis on the lending business with corporate and retail customers cannot be seen.

Between January and October 2011, the number of bankruptcies in Germany plunged by 5 % compared with the same period in the previous year. The number of business bankruptcies even fell by 6.5 %. As a result, the positive trend observed in the previous year gained new momentum. This is probably the result of Germany's strong economic growth. The number of consumer bankruptcies (including the bankruptcy of formerly self-employed individuals and other bankruptcies) decreased by 4.6 %, following a sharp increase in the previous year. The significant increase in employment and comparatively high wage increases may have had a positive effect here. The sovereign debt crisis had no discernible impact on bankruptcies in Germany during 2011.

The German banking landscape continues to feature a three-pillar structure consisting of private banks, savings banks and cooperative banks. Notable movements between the pillars were not observed. In December 2011, the EU Commission approved the restructuring plan of WestLB submitted in February of that same year. Under this proposal, the state bank is to be broken into three parts: a Verbundbank, a service and portfolio management bank and a remainder bank that is to be sold or phased out by June 30, 2012.

In analyzing the business performance of German banks, we considered the three banks listed in Deutsche Börse's Prime Standard as well as Postbank. We compared the banks' results for the period of January through September 2011 with those of the previous year's levels. All four banks generated net income in operating terms and after tax during the period under review. But only two banks produced results that exceeded the previous year's levels. Likewise, only two of the four banks improved their return on equity after tax and their cost/income ratio. A majority of the banks faced rising administrative expenses, and two banks saw their net trading income fall. In contrast, all banks increased their net interest income after the allowance for losses on loans and advances, and three of them improved their net fee and commission income. As a result of writedowns presumably associated with the sovereign debt crisis, statements about the course of the fourth quarter would be fraught with uncertainty.

In 2011, the DAX lost nearly 15 % of its value. The shares of the three major banks listed in Deutsche Börse's Prime Standard performed even worse than Germany's blue-chip index. On the other hand, Deutsche Postbank AG's share did not just outperform the DAX and the stocks of the other banks during this period – the share posted a significant gain of 16 %. The price of all four banks' stocks reviewed by us remained below their pre-crisis levels of mid-2007.

Significant events at Postbank in 2011

February 1, 2011: Hugo Bänziger joined the Supervisory Board of Deutsche Postbank AG.

February 8, 2011: Deutsche Postbank AG issued another *Jumbo Hypothekenpfandbrief* totaling €1.0 billion. The issue has a term of 10 years and was 2.5 times oversubscribed.

February 9, 2011: The Supervisory Board of Deutsche Postbank AG appointed Hanns-Peter Storr to the Management Board effective March 1, 2011. He was appointed Chief Risk Officer (CRO).

March 25, 2011: Postbank successfully completed the sale of its Indian mortgage lending subsidiary, Deutsche Postbank Home Finance Ltd. (DPHFL), to Dewan Housing Finance Ltd. in a transaction announced in December 2010. The purchase price was INR 10.79 billion, or about €170 million. The deconsolidation yielded income of €55 million.

May 24, 2011: The Annual General Meeting of Deutsche Postbank AG approved all motions by large majorities.

June 17, 2011: The Supervisory Board appointed Frank Strauss to the Management Board effective July 1, 2011. As the Board member responsible for Sales, he oversees Postbank's business with corporate and business customers as well as commercial real estate finance. He also directs the Bank's mobile sales.

September 16, 2011: Deutsche Postbank AG moved from Deutsche Börse's Prime Standard to its General Standard. This change reduced the Bank's reporting requirements.

Postbank's investment focus in 2011

The investments made by Postbank are divided into the categories of business development, legal requirements and life cycle.

Our business development investments consisted of those made as part of the Postbank4Future strategy program to further expand sales channels and customer service systems as well as steps to optimize capital charge in the lending business. The activities related to Postbank4Future were successfully completed in 2011.

The investments we made to implement legal requirements focused in the reporting year on adjustments made in response to altered and additional legal and regulatory requirements, the continued implementation of SEPA, and modifications related to the flat tax and standardized consent to receive advertising.

Our life-cycle investments were directed at software and systems. In August 2011, the release change of core IT systems to the latest SAP version of Banking Services 7.0 was carried out. This represented one further step in the work to promote cooperation with Deutsche Bank in the area of IT and generate long-range cost savings for Postbank.

Net Assets, Financial Position, and Results of Operations

In fiscal year 2011, Postbank generated a consolidated net profit of €111 million (previous year: €138 million). Profit before tax amounted to €78 million compared with €315 million in the previous year. This figure includes non-recurring charges of €906 million, which obscure the strong operating earnings performance of the customer business. This trend was reflected in particular in a significant increase in net interest income.

Among other things, writedowns totaling €632 million were recognized on the Greek government bonds held in the banking book. Postbank wrote down these positions to 27 % of the principal amount in order to take account of the latest developments in the Greek sovereign debt crisis. Administrative expenses increased compared with the previous year, primarily due to one-time integration factors. However, the Bank again benefited from a decline in the allowance for losses on loans and advances. The negative effects from the Bank's other risk positions also declined considerably. For example, the negative effects from the structured credit portfolio shrank from €426 million in 2010 to €19 million in the year under review. At the same time, systematic derisking reduced total assets by more than 10 %. We therefore also made very significant progress in improving our capital backing. The Tier 1 ratio in accordance with Basel II rose to 10.8 % from 8.1 % at the end of the previous year.

Postbank's successful business model centers on the sustainable income streams from the retail, business, and corporate customers business. We successfully further expanded the customer business in 2011, increasing its contribution to earnings (before tax). The contribution made by the Retail Banking segment increased from the strong prior-year figure to €940 million. The Corporate Banking segment's earnings benefited from the reduction in the allowance for commercial loans and advances, among other things, and grew by a good 17 % compared with the previous year. However, we faced challenges in the Transaction Banking segment, whose earnings were negatively affected by the loss of a client, and the Financial Markets segment, which was impacted by the writedowns of Greek government bonds.

As in 2010, Postbank achieved a consolidated net profit during the year under review. We strengthened the foundation for profitable growth thanks to the successful performance of our retail, business, and corporate customers business. The individual income and balance sheet items are explained in detail in the following. Unless otherwise stated, the comments on individual income statement items relate to the comparison with the figures for fiscal year 2010.

Income statement

Net interest income

Net interest income was a key growth driver for Postbank's operating income in 2011. It rose by a significant 6.6 % or €179 million to €2,910 million. At €753 million, the contribution made in the fourth quarter was higher still than the amounts recorded in the strong preceding quarters. Growth in net interest income was driven by the customer business. The contribution to earnings from the savings and installment loan businesses in particular increased significantly year-on-year. Competition in the deposit business – especially the traditional savings business – intensified during the second half of the year. The continued comparatively low level of interest rates represents additional challenges for deposit-rich banks such as Postbank, which could not be offset by a yield curve that remains relatively steep in long-term comparisons.

With regard to net interest income, it should also be noted that interest income from impaired assets (unwinding) was down year-on-year as a result of disposals, among other things, declining by a significant €48 million to €84 million. In contrast, net gains on hedges rose from €–26 million in 2010 to €38 million in 2011.

Net trading income

Net trading income improved by €305 million year-on-year to €64 million. This increase is primarily due to the decrease in the negative effect from embedded derivatives (including the elimination of currency risks) in the structured credit substitution business. These items made a positive contribution of €4 million to net income in the year under review, after a negative effect of €342 million in 2010. The fair value option used by our BHW Bausparkasse AG subsidiary to manage interest rate risk resulted in a net loss of €24 million, compared with net income of €21 million in 2010. Hedging of medium- to long-term foreign currency liquidity also generated a positive contribution to net trading income. This was primarily due to increasing demand for USD liquidity and the associated widening of the basis swap spread. This effect will reverse over the period during which the hedges remain outstanding (pull to par effect).

Net income from investment securities

At €–554 million, net income from investment securities was significantly lower than the prior-year figure of €–1 million. This is primarily attributable to the writedown of our Greek government bond holdings, which had a carrying amount of €195 million as of December 31, 2011. The bonds categorized as loans and receivables were written down to 27 % of their principal amount. Greek government bonds classified as available for sale were written down to their fair value. The exposure to Greek government bonds was written down by a total of €632 million during 2011 in response to developments in the period up to the preparation date of the financial statements.

Other negative effects from the Bank's risk positions declined tangibly in 2011. We recognized impairment losses and disposal losses totaling €23 million on our structured credit substitution business, compared with €84 million the previous year. Impairment losses on retail funds and investments still held in our portfolio amounted to €8 million (previous year: losses of €19 million) in the year under review. The measurement and disposal losses on other risk positions, which primarily include losses on realization in the course of derisking activities, amounted to €65 million (previous year: losses of €10 million).

In the first quarter of 2011, we recognized the proceeds of the sale of the interest in Deutsche Postbank Home Finance Ltd. in India (€55 million) in net income from investment securities.

Net fee and commission income

Net fee and commission income declined by €64 million or 4.9 % to €1,252 million. This trend – which we had largely expected – mainly reflects the decline in fee and commission income from our banking business. This was €40 million lower than the prior-year figure, which had been bolstered by a number of non-recurring factors. The investment we made in our free checking account had a negative impact, as we reduced the minimum limit for incoming payments at the beginning of the second quarter of 2010. This measure contributed to further increasing the number of checking accounts. As a result, our checking accounts rose above the five million mark in the second half of 2011, extending our position as the largest provider in Germany. Net income from securities also declined considerably, clearly reflecting the caution of our customers because of the ongoing turbulence on the international capital markets.

Net fee and commission income from business generated by postal services and new services was more or less stable year-on-year, due in part to the acquisition of 277 new branches in 2010. As expected, however, Transaction Banking recorded a decline due to the retransfer of the payment transaction settlement services previously performed for the former Dresdner Bank to Commerzbank.

Total income

Postbank's total income declined by 3.5 % to €3,672 million, largely due to the writedowns on Greek government bond holdings. Adjusted for these negative effects, the figure would have grown by a good 20 %.

Allowance for losses on loans and advances

The allowance for losses on loans and advances recorded an encouraging performance. It amounted to €383 million, €178 million lower than in the previous year. The net addition ratio for the customer loan portfolio was a historically low 35 basis points, compared with 50 basis points in 2010. We benefited from a substantial year-on-year decrease in the allowance for losses on loans and advances in the area of international commercial real estate finance and corporate finance, as well as comparatively high stability in our credit portfolio in the retail banking business, with a significant proportion of highly collateralized German real estate loans.

Administrative expenses

Various one-time expenses led administrative expenses to increase by 9.2 % or €270 million to €3,204 million. First, we recognized staff-related provisions of €142 million in the course of our efficiency initiatives and, second, we harmonized the accounting treatment of obligations under partial early retirement programs, which resulted in an expense of €77 million. It should also be borne in mind that other administrative expenses include, among other things, additional expenses for 2011 of €54 million relating to the acquisition of 277 additional branches from Deutsche Post at the start of the third quarter of 2010. In 2011, we also recognized the expenses relating to the banking levy for the first time (€23 million). In addition, we recognized impairment losses of €18 million on portfolio properties.

The non-recurring expenses and new cost items mean that the positive operating cost trend is not apparent in the figures reported. We will continue to pay close attention to administrative cost management over the coming periods. The efficiency initiatives already implemented should make a tangible contribution to this.

Other income and expenses

Net other income and expenses amounted to €–7 million, following €5 million in the previous year.

Profit before tax and consolidated net profit

Profit before tax amounted to €78 million, compared with €315 million in the previous year.

Income taxes made a positive contribution of €34 million, partly as a result of tax-free income from the sale of the subsidiary in India and the reversal of valuation allowances on deferred tax assets. Consolidated net profit in 2011 amounted to €111 million, compared with €138 million in 2010.

Postbank's total comprehensive income amounted to €87 million (2010: €376 million). The revaluation reserve included in this figure declined from €–273 million at the end of 2010 to €–306 million at the end of the reporting period.

Earnings per share

Earnings per share were €0.51 (previous year: €0.63). The return on equity after tax amounted to 1.9 %, compared with 2.5 % in the previous year, while the cost/income ratio was 87.3 % (previous year: 77.1 %).

Segment Reporting

Postbank has thoroughly revised its segment reporting with the aim of further increasing transparency, and implemented the changes as of the first quarter of 2011. The main change is the clear allocation of the banking and trading books to the Financial Markets segment, coupled with the recognition of the corresponding net income there. In the course of this change, the previous Others segment was discontinued and a new segment, Cost Centers/Consolidation, was introduced. The changes are explained in detail in Note 39 of this Annual Report. The prior-year figures that follow have been adjusted accordingly. 139

Retail Banking

Profit before tax in the Retail Banking segment grew by 3.5 % to €940 million in 2011. This was due primarily to a clear rise in net interest income by 4.6 % year-on-year to €2,448 million. The main reason for this was the strong performance by the deposit and installment loan business, as well as the successive rise in the contribution from the private mortgage loan business.

Net trading income – which is generated exclusively by our BHW Bausparkasse AG subsidiary, part of this segment – amounted to €–9 million, down €24 million year-on-year. This decline is mainly due to measurement effects under the fair value option, which we apply to hedge interest rate risk in our mortgage loan portfolio.

Net fee and commission income declined by 3.6% to €1,041 million. We had largely anticipated this decline, which is partly attributable to the reduction in the minimum limit for incoming payments for our free checking account – a successful investment made to boost this product's appeal. In addition, the surplus generated by the insurance business had profited from a one-time effect in the previous year and therefore decreased in the current year, as did net fee and commission income from the securities business.

Total income amounted to €3,479 million following €3,431 million in the previous year.

Administrative expenses rose by only 3.7 % to €2,259 million, despite the acquisition of 277 additional branches at the beginning of the third quarter of 2010 and the recognition of staff-related provisions amounting to €36 million. This underlines Postbank's continuing strict cost discipline, which we will continue to give priority to in future.

The allowance for losses on loans and advances declined significantly by 16.9 % or €60 million to €295 million. This is due among other things to the continuing positive economic trend in Germany and the related healthy situation on the labor market. These developments have led to a decline in the required allowance for losses on loans and advances in the entire retail banking business, which is dominated by our very granular and highly collateralized private mortgage lending business.

Net other income and expenses amounted to €15 million, following €10 million in the previous year.

The cost/income ratio for the segment increased from 63.5 % to 64.9 %. The return on equity before tax amounted to 53.0 %, following 57.9 % in the previous year.

Corporate Banking

Profit before tax in the Corporate Banking segment grew by 17.3 % or €66 million to €448 million. This was due mainly to the clear decline in the allowance for losses on loans and advances.

At €567 million, net interest income for the segment declined by 9.1 % year-on-year. This decrease is due among other things to lower interest income from impaired assets (unwinding in accordance with IAS 39), which declined from €97 million in the previous year to €44 million in 2011 in line with the declining allowance for losses on loans and advances.

As in the previous year, net trading income broke even. Net income from investment securities was €0 million, following €–14 million in the previous year. Net fee and commission income declined by €17 million to €106 million, mainly due to the decline in net fee and commission income from the lending business.

Total income thus amounted to €673 million, following €733 million in the previous year.

Administrative expenses were almost unchanged year-on-year at €152 million (2010: €151 million).

The allowance for losses on loans and advances benefited from Germany's strong economic performance and from a tangible reduction in risk provisioning in international commercial real estate finance. The allowance for losses on loans and advances improved sharply from €209 million in the previous year to €85 million.

The return on equity before tax for the segment rose to 115.8 %, following 115.2% in 2010. The cost/income ratio was 22.6 %, up from 20.6 % in the previous year.

Transaction Banking

The profit before tax in the Transaction Banking segment was impacted in 2011 by the planned reintegration into Commerzbank of payment transactions that we previously handled for the former Dresdner Bank, which was completed in the second quarter. As a result, the segment's profit before tax declined by €19 million year-on-year to €48 million. Restructuring measures implemented at an early stage, for example early retirement arrangements and process optimization measures, and good cost management considerably softened the expected decline.

Net fee and commission income decreased by €36 million to €327 million, while administrative expenses were reduced by €23 million to €295 million.

Net other income and expenses amounted to €14 million, following €20 million in the previous year. This decline was primarily attributable to the smaller volume of project services.

As a result, the cost/income ratio for the segment increased from 87.1 % to 89.7 %.

Financial Markets

The income before tax recorded by the Financial Markets segment in 2011 declined by €224 million year-on-year to €–795 million. As the banking books are attributed to this segment, the writedowns of holdings of Greek government bonds are recognized by Financial Markets, which explains most of the segment's negative earnings trend. In contrast, the decline in negative effects from the Bank's risk portfolios, especially from the structured credit substitution business, had a positive effect.

The segment's net interest income improved by €116 million to €–112 million, largely due to an improved hedging result.

Net trading income increased by €334 million to €79 million. This encouraging performance is primarily attributable to the decline in negative effects from the Bank's risk portfolio – in particular the structured credit portfolio. The measurement of embedded derivatives in this portfolio (including currency hedging transactions) resulted in positive effects amounting to €4 million in 2011, compared with negative effects of €342 million in the previous year.

The writedowns of Greek government bonds led to a net loss from investment securities of €612 million, compared with net income of €18 million in the previous year.

The profit reported by the segment includes negative effects from our structured credit portfolio, including associated currency hedging transactions, of €19 million (previous year: negative effects of €426 million). A positive €4 million of this amount (previous year: €–342 million) is attributable to net trading income and €–23 million (previous year: €–84 million) to net income from investment securities.

Net fee and commission income declined by €7 million to €–12 million. Administrative expenses increased by €26 million to €132 million due to the initial recognition of the banking levy in the amount of €23 million and non-recurring expenses from the closure of our office in Frankfurt, as well as the relocation of the remaining activities to the head office in Bonn.

As a result, the segment's return on equity and cost/income ratio were negative.

Cost Centers/Consolidation

This segment combines the items of the former Others segment remaining after the reallocation of the banking and trading books (i.e., primarily unallocated costs of the central functions, including attributable integration expenses) and the previous Consolidation segment.

The segment's loss before tax widened by €92 million to €563 million. This is primarily due to a sharp rise in administrative expenses, which increased from €181 million to €366 million in 2011. The increase is attributable to the recognition of staff-related provisions of €101 million for this segment and the harmonization of the accounting treatment of obligations under partial early retirement programs, which resulted in a non-recurring expense of €77 million.

Net income from investment securities amounted to €59 million, following €0 million in the previous year. This increase is largely due to the result of the sale of our Indian subsidiary that was recognized in Q1 2011.

Net fee and commission income amounted to €–210 million, after €–245 million in the previous year. This item is mainly used to consolidate payments for the provision of payment services for Postbank with the corresponding administrative expenses, which are recognized in income for the Transaction Banking segment.

Total Assets

Total assets

Postbank's total assets were considerably reduced through active balance sheet management, and amounted to €192.0 billion at the end of 2011, compared with €214.7 billion at the end of 2010.

The assets side of the balance sheet reflects the fact that we systematically continued our strategy of scaling back capital market investments and risk, and again reduced investment securities. The decrease in the positive and negative fair values of derivatives in the banking book also played a role in the reduction of total assets.

Loans and advances to customers

Loans and advances to customers, which include securitized assets such as promissory note loans, declined by €1.1 billion as against year-end 2010 to €110.7 billion. This is mainly due to a reduction in the portfolios in the commercial finance business.

Private mortgage lending remained stable year-on-year and amounted to €71.3 billion (previous year: €70.5 billion). This figure includes a €1.5 billion reduction in the purchased mortgage lending portfolios to €5.3 billion. By contrast, self-generated mortgage lending rose by €1.4 billion to €68.6 billion. The installment loan business also expanded by €0.5 billion or 12.2 % to €4.4 billion.

Money and capital market investments

We significantly improved Postbank's balance sheet structure in the reporting period. This is reflected in particular in our 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 of €21.5 billion or 22.6 % to €73.7 billion.

Loans and advances to other banks rose by €8.2 billion compared with the end of 2010 to €20.3 billion, primarily as a result of an increase in securities repurchase transactions.

In line with our strategy, holdings of investment securities were reduced significantly by a further €12.5 billion to €46.5 billion. The notional volume of our structured credit portfolio decreased further, from €3.7 billion as of December 31, 2010, to €2.0 billion as of December 31, 2011. This reduction in our investment securities was mainly achieved by allowing positions to expire rather than reinvesting them, as well as by actively reducing them as market opportunities presented themselves. As a result, at the reporting year-end we almost achieved the goal we had set ourselves for the end of 2013 of reducing the volume of investment securities to approximately €45 billion.

Trading assets decreased by €17.3 billion as against the end of the previous year, to only €6.9 billion. We have significantly reduced our portfolio of interest rate swaps as part of our total assets management strategy. As a result, trading assets and liabilities declined substantially.

Amounts due to customers

On the liabilities side, amounts due to customers fell by €2.4 billion from the high level recorded in 2010 to €134.1 billion, with savings deposits declining by €2.5 billion to €47.9 billion.

Total customer deposits decreased to €113.0 billion at the 2011 year-end, €3.2 billion less than at the end of 2010. The high levels of deposits generated by our business strategy mean that Postbank can largely avoid uncovered refinancing on the capital markets – a liquidity position that clearly distinguishes it from other providers in Germany and Europe.

Money and capital market liabilities

Money and capital market liabilities, comprising deposits from other banks, debt securities in issue, and trading liabilities, fell by 32.8 % or €20.2 billion to €41.3 billion in line with the change on the assets side.

Deposits from other banks declined from €22.4 billion to €20.0 billion. Debt securities in issue that fell due resulted in this item remaining practically unchanged at €12.7 billion as of the end of the year under review, compared to €12.9 billion as of the end of December 2010, despite the issue of a further *Jumbo Hypothekenpfandbrief* at the beginning of February 2011.

In line with trading assets, trading liabilities decreased sharply by €17.6 billion compared with December 31, 2010, to €8.6 billion.

Equity

Recognized capital was up €82 million as against December 31, 2010, at €5,709 million. The key factor contributing to this development was the consolidated net profit of €111 million. The revaluation reserve included in recognized capital declined from €–273 million at the end of 2010 to €–306 million. This was due to the slightly negative net changes in present value of the items recognized here in 2011.

The Tier 1 capital ratio under Basel II increased substantially to 10.8 %, compared with 8.1 % at the end of 2010. This means that we have already significantly exceeded our 2012 year-end target of a 9.5 % ratio.

Overall, the action taken by Postbank since 2008 to strengthen its capital position, improve its risk profile, and reduce risk positions has played an important role in substantially increasing the Tier 1 capital ratio.

94

Details on the expected effects of Basel III can be found on page 94 in the Report on Expected Developments.

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

On January 10, 2012, Deutsche Bank AG and Deutsche Postbank AG agreed to enter into negotiations on a control and profit and loss transfer agreement between DB Finanz-Holding GmbH (a wholly-owned subsidiary of Deutsche Bank AG) as the controlling company, and Deutsche Postbank AG as the dependent company.

We expect that, once negotiations are successfully concluded, the Annual General Meeting of Deutsche Postbank AG on June 5, 2012, will be able to resolve on the approval of the control and profit and loss transfer agreement.

On January 31, 2012, Postbank entered into a cooperation agreement with norisbank GmbH, Berlin, that will enable the two banks to increase their cooperation in future.

Risk Report

Summary overview of risk exposure

The economy is expected to cool in 2012 following a solid performance throughout Europe in 2011 and excellent real growth in gross domestic profit (GDP) in Germany. Whereas forecasts for Germany still see a slight increase in GDP, a mild recession is anticipated for the eurozone as a whole. The liquidity situation at eurozone banks is likely to remain strained. More and more parts of the eurozone banking sector became dependent on the ECB's liquidity measures in the course of 2011, including an increasing number of banks in core European countries, particularly in France and Italy. Spreads on government bonds in the eurozone, and especially in the peripheral countries, remain high. This reflects both doubts as to the solvency of certain states and general risk aversion.

Overall bank risk

Risks entered into are regularly identified, measured, and monitored, and mitigated as part of the ICAAP (Internal Capital Adequacy Assessment Process), and are included in the overall management of the Bank via the assessment of the Bank's risk-bearing capacity. Group limits for market, credit, and operational risks were consistently complied with in 2011. The Group's risk-bearing capacity was ensured at all times.

Postbank's risk profile changed only marginally as against the previous year. Volatilities initially declined in the second quarter of 2011, only to pick up again sharply in the second half of the year. As a result, the market risk reported also rose tangibly again at the year-end. Retail and business customer lending was boosted by the positive economic environment in the year under review; this – together with the measures taken by the Bank to reduce risk – had a positive effect on the allowance for losses on loans and advances. In contrast, the writedowns of Greek bonds in the course of the debt crisis had a negative impact.

No risks that could impair Postbank's development or even jeopardize its existence as a going concern are discernible at present. A significant downside deviation in our current assumptions as to how the European sovereign debt crisis will develop, coupled with a tangible downturn in macroeconomic condition could impact the performance of the banking sector as a whole, and hence Postbank's performance as well.

Credit risk

The allowance for losses on loans and advances in 2011 was down significantly year-on-year due to the positive trend in customer business (good macroeconomic environment, healthy recoveries in the mortgage lending sector). From a strategic perspective, portfolio management continues to take priority over the acquisition of new business in the non-retail business. As part of its strategic focus for 2011, Postbank toughened its commercial real estate finance strategy for new business and, in particular, increased the new business requirements as the basis for its risk strategy.

The notional volume of the structured credit product portfolio (SCP portfolio) continued to decline in 2011, falling from €3.69 billion as of the 2010 closing date to €1.99 billion. This was primarily due to the active reduction of the instruments held. The losses on the portfolio declined substantially in 2011 thanks to the conservative valuations.

In view of the current debt situation in the so-called GIIPS states (Greece, Ireland, Italy, Portugal, and Spain), the Postbank Group is monitoring its exposure to these countries extremely closely. The (nominal) exposure to sovereign debtors in these countries fell by €944 million in the year under review as a result in particular of instruments maturing, but also of active reductions.

In 2011, Postbank wrote down its exposure to Greek government bonds due to Greece's financial difficulties. Initially, approximately 21% of the principal amount was written down as of June 30, 2011, in view of the planned voluntary involvement of the private sector. This figure was derived from the parameters of the debt exchange program arranged by the Institute of International Finance (IIF). Due to the continuing discussions about the level of haircut required, a recoverable amount for receivables from Greek government bonds was approximated from market prices as of September 30, 2011. Based on subsequent developments as well as continued discussion of the rescue package and the debt exchange for the Greek government bonds categorized as loans and receivables, the recoverable amount as of December 31, 2011 was equal to an average of approximately 27% of the principal amount. When calculating the recoverable amount, assumptions were made, among other things, about the date of the exchange, the coupon rate, and the discount factor. Available-for-sale Greek government bonds were written down to their fair value as of the reporting date. Total impairment losses in the year under review amounted to €632 million.

Market risk

The Postbank Group's market risk in 2011 was dominated by the high level of volatility on the bond markets. Value at risk for the Bank's market risk positions initially saw a clear decline in the second quarter of 2011, but then rose successively in the second half of the year to close above the comparable prior-year figure as of December 31, 2011. This increase was primarily due to the sharp widening of spreads for European government and bank bonds. Although Postbank continued to reduce its holdings of investment securities in the year under review, the fair values of its portfolios are still subject to elevated volatility, resulting in negative effects on their present value and higher levels of risk being reported.

Liquidity risk

Postbank's liquidity situation remains sound due to its stable refinancing basis in the form of customer deposits and its extensive holdings of highly liquid securities.

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

New developments in risk management

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.

The structure of the CRO departments was systematically enhanced in the year under review. For example, effective March 1, 2011, the Lending

back office units were assigned to the Chief Risk Office, which became an organizationally independent board department. Strategic liquidity management was transferred to the CRO board department in the third quarter of 2011. Overall responsibility for the board department was assigned to the newly appointed Management Board member Hanns-Peter Storr (CRO). To continue to do justice to the stricter requirements to be met by risk management, the organizational structure of the Chief Risk Office was modified effective January 1, 2012, on the
64 basis of the structural changes initiated in 2011. The changes are described in detail in the chapter entitled "Organization of risk management", and in particular the sections entitled "Risk committees" and "Centralized risk monitoring and management".

In 2010 and 2011, Postbank implemented a new risk governance concept to enhance risk management. 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. This forms part of a project to revise the Bank's 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 changes to the risk-bearing capacity concept were implemented as of June 30, 2011.
67 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.

Large-scale projects were implemented in the areas of credit risk management and monitoring to refine the models and processes in the retail and non-retail lending business. The process-related work was completed in 2011. The focus was on validating and – where necessary – (re-)calibrating the existing rating models.

The goal of the Bank's A-IRBA project is to obtain approval to use the Advanced Internal Ratings-Based Approach in 2012, along with internal estimates of default-related losses.

At the 2011 closing date, Postbank introduced a new credit portfolio model in the form of a standard market asset value model for measuring credit risk capital requirements ((Credit) Economic Capital (EC)). This not only facilitates the implementation of supervisory requirements but also enhances credit risk management. In parallel, the IT processes for ensuring timely credit risk management were enhanced on the basis of the credit portfolio model. The confidence level used in the calculation is unchanged, at 99.93 %. The new model calculates requirements at individual transaction level and permits EC to be broken down cumulatively into portfolios and subportfolios. Risk is managed at segment level on the basis of the monthly limits approved by the Bank Risk Committee (BRC).

In the area of market risk management, Postbank migrated risk measurement in the banking book as well to a consistent, uniform Group-wide risk model in the year under review. This is based on a Monte Carlo simulation and involved the revaluation in full of all positions. Additional enhancements were made to portfolio management by adding portfolio-specific risk factors and extending the stress tests.

In 2011, Postbank established and made progress with a liquidity risk management project designed to meet new/more specific regulatory requirements. The focus is on establishing/completing the required IT and process infrastructure as well as on future reporting of the new Basel III liquidity ratios.

Postbank fundamentally revised its procedure for quantifying business risk in the first half of the year. Risk is calculated using a scenario-based approach on the basis of the present value. The procedure has a direct and consistent relationship to the method used to determine the economic capital in the risk-bearing capacity concept.

Due to Deutsche Bank's acquisition of a majority of Postbank's shares and Postbank's subsequent consolidation as part of the Deutsche Bank Group, banking supervisory regulations require the conditions for integrated risk management to be put in place. The main focus in the year under review was on developing homogeneous approaches to risk evaluation, risk measurement, and risk control processes and to identifying, assessing, managing, monitoring, and communicating risks, as well as on implementing these in line with the legal framework. As part of this process, maximum transparency was achieved with respect to the differences and commonalities between the organizational structures, processes, and methods at the two institutions. Activities in 2012 will focus on consolidating the risk functions in an overarching organizational structure in compliance with the legal and organizational requirements to be met by the individual legal units. A uniform governance structure is also to be established in addition to an integrated risk organization.

The requirements laid down in the amended version of the Minimum Requirements for Risk Management (MaRisk) dated December 15, 2010, were implemented by the end of 2011 as part of existing projects. Details of the implementation are to be found in particular in the chapter entitled "Overarching risk management" – and within it 67
primarily in the sections entitled "Risk-bearing capacity" and 87
"Risk concentrations and stress testing"– as well as in the chapter entitled "Monitoring and managing liquidity risk".

Postbank has also instituted all preparatory measures required to comply with the stricter requirements under Basel III that will be introduced in stages starting in 2013 in respect of capital adequacy, as well as with minimum liquidity standards, and with the new rules on capital backing for counterparty credit risk, reporting, leverage ratio management, and preventing procyclicality. Further details can be
found in the "New regulatory requirements" section of the chapter 70
entitled "Regulatory requirements" and in the chapter entitled 87
"Monitoring and managing liquidity risk".

Risk types

The risk types that are tracked within the Postbank Group are determined on the basis of a Group-wide risk inventory. The annual risk inventory reviews the materiality of the risk types and the existence of additional, previously untracked risks. When performing the risk inventory, the Postbank Group uses instruments that, in the aggregate, cover all material organizational units and risk areas within the Bank.

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). The changes in value are derived from daily marking to market, irrespective of the carrying amounts of the assets and liabilities.

- Credit risk
  Potential losses that may be caused by a deterioration in the credit quality of, or default by, a counterparty (e.g., due to the insolvency of an issuer, counterparty, or country or to losses being incurred during the settlement or netting out of transactions). Postbank distinguishes between four different types of credit risk: credit and default risk, settlement risk, counterparty risk, and country risk.

- Liquidity risk
  Illiquidity risk is the volume risk associated with 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 cost risk arising from higher refinancing costs when the maturity transformation process is completed resulting from an increase in the Bank's funding spreads on the swap rate.

- 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 definition also covers legal risk, but not reputational or strategic risk. Legal risk consists among other things of the potential requirement to pay administrative or other fines or other penalties resulting from supervisory measures or private law agreements. They can also arise as a result of changes in the legal situation following new rulings or of legislative amendments affecting transactions that have already been entered into; however they do not include the costs of modifying processes to implement changes in the framework.

- Investment risk
  Potential losses due to fluctuations in the fair value of strategic equity investments, to the extent that these are not already included in the other risk types. Equity investments are defined as all equity interests recognized in the financial statements of Deutsche Postbank AG under "equity investments" and "investments in affiliated companies", and investments in companies pursuant to section 16(2) and (4) of the *Aktiengesetz* (AktG – German Stock Corporation Act).

- 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
  The potential adverse effect of a divergence in the behavior of home savings customers from expectations, i.e., deviations between the actual and the forecast behavior of the home savings collective. 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. The term covers savings and checking account risk (formerly referred to as model risk) and residual business risk (strategic risk and reputational risk):

  a) Savings and checking account risk: The risk from unexpected declines in volumes or falling margins that cannot be fully covered by modeling customer products with non-deterministic capital commitments and/or variable interest rates.

  b) 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).

  c) 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 of risk management

The Postbank Group's risk management organization is responsible for identifying all material risks and risk drivers, as well as for independently measuring and evaluating these risks. This lays the foundations for risk- and earnings-driven management of the Bank as a whole. The risk management system aims to accept normal banking risk within a defined framework while strictly reflecting the Bank's risk-bearing capacity, so as to leverage the resulting opportunities for generating business.

Risk management within the Group is the responsibility of the units at head office and the local units networked with these. Unless otherwise noted, all items in the Risk Report specifically relate to these Group functions. Subsidiaries are included in risk management in line with their materiality for the Group. Compliance with specific regulatory requirements relating to subsidiaries is always assured.

Responsibilities and risk strategy

The Group Management Board is responsible for the Bank's risk profile and capital profile, its risk strategy, its risk-bearing capacity concept, and the appropriate organization of risk management, as well as for monitoring the risk associated with all transactions and for risk control.

The control function is exercised by the Supervisory Board and its Loan and Equity Investments Committee. The Management Board regularly informs the Supervisory Board of the Postbank Group's risk profile 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. The risk strategy applies 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 individual business divisions in line with the Postbank Group's risk appetite, risk profile, and target returns. They are defined and documented as part of the risk strategy that is adopted each year on the basis of the divisions' business strategies.

Risk committees

The Management Board has delegated risk management for the individual risk types to the risk committees. The following graphic illustrates the Committees' areas of responsibility:

The Bank Risk Committee (BRC) 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 (CRC) is responsible for managing counterparty credit risk at a strategic level. The Market Risk Committee (MRC) is responsible for the strategic management of market and liquidity risks. This includes a more detailed breakdown in each case of the global limit made available by the Group Management Board. The Operational Risk Committee (ORC) decides on how the risk capital for operational risk is to be allocated to the business divisions and defines the framework for managing operational risk.

Tasks of the risk committees

	Bank Risk Committee	Credit Risk Committee	Market Risk Committee	Operational Risk Committee
Frequency of meetings	I At least quarterly	I At least quarterly	I At least monthly	I Half-yearly
Tasks	Advise the Management Board with respect to: I Risk appetite (economic, regulatory) I Risk strategies and risk profile I Allocation of risk capital I Measures to limit and manage Bank-wide risk positions	I Allocate credit risk limits I Define limit system I Resolve amendments to risk classification procedures I Define standard risk costs	I Allocate market and liquidity risk limits I Manage strategic focus of the banking book I Discuss the Bank's earnings and risk positions	I Define minimum requirements for Group units I Define operational risk parameters I Allocate risk capital amounts to the business divisions

Changes to the composition and powers of the risk committees are planned for 2012. In future, the BRC, in which the Chief Risk Officer is represented, will serve as an overarching risk committee and will bundle issues and submit them in condensed form to the Group Management Board, while the CRC, MRC, ORC, and the future Model and Validation Committee (MVC) will be headed by senior management. The MVC will be responsible for changes and enhancements to risk models and risk classification procedures and for approving the validation reports.

Centralized risk monitoring and management

The Chief Risk Officer 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.

Effective March 1, 2011, the Lending back office units were assigned to the Chief Risk Office, which became an organizationally independent board department. Strategic liquidity management was transferred to the CRO board department in the third quarter of 2011. Overall responsibility was transferred to the newly appointed Management Board member Hanns-Peter Storr (CRO).

In 2011, the CRO was assigned responsibility within the organizational structure for risk management, which comprises the Risk Management, Risk Analysis, and Market Risk Control units, as well as for credit risk management and the lending back office functions (consisting of the Credit, Corporate Finance, Banking and Capital Markets, Credit Process, Commercial Real Estate Finance, and Credit Workout & Collections units).

Risk management units and tasks

Unit	Tasks
Risk management	Overall bank risk management and reporting including risk-bearing capacity and stress tests Definition of risk strategy and risk profile Management of operational risk
Risk analysis and market risk	Management and reporting of market, liquidity, business, collective, investment, and real estate risks Authority over risk quantification methods and models for all risk types Responsibility for all rating and scoring procedures Quality assurance of market data and fair values for risk management and financial reporting Daily counterparty limit monitoring
Credit risk management	Credit risk management and reporting Credit framework/guidelines Portfolio management Coordination of process for allowance for losses on loans and advances and watch list
Lending back office	Credit approvals, support and credit monitoring for banks, countries, corporates, and real estate finance

Effective January 1, 2012, the organizational structure of the Chief Risk Office as described in the table above and applicable in 2011 was revised on the basis of the changes initiated in 2011. The goal of the changes to the organizational structure is to comply with the increased external and internal requirements to be met by risk management as a result of the financial market crisis. In addition, the aim is to increase active portfolio risk management across different risk types and to bundle all credit decisions. In future, a Chief Operating Office will be responsible for ensuring that loan processing standards are adhered to and for central project and resource management for the Chief Risk Office. The Risk Management and Credit Risk Control units ensure that all risk types are managed. The Credit Office with its Credit Analysis and Credit Service Workout & Collection Retail units will bundle all credit decisions and implement the business and risk strategies in close cooperation with the sales units.

The Internal Audit unit is a key element of the Postbank Group's process-independent business 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.

Seminars are held on an ongoing basis to ensure that Risk Management employees are appropriately qualified. Consequently, Postbank's centralized training offering also includes courses that are dedicated solely to risk management issues (and particularly to credit risk).

Operational level risk management

Within the Group, responsibility for risk management at an operational level – in the sense of position-taking activities – is spread across a number of units. Chief among these are Financial Markets, the Corporate Finance, Commercial Real Estate Finance, and Banking & Capital Markets credit units, and the Retail Banking credit functions. In addition, the subsidiaries BHW Bausparkasse AG, Deutsche Postbank International S. A. (Luxembourg), PB Capital Corporation (New York), and PB Factoring GmbH, as well as the London branch manage their risks independently using separately defined risk limits, procedures, and processes. By contrast, liquidity risk for the London branch is managed centrally from Bonn.

Financial Markets is broken down into the Treasury and the Chief Operating Office Financial Markets units. Treasury is responsible for managing Group market risk at an operational level. In addition, it performs operational liquidity risk management for the Group, focusing on ensuring solvency at all times by acting as a "lender of last resort". The Chief Operating Office Financial Markets is responsible for managing the SCP portfolio for the Bank as a whole. The Risk Analysis unit is responsible for developing, validating, and calibrating the rating models, whereas the Credit Risk Control unit performs limit monitoring, reporting, and management. The Lending Policy unit is responsible for issuing standards on the treatment of credit risk exposure.

A two-tier organizational structure with decentralized operational risk managers has been created for each unit and subsidiary to ensure the management of operational risk at an operational level. Operational Risk Control is responsible for central coordination and reporting. Postbank's Legal Affairs department is primarily responsible for identifying and managing legal risk.

Investment Management manages investment risk at an operational level in line with the investment strategy by providing support for the governing bodies. Postbank primarily influences the business and risk policies of its equity investments through their shareholder and supervisory bodies, where it is usually represented by members of its Management Board.

Within the Postbank Group, risks from real estate holdings are monitored and managed on an ongoing uniform basis by the Real Estate Management unit, which is part of the Real Estate, Support, and Security department within the Resources board department.

BHW Bausparkasse AG is responsible for the decentralized operational management and monitoring of collective risk.

Risk Analysis and Market Risk Control perform central risk analysis and reporting for savings and checking account risk and for strategic business risk; responsibility for these business risks remains with the relevant front office units.

The individual board departments are responsible at an operational level for achieving the goals defined for them as part of the business strategy and for complying with the framework set for them, and by doing so contribute to the operational management of business risk.

Overarching risk management

Risk-bearing capacity

The Bank's risk-bearing capacity is assessed both from the perspective of a liquidation approach (economic creditor protection) and in line with the going concern concept (regulatory going concern approach).

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

For the purposes of economic creditor protection, risk potential is calculated using a confidence level of 99.93 %. In this approach, the risk cover amount represents the economic asset value and is derived from the IFRS consolidated financial statements.

Under the regulatory going concern perspective, the difference between Tier 1 capital for regulatory purposes and the minimum Tier 1 capital required to satisfy Postbank's risk appetite is calculated. The resulting free Tier 1 capital and the planned income represent the risk cover amount. Under this approach, risk potential is calculated using a confidence level of 95 %.

The underlying concepts were revised to take account of increasingly detailed regulatory requirements. With regard to risk measurement, enhancements to the risk-bearing capacity concept mainly relate to the quantification of business risk and the risk aggregation methodology. The structural composition of the risk cover amount remained unchanged. Components that are not available in the long term, such as current subordinated debt and deferred taxes, were deducted. Other adjustments led to changes in the measurement of the customer business with respect to the calculation of the risk cover amount. As a result, Postbank met the regulatory requirements – including with respect to the paper published by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Federal Financial Supervisory Authority) on December 7, 2011, entitled "Aufsichtsrechtliche Beurteilung bankinterner Risikotragfähigkeitskonzepte" ("Assessment from a Supervisory Law Perspective of Banks' Internal Risk-bearing Capacity Concepts").

Risk capital and risk limitation

The capital from the risk cover amount that is allocated to the various units and risk types is known as risk capital. Risk capital allocation is reviewed on at least a quarterly basis by the Group Management Board and/or the BRC and adjusted as necessary. The risk committees are responsible for breaking down the risk capital allocated to the individual risk types in greater detail and, where appropriate, incorporating it in a limit system.

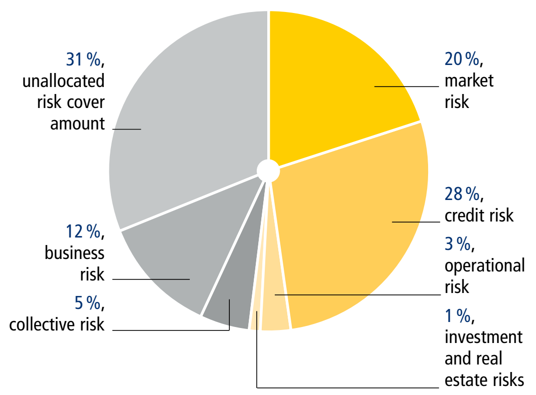
63

Economic capital is allocated to all the risk types listed in the chapter entitled "Risk types" with the exception of liquidity risk. Postbank engages in active liquidity management and control to prevent the risk of illiquidity. Real estate risk and investment risk are not considered to be material.

Risk capital allocation takes both potential fluctuations in the risk cover amount and risk-neutral stress scenarios into account. When determining total risk capital requirements, diversification effects arising from correlations between risk types are calculated conservatively on the basis of Postbank-specific data; these reduce the risk capital provided. Risks associated with specific business models (operational risk, collective risk, business risk) make a particular contribution to the diversification effect. Market, credit, real estate, and investment risks generally have moderate diversification effects.

The percentage allocation of the Postbank Group's economic creditor protection risk cover amount by risk type, after factoring in correlation effects, is as follows for fiscal year 2011 (calculated as of December 31, 2011):

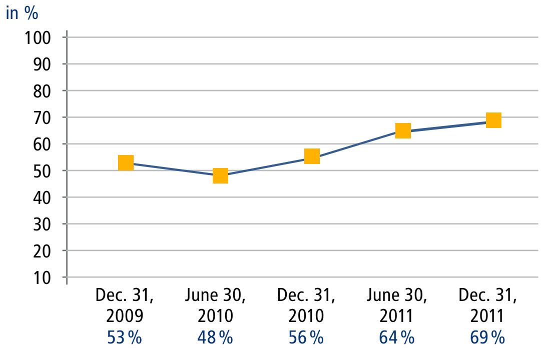
Breakdown of the Postbank Group's risk cover amount by risk type (approved risk capital)



The absolute amount of economic creditor protection risk cover and a breakdown of the absolute amount of risk capital by risk type as of December 31, 2011 and the previous year are given in Note 48 of this Annual Report. 154

The following graphic shows the development of approved risk capital in relation to the total risk cover amount:

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



Ratio of approved risk capital to risk cover amount

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

Risk cover utilization, measured in terms of the allocated risk capital after diversification, amounted to 69 % as of the reporting date. This represents an increase in the utilization of the risk cover amount of 5 and 13 percentage points respectively as against December 31, 2010, and June 30, 2011. The rise in utilization as against the first half of 2011 is primarily attributable to the revision of the concept mentioned earlier. The risk-bearing capacity of the Postbank Group was therefore assured at all times.

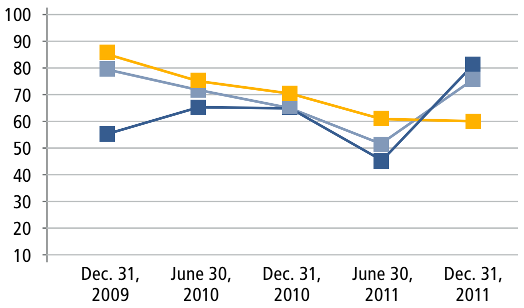
In addition to limiting the risk positions for the individual risk types on the basis of the allocated risk capital, product, volume, and sensitivity limits are used to restrict risk concentrations in individual positions or risk types above and beyond the risk positions themselves.

Market risk is managed by allocating VaR and loss 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 by defining a target portfolio. The retail business volume is managed using variance analyses. In the case of operational risk, limits and warnings thresholds are defined for each segment. The other risk types are not managed using operational limits. The allocated risk capital represents the conservatively calculated future capital requirements.

Since Postbank aims to improve the impact of its management measures on the risks by managing limits more actively, higher limit utilization must generally be expected.

The following graphic depicts limit utilization for operationally managed risk types over time:

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



	Dec. 31, 2009	June 30, 2010	Dec. 31, 2010	June 30, 2011	Dec. 31, 2011
Market risk	56 %	66 %	65 %	46 %	81 %
Credit risk	80 %	72 %	67 %	51 %	77 %
Operational risk	87 %	77 %	70 %	62%	60 %

The risk capital for market risk was decreased in 2011 in view of the reduction in market risk exposure. The market risk resulting from the positions rose clearly as of year-end 2011 due to the escalation of the sovereign debt crisis in the second half of the year. In addition, Postbank slightly reduced 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 account deposits), for investment risk, real estate risk, and for collective risk (implementation of a new calculation model and replacement of the existing buffer) were adjusted in 2011. The introduction of the new model for measuring risk capital from credit risk (db-CDE) resulted as expected in a non-recurring increase in risk capital. The limit buffer established at the end of 2010 to compensate for uncertainties in the model will not be needed in the future.

As of December 31, 2011, the ratio of risk to the risk cover amount used to safeguard the defined Tier 1 capital ratio was 43 %. The available risk cover amount is currently considered sufficient for compliance with defined minimum Tier 1 capital requirements.

Risk concentrations and stress testing

Concentrations of credit, liquidity, market, and other risks are identified and monitored using sensitivity analyses and stress tests, among other things, and are limited using risk factor or gap limits (in the area of interest rate risk and spread risk). These risks are managed as part of daily management activities (e.g., via hedging). The holdings of government and bank bonds from certain European countries are particularly relevant in this context due to their spread risk.

In the course of credit portfolio management, risk concentrations are systematically identified and reported at the borrower unit level as well as at sector level (industries, regions, categories of collateral, etc.) and limited using a predetermined procedure that takes risk-bearing capacity and risk/return considerations into account. In 2011, Postbank took measures to enhance its credit portfolio management; these included laying down guidelines for improving the management of risk concentrations in its credit manual. The focus is on specifically identified sectors – commercial real estate finance, banks, and countries – for which additional rules exist above and beyond the limit matrix applicable to corporates. Segment-specific risk assessment reports and the risk circles used in risk management have significantly extended operational management of risk concentrations.

In addition to reducing its government bond portfolio, the Financial Markets segment is continuing to pursue an active de-risking strategy in its bank portfolio in particular, in order to mitigate concentration risk, among other things. In the second quarter of 2011, it adopted a strategy designed to prevent specific regional concentration risks for its commercial real estate portfolio in the U.S.A. and the United Kingdom.

At present, based on the confidence level of 99.93 % used, risk concentrations are particularly perceptible with respect to eurozone states as well as in the structured credit portfolio (SCP), as before. Reporting of the credit economic capital (EC) and the associated risk concentrations is a key component of Postbank's credit risk report.

Due to its business model – that of a retail bank operating primarily in Germany – Postbank is also subject to earnings risk in the sense that the earnings generated from its customer business could be lower than planned. Such earnings risk is monitored with the help of the Controlling department as part of the planning process. This involves monitoring earnings risk concentrations using sensitivity analyses and statistical techniques, and taking appropriate measures to manage it.

End-to-end risk assessment is ensured, at a minimum, by regularly subjecting the key risk types for which operational limits are used (credit, market, and operational risks) to defined scenario analyses and stress tests as part of the assessment of risk-bearing capacity. Stress tests across all risk types at the level of the Bank as a whole are supplemented by inverse stress tests and risk type-specific stress tests. The stress tests are performed as required by market developments and are continuously and dynamically enhanced on the basis of Postbank's risk profile.

New products process

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.

Group-wide risk reporting

Postbank's risk reporting focuses on risk-bearing capacity and risk utilization in the individual risk types and comprises a large number of regular and one-off reports. Above and beyond the regular management reports, rules have been established for an ad hoc early warning reporting system that is differentiated by risk type. This means that recipients can be kept informed of changes in relevant parameters in a timely manner. The following table provides an overview of the content of the key reports, their publication frequency, and their recipients, broken down by risk type.

Group-wide reporting

Topic	Report contents	Frequency	Addressees
Cross-risk type	I Risk-bearing capacity, individual risks, concentration risk, stress test results	Quarterly	Supervisory Board, Group Management Board Bank Risk Committee
Market risk	I Risk indicators, limit utilization, revenue, performance calculated on a present value basis	Daily	Group Management Board, operational front office units
	I Market developments, market risk trends, earnings and risk indicators, stress test and scenario analyses, backtesting results	Monthly	Group Management Board, operational front and back office units, supervisory authority
	I Risk indicators, limit utilization, performance calculated on a present value basis, stress test and backtesting results	Monthly	Market Risk Committee
Credit risk	I Counterparty limit monitoring	Daily	Group Management Board, operational front and back office units
	I Portfolio development/early warning, specific portfolio analyses, key performance indicators, rating distributions, country risk including GIIPS reporting, limit utilization including EC/risk-bearing capacity trends, trends in allowance for losses on loans and advances including variance analyses, problem loans/watch list, risk concentrations, RWA trends, EL trends, results of scenario analyses/stress tests, mandatory MaRisk disclosures	Quarterly	Group Management Board, Loan and Equity Investments Committee, Bank Risk Committee, Credit Risk Committee
Liquidity risk	I Liquidity status including limit utilization, cash flows, liquidity sources	Daily	Group Management Board, Market Risk Committee, Financial Markets
	I Liquidity status including limit utilization, cash flows, liquidity sources, results of scenario analyses/stress tests	Weekly	Chief Risk Officer, Financial Markets
	I Liquidity status including limit utilization, cash flows, liquidity sources, results of scenario analyses/stress tests, liquidity trends	Monthly	Group Management Board
Operational risk	I Loss events	Weekly	Fraud Committee, Operational Risk Committee
	I Losses, indicators, compliance with warning thresholds, high-frequency losses, utilization of VaR limits	Monthly	Group Management Board, Operational Risk Committee
Business risk	I Volume growth in customer products	Daily	Group Management Board, operational front and back office units
	I Risk indicators, stress test results	Monthly	Group Management Board, Market Risk Committee

The other risk types – investment risk, real estate risk, and collective risk – are included as individual risks in the reporting on overall bank risk. In addition, information on collective risk is provided to the MRC on a monthly basis.

There is an ad hoc escalation requirement for all decision-relevant events and developments, regardless of the risk type involved.

Regulatory requirements

Capital requirements

Postbank has calculated its capital on the basis of Basel II since January 1, 2007. It uses the Basic IRB Approach for calculating capital requirements and the IRB Approach for calculating the capital requirements with respect to its retail business.

As of the reporting date of December 31, 2011, Postbank calculated the regulatory capital requirements for the following portfolios grouped by exposure class in accordance with the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation) 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 (Deutsche Postbank AG 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, and other non-credit obligation assets.

Postbank uses the Credit Risk Standardized Approach (CRSA) for the portfolios not calculated in accordance with the IRB approaches. These primarily relate to the following portfolios: overdrafts and collection activities in the retail banking business, portfolios belonging to the other subsidiaries in the Postbank Group with the exception of BHW mortgage loans, business from discontinued operations, and exposures to public-sector counterparties from 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 and still use the CRSA. Risk weighting of the other equity exposures and of the non-credit obligation assets is performed using regulatory risk weights.

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 in 2012. Ultimately, the supervisory authority must give its approval.

Postbank currently uses the supervisory Standardized Approach to calculate capital requirements for market risk. At the end of February 2011, Postbank announced a revised trading strategy that is tending to result in a reduction in trading book volumes and hence in market risk. As a result, Postbank withdrew its application for BaFin to approve its internal market risk model in May 2011.

Postbank has used the Advanced Measurement Approach (AMA) for calculating capital requirements for operational risk since 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 *Kreditwesengesetz* (KWG – German Banking Act), Deutsche Bank AG, as the superordinate institution of the Deutsche Bank Group, published its Pillar III Disclosures in accordance with the SolvV/Basel II as of December 31, 2010, on its website. Postbank therefore no longer publishes separate Pillar III Disclosures.

Liquidity requirements

Postbank 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. Postbank calculates its liquidity ratios on the basis of the supervisory Standardized Approach in accordance with sections 2 to 7 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".

Minimum Requirements for Risk Management (MaRisk)

With respect to MaRisk, Postbank implemented all outstanding measures in 2011 to meet the additional requirements under the new version of the MaRisk published on December 15, 2010, with respect to the integration of the supervisory bodies, the treatment of risk concentrations and of liquidity risk, and risk management at Group level.

New regulatory requirements

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. The revised Capital Requirements Directive (CRD III) and the resulting amendments to the KWG, the SolvV, and the *Groß- und Millionenkreditverordnung* (GroMiKV – German Large Exposures Regulation) took effect as of December 31, 2011. Postbank complies with all new capital adequacy and large exposure requirements.

In addition, Postbank has taken all preparatory measures required to comply with the stricter capital adequacy requirements that will be introduced in stages starting in 2013, the minimum liquidity standards, and the new rules for capital backing for counterparty credit risk and for preventing procyclicality (Basel III).

Moreover, Postbank has analyzed the inputs for the leverage ratio and the effects of potential scenarios and measures for leverage ratio management, and is preparing to meet future reporting requirements in this area. Additional measures to optimize the leverage ratio are being examined on an ongoing basis.

Monitoring and managing market risk

Postbank uses a combination of risk, earnings, and other indicators to manage its market risk. The changes in value of positions exposed to market risk are derived from daily marking to market. 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 2011, as planned, Postbank continued the de-risking strategy it introduced in 2008 in the light of the financial market crisis. Postbank is cutting its holdings of investment securities by up to 45 % as against the reference date (September 30, 2008) in the period up to 2013, primarily as a result of instruments maturing and sales. In addition to reducing holdings as instruments mature, key activities in the course of 2011 – as in the year before – were the sale of SCP positions and a reduction in the exposure to banks and government bonds. The risk from equity holdings remains negligible.

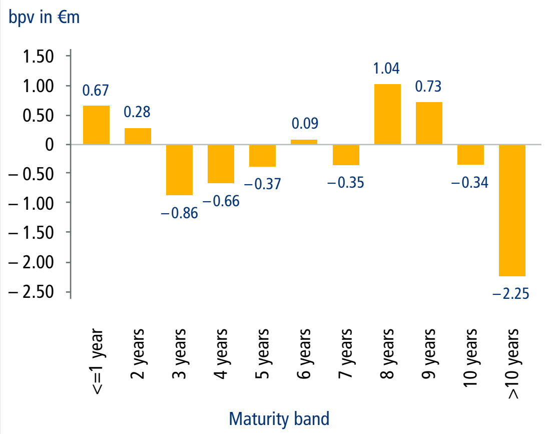
Postbank has defined escalation mechanisms for critical management parameters and for exogenous events so as to account for the relative significance of market risk and the volatility of market movements. These mechanisms make it possible to react promptly to situations in which limits are approached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

Interest rate risk management

Interest rate 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. 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. Those elements of capital made available to the Bank indefinitely are excluded when determining interest rate risk.

Interest rate risk analysis is an integral part of daily market risk measurement in the trading and banking books. The following chart presents the profile of the Postbank Group's open interest rate positions as of December 31, 2011, in the form of a basis point value (bpv) graph:

The Postbank Group's interest rate positions (bpv) as of December 31, 2011



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. Overall, Postbank continued to have a long interest rate position as of December 31, 2011. The chart shows that the long positions as of the reporting date of December 31, 2011, are primarily concentrated in the medium-term (3 to 5 years and 7 years) and long-term (>10 years) maturity ranges. The fundamental interest rate risk positioning in the various maturity bands was modified only slightly in 2011. Total bpv as of December 31, 2011 amounted to approximately €–2.0 million, after approximately €–2.6 million on December 31, 2010. Interest rate sensitivity is primarily the result of positions in euros (bpv: approximately €–0.7 million) and U.S. dollars (bpv: approximately €–1.2 million); interest rate sensitivities to other currencies are immaterial.

The steps taken by Postbank in the year under review to actively reduce interest rate sensitivity included exposure reduction as well as hedging measures using interest rate swaps and interest rate futures.

Value at risk measurement, limit setting, and backtesting

The Postbank Group uses the value at risk concept to quantify and monitor the market risk it assumes. The value at risk (VaR) of a portfolio describes the potential decline in fair value that will not be exceeded in that portfolio within a certain period for a given probability. VaR is calculated consistently for all trading book and banking book positions with market risk exposures, regardless of how they are presented in the financial statements.

VaR is calculated uniformly throughout the Postbank Group using a Monte Carlo simulation. Operational management is based on a confidence level of 99 % and a holding period of 10 days (banking book) or 1 day (trading book). The material risk factors taken into account when calculating VaR are yield and spread curves, share prices, exchange rates, and volatilities. Specific credit spread risks are currently not reflected in market risk VaR.

Correlation effects between the risk factors are derived from historical data. In addition to total VaR, which reflects all correlation effects for the risk factors, VaR contributions are also calculated for the various subtypes of market risk.

Market risk is monitored using a system of risk limits relating to total VaR and the key subtypes of market risk (interest rate risk, spread risk, equity risk, and currency risk). In addition, loss limits are allocated for potential fair value losses in individual portfolios. End-of-day risk measurement and monitoring are used for the whole bank; in addition, intraday monitoring is performed for market risk in the trading portfolios. The overall limits are set by the BRC, with sublimits being allocated to the individual operating units by the MRC. These are dynamic outcome-based limits; any losses incurred over and above the loss limit reduce the limit, while gains replenish it, at a maximum, to the originally defined level. In 2011, fair value losses incurred in certain subportfolios led to limits being utilized in some cases. In the second half of the year in particular, this effect – coupled with the trend toward increased VaR figures – led to limits and warning thresholds being exceeded at subportfolio level; however, at Group level the limit made available was complied with at all times.

In addition to these VaR limits, the MRC has defined sensitivity limits that restrict the credit spread and interest rate sensitivities in the different segments, portfolios, and maturities.

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 mark-to-market backtesting).

Backtesting as of the 2011 closing date did not reveal any outliers for the risk indicators for the trading book; however, the number of outliers in the banking book was outside the statistically expected ranges at 10 (previous year: 5). All backtesting outliers were observed in the second half of the year and are connected with the extreme widening of spreads on sovereign bonds in connection with the European sovereign debt crisis; this was well in excess of the spread changes to be seen under normal market conditions. In 2012, the assumptions and the parameters used in the model will be analyzed to identify potential areas for improvement. However, since the VaR model proved to be highly accurate under the normal market conditions seen in the first half of 2011, as in previous years, it can be assumed in principle that it will continue to be a suitable instrument for determining market risk under normal market conditions in the future.

Stress testing

In addition to the VaR calculations, scenario analyses and stress tests are performed at regular intervals to permit the separate analysis of the impact of extreme market movements. These analyses quantify the effects of extraordinary events and extreme market conditions on the relevant Postbank Group exposures. Scenario analyses and stress tests are performed for all material risk factors. The assumptions underlying the stress tests are validated on an ongoing basis.

In the year under review, as in the past, the scenario assumptions and stress parameters were reviewed at regular intervals, while the range of stress tests performed was also extended. Stress tests comprise both scenarios derived from historical changes in risk factors and hypothetical extreme scenarios. The Group Management Board, the members of the BRC and the MRC, and the Supervisory Board are kept regularly informed of the key results of the scenario analyses. The greatest risks continue to be in the area of interest rates and spreads. In contrast, sensitivities to changes in equity prices, currency rates, and volatilities are significantly less pronounced.

The risk capital allocated to market risk is adequate even in the most adverse of the historical stress scenarios examined.

Particular attention is paid to the requirement to take risk concentrations into account when measuring market risk, for example, by quantifying and analyzing the effects of exposure class-, rating-, or currency-specific stress tests. In addition, risk concentrations are identified using sensitivity analyses. Instruments used in this context include gap analyses, credit spread sensitivity analyses by asset class and credit rating, and analyses of the Group's exposure to equities and foreign currencies.

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

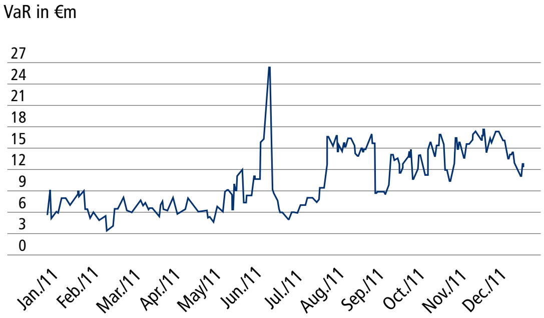
The following value at risk figures for the trading book were calculated for the Postbank Group for the period from January 1 to December 31, 2011, and for January 1 to December 31, 2010 (confidence level of 99 %, holding period of 10 days):

Value at risk, trading book	2011 €m	2010 €m
VaR at year-end	12.3	6.2
Minimum VaR	3.4	2.3
Maximum VaR	25.8	12.8
Average VaR	10.2	5.2
Limit at year-end*	23.0	34.0

*After adjustment for losses reducing the unallocated risk cover amount

The following chart shows value at risk for the trading book in the course of the year under review:

Value at risk, trading book 2011



In the course of 2011, the pronounced market volatility was used in the trading book in particular for short-term positioning on the money markets. Risk positions were increased where market opportunities presented themselves and then reduced again promptly. Overall, VaR rose over the course of the year due to increased market volatility. VaR limit utilization is monitored on an ongoing basis, and the limits were complied with at all times, including at subportfolio level.

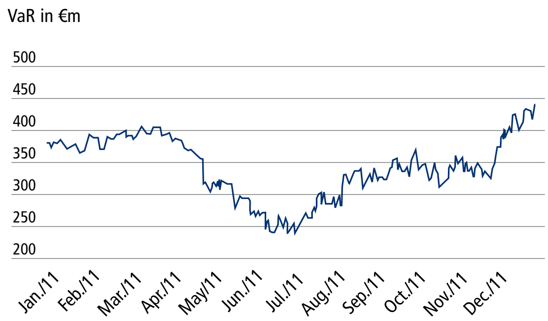
Value at risk for the banking book (confidence level of 99%, holding period of 10 days), which accounts for by far the largest portion of market risk, amounted to €441.7 million as of December 31, 2011 (for comparative purposes: €384.6 million as of December 31, 2010).

Value at risk, banking book	2011 €m	2010 €m
VaR at year-end	441.7	384.6
Minimum VaR	245.7	313.2
Maximum VaR	441.7	406.2
Average VaR	345.0	360.5
Limit at year-end*	523.0	562.0

*After adjustment for losses reducing the unallocated risk cover amount

The calculation incorporates all material market risk-bearing positions in the banking book. In line with the Postbank Group's business strategy, the level of market risk in the banking book is largely determined by the interest rate risk and spread risk. Currency risk, which is mainly incurred as a result of the business activities of Postbank's foreign subsidiaries, is of lesser significance. The present value risks resulting from foreign currency positions are input into the daily market risk measurements and reports. Management focuses on the one hand on present value considerations, and on the other on minimizing potential risk to the income statement as a result of foreign currency positions. Equity risk, which arises among other things from managing the risk associated with customer products, is minor.

Value at risk, banking book 2011



VaR in Postbank's banking book declined in the second quarter of 2011 due to the ongoing de-risking measures and to improvements in the treatment of correlations between market risk exposures at Group units and the decreasing importance for risk factor volatility estimates of the highly volatile market phase in April/May 2011. However, VaR then rose tangibly again in the second half of 2011; this was due in particular to the renewed jump in spread volatilities for European sovereigns and banks as a result of the escalating sovereign debt crisis.

Monitoring and managing credit risk

The Postbank Group uses a target portfolio as a reference for the overall composition of its loan portfolio, which focuses on corporate customers including commercial real estate finance, banks, countries (central and regional governments and local authorities), and retail, in addition to related risk concentrations. This target portfolio was constructed in line with the principle of 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 Banking, an individual profitability analysis is also 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.

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 approval powers, which act as a framework within which decision-making individuals or bodies are authorized to enter into lending transactions. Credit approval powers are defined on the basis of fixed upper limits per group of associated customers (see section 19(2) of the KWG), depending on the rating and amount in the case of corporate banking and the transactions in the case of Financial Markets. An important feature of the credit approval procedure is the separation of front office functions (sales/trading), back office units, and risk management in accordance with the supervisory requirements (MaRisk). A permissible exception to the strict separation of functions according to banking supervision 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 operability of the internal rating systems, as well as for their calibration and validation. In addition, a validation body established at the end of 2010 to provide process support is responsible for ensuring that the results of monitoring are incorporated into the internal reporting system and the Bank's management processes. Postbank's Management Board receives regular information on the operability of the rating systems as well as on the results of the ratings performed as part of the management reporting process. The Bank's Credit Risk Management Lending Policy unit is responsible for monitoring the process. Work in 2011 was focused on the enhancement, ongoing validation and, where necessary, recalibration of the scoring and rating systems. Internal Audit audits the appropriateness of the internal rating systems, including adherence to the minimum requirements for use of the rating systems, on an annual basis.

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. The credit conversion factor (CCF) is calculated to determine the proportion of outstandings under open credit lines at the time of default. For retail checking products, Postbank uses an internal behavior scoring system that individually assesses default risk on the basis of historical account management data and additional external information.

Rating models, which generally comprise a statistical core (statistical balance sheet rating or Monte Carlo simulation of expected cash flows), and which incorporate qualitative, 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 corporate customers, banks, and countries areas.

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 process is based on standard core analyses comprising the following aspects: the stability of the model formula/the estimated inputs 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.

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 approval process, these ratings and scores serve among other things 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 the 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 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 for exposures to corporates in the form of a return on equity (RoE) ratio. The profitability calculation aims to ensure an end-to-end assessment of customer relationships and is performed at product or portfolio level for retail customers, and at an individual level for non-retail customers.

Collateral management

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. In 2011, the collateral processes for accepting and monitoring real estate liens at

Postbank's foreign locations in London and New York and for guarantees underwent further optimization. The basic decision on the approval and use of types of collateral instruments to mitigate credit risk is a component of both the business strategy and the credit risk strategy. The protection instruments principally used by Postbank consist of real estate liens to secure real estate financing, guarantees and credit derivatives, 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 Deutsche Kreditwirtschaft (previously the Zentraler Kreditausschuss (ZKA)), 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 with volumes in excess of €3 million, valuations are always reviewed at the latest after three years by independent, qualified credit specialists or a new appraisal is performed by real estate experts, as appropriate.

Where it is not possible or feasible to immediately realize the collateral furnished to Postbank as security for a loan for legal or economic reasons, its liquidation can be postponed until the legal situation is clarified or until a more favorable economic situation arises, in which case it will be managed and enhanced as well as possible (active/passive retention).

Postbank is planning to introduce a Group-wide multiclient-enabled collateral administration system in order to improve collateral management. The new system will be introduced in a modular process, with the first subportfolios scheduled to go live in 2012.

Credit monitoring and problem loan procedures

In the case of non-standardized loans, credit risks are monitored using credit assessments performed at least once annually and whenever events occur that could affect a borrower's credit quality. The checks are made by the operational lending units in the back office in accordance with banking supervision requirements and, in the case of trading transactions, by Risk Control as well.

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 the CRO board department and to the CRC. 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 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 intensive care units were set up and staffed by restructuring experts.

Managing credit risk at portfolio level

Portfolio management

Above and beyond monitoring individual risks, the Postbank Group calculates the necessary economic capital (EC) for all Group exposures subject to credit risk. To do this, Postbank introduced a new credit portfolio model at the end of 2011 that removes uncertainties in the model previously used to measure credit value at risk (CVaR). Thanks to the new model, it has been possible to replace the previous calculation based on data for the prior month by one based on data for the current month. Other advantages are better integration of internal and external risk inputs, the improved capture of concentration risks in the credit portfolio and of reinvestment effects in the case of maturities of less than one year, and the ability to drill down to individual debtors.

EC 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, EC (as a measure of the unexpected loss from credit risk) must be backed by risk capital. The introduction of the new model and the expected increase in economic capital associated with it will make the limit buffer introduced in 2010 to accommodate uncertainties in the model obsolete.

In contrast to EC, the expected loss indicated in the "Credit risk" table in the section entitled "Portfolio structure" is the expected amount of losses due to 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 counterparty/transaction rating and on the transaction term. The expected loss does not contribute to the Bank's overall risk, but is factored into margin calculations via the standard risk costs.

EC 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 EC, 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 loss rates.

External inputs used to calculate the EC include constantly updated rating agency data, migration tables derived from this data, yield curves, and a covariance matrix for the risk factors used in the correlation model. Homogeneous, granular exposures are aggregated when calculating EC and are not computed at individual transaction level. These relate in particular to retail products.

The updated portfolio and market data is used to calculate EC in the Group loan portfolio on a monthly basis. The calculation of EC in the Group loan portfolio takes diversification effects between the portfolios in the business divisions into account. The utilization of the EC limits made available to individual profit centers by the CRC and of the aggregate credit risk limit is monitored on an ongoing basis.

In addition to the calculation of the EC, the Group loan portfolio is subject to regular stress testing and sensitivity analyses across all risk types with the aim of quantifying losses that might arise from extreme events.

Portfolio structure

The following table provides an overview of material credit risk indicators for the various profit centers as of December 31, 2011, compared to the end of 2010 (volumes: IFRS carrying amounts):

Credit risk[1]	Volume		Expected loss		Economic capital (EC)[1, 2]	
	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Retail Banking	81,219	79,068	195	363	824	232
Corporate Banking	26,422	29,263	67	79	538	259
Financial Markets	78,070	128,873	143	361	1,104	1,450
Total	185,711	237,204	405	802	2,466	1,469

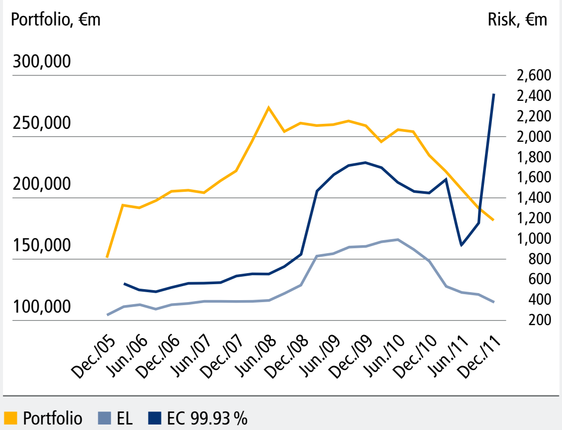
[1] The calculation of economic capital (EC) as of December 31, 2011 is based on the new credit portfolio model. The comparative figures as of December 31, 2010 were determined on the basis of the previously applied method. The underlying confidence level is 99.93 %.
[2] As of December 31, 2010, the CVaR in the Group loan portfolio is lower than the sum of the individual CVaRs for the business divisions due to the previously applied calculation method. The term economic capital (EC) is identical in content to the term CVaR.

The decline in the total volume from €237.2 billion to €185.7 billion and of a portion of the expected losses is largely due to the continued reduction of investment securities including SCPs in Financial Markets. In addition, a change in the first quarter of 2011 to the methodology used for the master scale served to reduce the expected loss. In contrast, a renewed increase is expected in individual subsegments of the Retail Banking division in 2012 due to planned recalibrations.

The increase in EC (not including the limit buffer of €1.3 billion as of the 2010 closing date) is attributable to the change in the credit portfolio model and the resulting improvement in modeling correlations and concentrations. The increase does not represent an increase in the risk. Overall, the risk profile – with the exception of sovereign exposure – developed positively as a result of de-risking.

The following graphic depicts the switch to the new credit portfolio model and the associated increase in EC as at the 2011 closing date, the accelerated reduction in holdings since 2010 as a result of de-risking, and the resulting reduction in the expected loss:

Overall bank portfolio and risk development over time



The following table depicts the maximum credit risk as of December 31, 2011, compared with December 31, 2010. 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. The presentation contains no information on ratings, in contrast to the economic risk quantification contained in the "Credit risk" table. In contrast to previous reporting, the table was expanded in accordance with IFRS 7.36 (b) to include the presentation of collateral and risk mitigation measures.

Since the third quarter of 2008, Postbank has selectively scaled back its holdings of investment securities as part of its program to reduce financial market-related portfolios and risks. The holdings have been reduced by €12.5 billion or 21% since the end of 2010.

Maximum counterparty credit risk								
Risk-bearing financial instruments	Maximum counterparty credit risk exposure		Collateral		Guarantees/ credit derivatives		Maximum counterparty credit risk exposure after credit risk mitigation	
	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Trading assets	6,892	24,150	163	183	22	21	6,707	23,946
Held for trading	6,892	24,150	163	183	22	21	6,707	23,946
Hedging derivatives	1,277	664	–	–	–	–	1,277	664
Loans and advances to other banks	20,322	12,140	12,184	3,630	50	150	8,088	8,360
Loans and receivables	20,322	12,140	12,184	3,630	50	150	8,088	8,360
Securities repurchase agreements	12,184	3,630	12,184	3,630	–	–	0	0
Overnight money	4,252	4,294	–	–	–	–	4,252	4,294
Loans	2,459	3,453	–	–	50	150	2,409	3,303
Registered bonds	348	400	–	–	–	–	348	400
Term deposits	104	191	–	–	–	–	104	191
Other loans and advances	975	172	–	–	–	–	975	172
Loans and advances to customers	110,740	111,783	83,092	83,226	388	646	27,260	27,911
Loans and receivables	103,227	103,689	75,845	75,371	388	646	26,994	27,672
Private mortgage lending	63,750	62,365	61,500	61,750	–	–	2,250	615
Home savings loans	3,830	3,713	3,696	3,713	–	–	134	0
Commercial loans	26,125	30,284	10,649	9,908	385	409	15,091	19,967
Public-sector receivables	3,517	2,433	–	–	3	237	3,514	2,196
Installment loans	4,352	3,880	–	–	–	–	4,352	3,880
Other loans and advances	1,653	1,014	–	–	–	–	1,653	1,014
Fair value option	7,513	8,094	7,247	7,855	–	–	266	239
Private mortgage lending	7,513	8,094	7,247	7,855	–	–	266	239
Investment securities	46,480	58,980	–	–	912	1,528	45,568	57,452
Loans and receivables	39,976	50,032	–	–	738	1,355	39,238	48,677
Available for sale	6,504	8,948	–	–	174	173	6,330	8,775
Bonds and other fixed-income securities	6,338	7,739	–	–	174	173	6,164	7,566
Equities	2	2	–	–	–	–	2	2
Investment fund shares	128	1,164	–	–	–	–	128	1,164
Equity investments	18	19	–	–	–	–	18	19
Investments in unconsolidated subsidiaries	18	24	–	–	–	–	18	24
Subtotal	185,711	207,717	95,439	87,039	1,372	2,345	88,900	118,333
Contingent liabilities from guarantees	827	1,036	–	–	–	–	827	1,036
Other liabilities (irrevocable loan commitments)	20,077	21,563	–	–	2	28	20,075	21,535
Total	206,615	230,316	95,439	87,039	1,374	2,373	109,802	140,904

In addition to the collateral and guarantees/credit derivatives presented in the table, Postbank used netting effects relating to trading assets and hedging derivatives in the amount of €6.6 billion as of the 2011 closing date (December 31, 2010: €22.3 billion) to mitigate risk. As of the 2011 closing date, netting effects of €23.4 billion (December 31, 2010: €7.0 billion) relating to securities repurchase agreements were included in the amount disclosed for the maximum counterparty credit risk amount before collateral.

€11.8 billion of the amount disclosed in the "investment securities" balance sheet item as of the 2011 closing date and to a lesser extent in the "loans and advances to other banks" balance sheet item relates to covered bonds (December 31, 2010: €15.9 billion). In addition, the investor securitization positions also contained in the "investment securities" item, which amounted to €1.7 billion as of the 2011 closing date (December 31, 2010: €2.7 billion), can be considered to be fully collateralized.

Sector structure of the loan portfolio

The following table illustrates the risk concentrations by sector and borrower group, broken down by balance sheet item, holding category, and product group:

Risk concentrations 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, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Trading assets	169	189	6,230	23,440	–	–	–	99	151	125	81	22	261	275	6,892	24,150
Held for trading	169	189	6,230	23,440	–	–	–	99	151	125	81	22	261	275	6,892	24,150
Hedging derivatives	–	–	1,277	664	–	–	–	–	–	–	–	–	–	–	1,277	664
Loans and advances to other banks	–	–	20,168	12,099	–	–	–	23	0	1	–	–	154	17	20,322	12,140
Loans and receivables	–	–	20,168	12,099	–	–	–	23	0	1	–	–	154	17	20,322	12,140
Securities repurchase agreements	–	–	12,184	3,630	–	–	–	–	–	–	–	–	–	–	12,184	3,630
Overnight money	–	–	4,252	4,292	–	–	–	–	0	1	–	–	0	1	4,252	4,294
Loans	–	–	2,458	3,414	–	–	–	23	–	–	–	–	1	16	2,459	3,453
Registered bonds	–	–	346	400	–	–	–	–	–	–	–	–	2	–	348	400
Term deposits	–	–	104	191	–	–	–	–	–	–	–	–	–	–	104	191
Other loans and advances	–	–	824	172	–	–	–	–	–	–	–	–	151	–	975	172
Loans and advances to customers	82,690	81,895	908	1,265	3,269	2,225	16,276	16,703	4,002	5,281	2,216	2,212	1,379	2,202	110,740	111,783
Loans and receivables	75,185	73,813	908	1,265	3,269	2,224	16,276	16,703	4,000	5,277	2,216	2,212	1,373	2,195	103,227	103,689
Private mortgage lending	63,291	61,753	11	2	7	4	0	465	160	65	19	2	262	74	63,750	62,365
Home savings loans	3,830	3,697	–	–	0	7	–	–	0	3	–	–	0	6	3,830	3,713
Commercial loans	2,171	4,110	856	1,068	1	114	16,274	16,238	3,748	5,114	2,197	2,210	878	1,430	26,125	30,284
Public-sector receivables	–	–	0	61	3,261	2,099	–	–	90	94	–	–	166	179	3,517	2,433
Installment loans	4,351	3,393	0	2	–	–	–	–	1	1	–	–	0	484	4,352	3,880
Other loans and advances	1,542	860	41	132	–	–	2	–	1	0	–	–	67	22	1,653	1,014
Fair value option	7,505	8,082	–	–	0	1	–	–	2	4	–	–	6	7	7,513	8,094
Private mortgage lending	7,505	8,082	–	–	0	1	–	–	2	4	–	–	6	7	7,513	8,094
Investment securities	–	–	23,962	33,197	18,257	21,486	–	–	2,090	1,922	1,444	940	727	1,435	46,480	58,980
Loans and receivables	–	–	20,215	27,933	16,803	19,335	–	–	1,384	1,149	1,116	621	458	994	39,976	50,032
Available for sale	–	–	3,747	5,264	1,454	2,151	–	–	706	773	328	319	269	441	6,504	8,948
Bonds and other fixed-income securities	–	–	3,608	4,189	1,454	2,151	–	–	706	653	328	319	242	427	6,338	7,739
Equities	–	–	2	2	–	–	–	–	–	–	–	–	–	–	2	2
Investment fund shares	–	–	118	1,058	–	–	–	–	0	103	–	–	10	3	128	1,164
Equity investments	–	–	1	–	–	–	–	–	0	17	–	–	17	2	18	19
Investments in unconsolidated subsidiaries	–	–	18	15	–	–	–	–	–	–	–	–	0	9	18	24
Subtotal	82,859	82,084	52,545	70,665	21,526	23,711	16,276	16,825	6,243	7,329	3,741	3,174	2,521	3,929	185,711	207,717
Contingent liabilities from guarantees	318	63	131	625	0	–	34	73	223	114	63	66	58	95	827	1,036
Other liabilities (irrevocable loan commitments)	16,066	16,213	130	96	45	67	553	1,419	2,107	2,239	747	1,028	429	501	20,077	21,563
Total	99,243	98,360	52,806	71,386	21,571	23,778	16,863	18,317	8,573	9,682	4,551	4,268	3,008	4,525	206,615	230,316

Overall, the sector distribution of the instruments subject to credit risk, measured in terms of volume, displays a balanced structure except for the 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 primarily comprise 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 services providers.

A target portfolio that has been aligned in terms of diversification has been defined as part of the credit risk strategy 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 country limits are largely determined by internal and external ratings, and by the economic strength of the particular country as measured by its 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 concentrations by geographic region

Risk-bearing financial instruments	Germany		Western Europe		Other regions		Total	
	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Trading assets	2,454	6,180	3,986	15,253	452	2,717	6,892	24,150
Held for trading	2,454	6,180	3,986	15,253	452	2,717	6,892	24,150
Hedging derivatives	179	136	871	376	227	152	1,277	664
Loans and advances to other banks	13,164	6,608	6,546	4,173	612	1,359	20,322	12,140
Loans and receivables	13,164	6,608	6,546	4,173	612	1,359	20,322	12,140
Securities repurchase agreements	8,099	3,339	4,085	180	0	111	12,184	3,630
Overnight money	2,469	1,250	1,358	2,100	425	944	4,252	4,294
Loans	1,171	1,430	1,103	1,719	185	304	2,459	3,453
Registered bonds	348	242	0	158	–	–	348	400
Term deposits	104	175	0	16	–	–	104	191
Other loans and advances	973	172	–	–	2	–	975	172
Loans and advances to customers	94,388	93,927	12,717	12,567	3,635	5,289	110,740	111,783
Loans and receivables	86,899	85,863	12,696	12,541	3,632	5,285	103,227	103,689
Private mortgage lending	59,362	58,071	4,337	3,319	51	975	63,750	62,365
Home savings loans	3,805	3,682	22	27	3	4	3,830	3,713
Commercial loans	14,450	17,015	8,105	8,964	3,570	4,305	26,125	30,284
Public-sector receivables	3,347	2,225	170	208	–	–	3,517	2,433
Installment loans	4,339	3,868	12	11	1	1	4,352	3,880
Other loans and advances	1,596	1,002	50	12	7	–	1,653	1,014
Fair value option	7,489	8,064	21	26	3	4	7,513	8,094
Private mortgage lending	7,489	8,064	21	26	3	4	7,513	8,094
Investment securities	12,820	18,512	27,513	33,606	6,147	6,862	46,480	58,980
Loans and receivables	10,940	15,071	23,373	28,944	5,663	6,017	39,976	50,032
Available for sale	1,880	3,441	4,140	4,662	484	845	6,504	8,948
Bonds and other fixed-income securities	1,788	2,379	4,071	4,543	479	817	6,338	7,739
Equities	2	–	0	2	–	–	2	2
Investment fund shares	75	1,022	50	114	3	28	128	1,164
Equity investments	15	18	1	1	2	–	18	19
Investments in unconsolidated subsidiaries	0	22	18	2	–	–	18	24
Subtotal	123,005	125,363	51,633	65,975	11,073	16,379	185,711	207,717
Contingent liabilities from guarantees	666	716	64	263	97	57	827	1,036
Other liabilities (irrevocable loan commitments)	19,512	20,752	466	546	99	265	20,077	21,563
Total	143,183	146,831	52,163	66,784	11,269	16,701	206,615	230,316

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.

The following table comprises all exposures to sovereign debtors in selected European countries. The amounts disclosed are the IFRS carrying amounts in the available for sale and loans and receivables categories.

Exposures to sovereign debtors in selected European countries[1]

Country	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Greece	195.2	1,402.1
Loans and receivables	193.2	959.8
Available for sale	2.0	442.3
Ireland	358.5	360.7
Loans and receivables	358.5	360.7
Available for sale	–	–
Italy	4,628.6	4,981.5
Loans and receivables	4,485.4	4,796.7
Available for sale	143.2	184.8
Portugal	64.1	59.1
Loans and receivables	64.1	59.1
Available for sale	–	–
Spain	1,217.6	1,145.5
Loans and receivables	1,059.7	1,079.3
Available for sale	157.9	66.2
Total	6,464.0	7,948.9

[1]Based on IFRS carrying amounts. For holdings categorized as available for sale this is the fair value.

In addition to the figures reported, Postbank had held-for-trading credit default swaps for Italy in its portfolio as of December 31, 2011. Postbank is both the protection buyer and the protection seller for an amount of €69.4 million, meaning that the net nominal amount is €0. The negative fair value for this as of the year-end closing date was €3.8 million.

Rating 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, 2011 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 good 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, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Trading assets	80	77	1,133	5,627	4,383	17,685	742	320	144	138	240	108	6,722	23,955
Held for trading	80	77	1,133	5,627	4,383	17,685	742	320	144	138	240	108	6,722	23,955
Hedging derivatives	0	20	301	180	954	461	3	3	–	–	19	–	1,277	664
Loans and advances to other banks	2,289	163	5,758	1,237	8,079	9,248	3,747	779	84	140	283	478	20,240	12,045
Loans and receivables	2,289	163	5,758	1,237	8,079	9,248	3,747	779	84	140	283	478	20,240	12,045
Securities repurchase agreements	–	–	4,556	33	5,192	3,533	2,436	64	–	–	–	–	12,184	3,630
Overnight money	2,049	49	874	946	1,026	3,034	119	44	–	–	119	144	4,187	4,217
Loans	179	17	217	135	990	2,272	961	605	84	140	11	266	2,442	3,435
Registered bonds	–	–	111	78	47	322	188	–	–	–	2	–	348	400
Term deposits	61	72	–	–	0	64	43	55	–	–	–	–	104	191
Other loans and advances	0	25	0	45	824	23	0	11	–	–	151	68	975	172
Loans and advances to customers	3,761	3,856	6,496	5,545	3,727	3,450	5,920	9,092	3,989	4,729	2,176	1,883	26,069	28,555
Loans and receivables	3,761	3,856	6,496	5,545	3,727	3,450	5,920	9,092	3,989	4,729	2,176	1,883	26,069	28,555
Private mortgage lending	30	–	45	–	21	–	15	–	150	–	125	–	386	–
Commercial loans	3,622	3,668	3,670	3,786	3,706	3,377	5,901	9,048	3,797	4,726	1,371	1,512	22,067	26,117
Public-sector receivables	109	188	2,781	1,759	0	69	4	43	2	3	610	371	3,506	2,433
Other loans and advances	–	–	–	–	0	4	0	1	40	–	70	–	110	5
Investment securities	13,008	19,437	17,483	19,098	5,946	9,143	6,379	5,805	2,247	3,555	850	1,416	45,913	58,454
Loans and receivables	11,724	17,605	15,944	17,791	5,258	8,226	4,763	4,067	1,554	1,843	340	173	39,583	49,705
Available for sale	1,284	1,832	1,539	1,307	688	917	1,616	1,738	693	1,712	510	1,243	6,330	8,749
Bonds and other fixed-income securities	1,284	1,832	1,489	1,307	688	915	1,616	1,738	679	1,712	460	119	6,216	7,623
Equities	–	–	–	–	–	–	–	–	–	–	2	2	2	2
Investments funds shares	–	–	31	–	–	–	–	–	12	–	33	1,081	76	1,081
Equity investments	–	–	1	–	–	–	–	–	2	–	15	19	18	19
Investments in unconsolidated subsidiaries	–	–	18	–	0	2	–	–	–	–	0	22	18	24
Total	19,138	23,553	31,171	31,687	23,089	39,987	16,791	15,999	6,464	8,562	3,568	3,885	100,221	123,673

Holdings of unrated volumes were reduced compared with the 2010 financial statements. The Bank's volumes in the good rating classes remain high. However, de-risking resulted in a significant reduction in the A category for trading assets in particular, whereas exposure in the BBB category rose due to an increase in loans and advances to other banks resulting from securities repurchase agreements. For this reason, the target rating distributions in this area are outside the prescribed ranges and are being closely monitored.

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, 2011 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, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Trading assets	1	1	4	6	21	25	62	73	65	72	16	12	169	189
Held for trading	1	1	4	6	21	25	62	73	65	72	16	12	169	189
Loans and advances to customers	3,102	2,912	6,794	6,100	9,589	8,402	16,721	14,985	18,444	18,636	25,205	25,827	79,855	76,862
Loans and receivables	3,098	2,906	6,656	5,953	8,902	7,676	14,539	12,756	16,489	16,646	22,761	23,178	72,445	69,115
Private mortgage lending	3,059	2,870	6,288	5,675	7,985	6,838	12,814	11,146	13,991	14,262	17,408	18,817	61,545	59,608
Home savings loans	29	33	303	240	665	608	875	755	388	316	1,367	1,438	3,627	3,390
Commercial loans	–	–	–	–	0	18	0	11	23	0	2,148	2,330	2,171	2,359
Installment loans	10	3	65	38	249	209	837	833	1,948	1,930	828	188	3,937	3,201
Other loans and advances	–	–	–	–	3	3	13	11	139	138	1,010	405	1,165	557
Fair value option	4	6	138	147	687	726	2,182	2,229	1,955	1,990	2,444	2,649	7,410	7,747
Private mortgage lending	4	6	138	147	687	726	2,182	2,229	1,955	1,990	2,444	2,649	7,410	7,747
Total	3,103	2,913	6,798	6,106	9,610	8,427	16,783	15,058	18,509	18,708	25,221	25,839	80,024	77,051

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, 2011:

Time bands for financial instruments past due but not impaired

Risk-bearing financial instruments and collateral	Financial instruments past due but not impaired										Fair value of the collateral for financial instruments past due but not impaired	
	Past due ≤ 3 months		Past due > 3 months, ≤ 6 months		Past due > 6 months, ≤ 1 year		Past due > 1 year		Total			
	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Trading assets	0	2	0	1	0	1	1	2	1	6	–	–
Held for trading	0	2	0	1	0	1	1	2	1	6	–	–
Loans and advances to customers	411	787	123	830	94	351	412	507	1,040	2,475	829	2,288
Loans and receivables	411	690	122	776	85	299	386	435	1,004	2,200	797	2,043
Private mortgage lending	365	587	117	676	71	140	287	219	840	1,622	700	1,182
Home savings loans	5	31	3	20	4	28	13	50	25	129	22	117
Commercial loans	15	24	0	76	9	129	84	164	108	393	75	619
Installment loans	10	11	1	3	1	2	1	2	13	18	–	44
Other loans and advances	16	37	1	1	–	–	1	–	18	38	–	81
Fair value option	0	97	1	54	9	52	26	72	36	275	32	245
Private mortgage lending	0	97	1	54	9	52	26	72	36	275	32	245
Total	411	789	123	831	94	352	413	509	1,041	2,481	829	2,288

The decline in exposures past due but not impaired in 2011 mainly relates to BHW Bausparkasse and is the result of the removal of payments in arrears and the introduction of a materiality threshold of at least 2.5 % of the loan amount or an overdraft of €100. The carrying amount of financial assets that would have been past due or impaired if their conditions had not been renegotiated (renegotiated volume) amounted to €584 million (December 31, 2010: €463.3 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 for variable-interest loans 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 impairment tests are conducted where needed. 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 estimated 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 on overdrafts, installment loans, and credit card loans, as well as on mortgage loans that have been past due for between three and six months.

The following table shows all impaired financial assets as of December 31, 2011, and December 31, 2010, broken down into loans and advances to other banks for which specific valuation allowances have been recognized, loans and advances to customers, 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[1]		Carrying amount after impairment		Fair value of collateral for impaired instruments	
	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Loans and advances to other banks	82	95	37	36	45	59	–	–
Loans and receivables	82	95	37	36	45	59	–	–
Overnight money	65	77	24	36	41	41	–	–
Loans	17	18	13	–	4	18	–	–
Loans and advances to customers	3,776	3,891	1,649	1,576	2,127	2,315	2,017	2,057
Loans and receivables	3,709	3,819	1,647	1,575	2,062	2,244	1,958	1,993
Private mortgage lending	979	1,135	483	516	496	619	748	992
Home savings loans	178	194	7	9	171	185	159	32
Commercial loans	1,779	1,415	562	535	1,217	880	1,051	965
Installment loans	402	661	250	204	152	457	–	4
Other loans and advances	360	414	345	311	15	103	–	–
Fair value option	67	72	2	1	65	71	59	64
Private mortgage lending	67	72	2	1	65	71	59	64
Investment securities	1,575	1,066	1,008	540	567	526	–	–
Loans and receivables	1,386	862	993	535	393	327	–	–
Available for sale	189	204	15	5	174	199	–	–
Bonds and other fixed-income securities	133	116	11	–	122	116	–	–
Equities	2	–	2	–	0	–	–	–
Investment fund shares	54	88	2	5	52	83	–	–
Total	5,433	5,052	2,694	2,152	2,739	2,900	2,017	2,057

[1]Portfolio-based valuation allowances were not considered

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. The default probabilities and the loss rates for defaults at the portfolio level are calculated at portfolio level and updated where necessary on the basis of the results of 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 Fitch Ratings). The portfolio is valued periodically using an internal valuation model that analyzes the individual portfolio components at the level of the underlyings.

As of December 31, 2011, the total volume of the portfolio amounted to €1.99 billion (December 31, 2010: €3.69 billion). The size of the portfolio declined as against the prior year, primarily due to the active reduction of the instruments held. The 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 €6 million in 2011, as well as measurement gains on embedded derivatives amounting to €10 million. This brings the aggregate impairment losses

recognized in income for affected portfolios since the beginning of the financial market crisis in mid-2007 to €404 million, and the aggregate measurement losses recognized on embedded derivatives to €1,835 million.
113 In addition, fair value changes amounting to €139 million were recognized in the revaluation reserve. Please see Note 4 (h) for measurement details.

Postbank's securitization positions as of December 31, 2011, were as follows:

Securitization positions: volumes by rating category

Securitization positions	AAA		AA		A		BBB		< BBB		Total	
	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m
CMBSs	1	19	9	73	85	79	37	46	3	29	135	246
RMBSs	74	240	69	120	133	94	39	41	20	51	335	546
Corporate CDOs	5	0	169	232	62	59	82	58	760	1,387	1,078	1,736
Non-corporate CDOs	0	0	15	17	8	7	27	106	75	547	125	677
Other ABSs[1]	180	246	2	2	39	61	12	24	82	150	315	483
Total	260	505	264	444	327	300	197	275	940	2,164	1,988	3,688

[1]Mainly Consumer ABSs and Commercial ABSs

The following table shows the securitization positions broken down by regional focus:

Securitization positions: volumes by regional focus

		CMBSs		RMBSs		Corporate CDOs		Non-corporate CDOs		Other ABSs[1]		Total	
		Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
€m	Germany	49	81	103	133	–	–	–	–	–	28	152	242
	U.K.	51	88	64	98	–	5	–	–	–	87	115	278
	France	2	2	–	–	–	–	–	–	–	–	2	2
	Spain/Portugal	–	–	80	88	–	–	–	–	–	–	80	88
	Rest of Europe	33	75	86	183	380	447	75	75	18	19	592	799
	U.S.A.	–	–	–	41	364	405	42	361	258	293	664	1,100
	Others[2]	–	–	2	3	335	879	8	241	38	56	383	1,179
	Total	135	246	335	546	1,078	1,736	125	677	315	483	1,988	3,688
Relative distribution	Germany	36 %	33 %	31 %	24 %	0 %	–	0 %	–	0 %	6 %	8 %	7 %
	U.K.	38 %	35 %	19 %	18 %	–	0 %	–	–	–	18 %	6 %	8 %
	France	1 %	1 %	–	–	–	–	–	–	–	–	–	0 %
	Spain/Portugal	–	–	24 %	16 %	–	–	–	–	–	–	4 %	2 %
	Rest of Europe	25 %	31 %	25 %	34 %	35 %	26 %	60 %	11 %	6 %	4 %	30 %	21 %
	U.S.A.	–	–	–	8 %	34 %	23 %	34 %	53 %	82 %	60 %	33 %	30 %
	Others[2]	–	–	1 %	0 %	31 %	51 %	6 %	36 %	12 %	12 %	19 %	32 %
	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, 2011, no securitization positions were hedged with monoliners (as of the December 31, 2010 reporting date: total nominal amount of approximately €23 million). In addition, the CDO portfolio included a number of synthetic securitization structures with exposures to bond insurers.

The volume of Postbank's investor positions in fungible commercial mortgage-backed securities (CMBSs) amounted to €135 million as of the reporting date (December 31, 2010: €246 million). These positions consist 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 securitization transactions involving the securitization of residential mortgage loans relating to Germany and Italy not only reduced regulatory capital requirements but also diversified risk. The amounts reported represent the regulatory bases for assessment. As of the reporting date, Postbank had not conducted any securitization transactions relating to revolving counterparty credit risk.

PB Domicile 2006-1	€1,677 million	(Deutsche Postbank AG)
Provide Blue 2005-2	€1,636 million	(BHW Bausparkasse AG)
PB Domicilio 2007-1	€760 million	(BHW Bausparkasse AG)

In addition, Postbank structured the Provide Domicile 2009-1 synthetic originator securitization transaction, for which no significant transfer of risks has taken place so far. The previously held traditional originator securitization transactions, PB Consumer 2008-1 and PB Consumer 2009-1, are no longer held in the portfolio following the exercise of the call option as of the 2011 closing date. The Provide Blue 2005-1 originator securitization transaction was terminated in January 2010. This transaction is in deferred redemption; the residual amount is approximately €32 million.

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

The goal of liquidity management is to ensure Postbank's solvency at all times, including 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. As a result, only insignificant activities on the money and capital markets are planned for 2012. Concentration risk during refinancing is taken into account in the stress tests. We do not see any key concentration risks in respect of individual creditors from a liquidity perspective due to the Bank's business strategy. An extensive portfolio of unencumbered ECB-eligible securities is held that can be used to obtain liquidity rapidly, including on (private) repo markets in the case of unexpected cash outflows. To further diversify its refinancing activities, Postbank has a *Pfandbrief* license allowing it to issue public-sector *Pfandbriefe* and mortgage *Pfandbriefe*.

The management process is based on a number of pillars. Liquidity Risk Control assesses the Postbank Group's liquidity status – the basis for operational risk management – each business day on the basis of funding matrices and cash flow forecasts. Furthermore, risk management is based both on regular Group-wide liquidity and issue planning and on a series of more far-reaching liquidity management analyses. Risk management activities focus above all on ensuring solvency at all times, including in extreme stress situations. To ensure this, the Bank's liquidity positions are subject to a series of stress tests at least once a week. These simulations correspond to MaRisk BTR 3.2 (3) and specify buffer requirements of 7 and 30 days in accordance with the MaRisk (BTR = Special Section, Risk Management and Control Requirements). They cover both institution-specific and general market issues and, in the extreme scenario, the combination of the two. This permits 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 to be reflected. The extreme scenario simulates severe outflows of savings, demand, and corporate banking deposits, a complete lack of access to the uncollateralized money markets, and increased haircuts on central bank-eligible securities.

The results of the stress tests show that the Postbank Group has a comfortable liquidity position, despite what were at times very much tougher market conditions during the financial market crisis. This is due not least to the continuing stability of the customer deposit base and the Bank's extensive portfolio of highly liquid securities.

With respect to the requirements set out in the revised version of the MaRisk dated December 15, 2010, Postbank revised its liquidity stress scenarios in accordance with BTR 3.2 (3) in 2011. Liquidity buffer reporting was expanded in particular to differentiate for highly liquid assets in accordance with BTR 3.2 (2). Furthermore, Postbank has developed and formally adopted a benchmark concept for determining liquidity buffer costs and has resolved to allocate these costs to the originators at segment level starting in 2012.

Postbank has set up a regulatory liquidity project to prepare for the reporting and management of the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), which will have to be reported regularly in the future, and to develop additional monitoring tools. Since the details of these liquidity ratios are still being discussed by the national and international supervisory authorities, Postbank is initially basing its work on the reporting forms used for the authorities' regular quantitative impact studies (QIS).

The following table shows the financial liabilities as of December 31, 2011, and December 31, 2010, broken down into residual maturity bands:

Liabilities by residual maturity

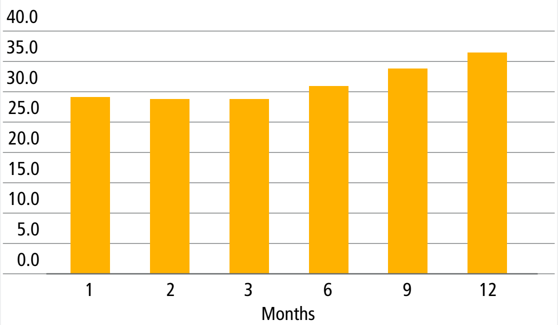
Liabilities	Payable on demand		≤ 3 months		> 3 months and ≤ 1 year		> 1 year and ≤ 5 years		> 5 years		Total	
	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Non-derivative liabilities	59,524	62,126	69,756	76,000	28,272	27,443	19,821	20,943	27,025	26,570	204,398	213,082
Deposits from other banks	293	1,172	6,792	9,569	2,628	3,202	5,489	5,823	5,147	4,457	20,349	24,223
Due to customers	38,327	38,355	59,404	62,133	22,742	20,949	5,582	6,238	16,068	16,833	142,123	144,508
Debt securities in issue	0	0	2,249	2,793	1,483	2,003	6,731	7,261	3,888	2,490	14,351	14,547
Subordinated debt	0	0	621	840	1,419	1,289	2,019	1,621	1,922	2,790	5,981	6,540
Other liabilities	0	0	690	665	0	0	0	0	0	0	690	665
Contingent liabilities and other obligations	20,904	22,599	0	0	0	0	0	0	0	0	20,904	22,599
Derivative liabilities	0	0	592	2,156	1,844	5,781	6,948	17,414	2,668	5,423	12,052	30,774
Hedging derivatives	0	0	69	120	235	198	1,132	850	708	770	2,144	1,938
Trading liabilities	0	0	523	2,036	1,609	5,583	5,816	16,564	1,960	4,653	9,908	28,836
Total	59,524	62,126	70,348	78,156	30,116	33,224	26,769	38,357	29,693	31,993	216,450	243,856

The undiscounted contractual cash flows from on- and off-balance sheet liabilities have been assigned to the respective categories. In conformity with the 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 significantly longer period of time, statistically speaking.

In contrast to the presentation of the contractual cash flows of the financial liabilities, the following overview of the liquidity status of the Postbank Group as of December 31, 2011 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:

Liquidity status of the Postbank Group as of December 31, 2011

€bn



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. These show that the Postbank Group has significant liquidity surpluses across all maturity bands, which serve as liquidity buffers for stress situations and hence underscore the Group's adequate cash position.

The results of the stress tests as of the 2011 closing date also underline the Postbank Group's comfortable liquidity position. There are comfortable surpluses in the net liquidity position even after the combined stress effects in the extreme scenario are taken into account, including above and beyond the 7- and 30-day periods relevant for MaRisk.

Monitoring and managing operational 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.

The VaR limit for operational risk at overall bank level of €600 million was reduced to €550 million as of the 2011 closing date. 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 operational risk indicators, quarterly stress tests are performed. Their results are used to analyze how the risk indicators behave under extreme conditions. For example, the effects of a general increase in loss frequencies or an additional, "artificial" major loss are examined.

Apart from the quantification model, Postbank uses the following instruments in particular throughout the Group:

- Structured capture of internal losses of €1,000 or more (fraud cases starting at €0)
- 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.

One key focus of activities in the operational risk function in 2011 was on implementing the requirements of Deutsche Bank's AMA Framework (AMA = Advanced Measurement Approach). The multistage harmonization and integration process started in November 2010 and was largely completed in the course of 2011.

Total operational risk losses (including contributions to the EURO Kartensysteme liability fund) declined sharply year-on-year to €56 million (previous year: €76 million). Only a small proportion of these losses are due to individual major loss events; the majority stem from numerous cases of external fraud in Retail Banking. Key among these are fraud in the private mortgage lending segment and high-frequency losses (phishing, credit card fraud, etc.) – incidents that cause only minor losses individually, but that occur in large numbers.

One of the main focuses in the fight against fraud is to communicate all material cases of fraud in a timely manner throughout the Bank via the FRAUD committee. Another focus is on raising the awareness of all 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 were either initiated or largely implemented in 2011 that contributed to a successive improvement in the situation.

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, 2011 €m	Dec. 31, 2010 €m
Retail Banking	188	198
Corporate Banking	38	56
Transaction Banking	27	73
Financial Markets	80	93
Postbank Group	333	420

OpVaR after qualitative adjustment; confidence level of 99.93 %

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 €188 million (December 31, 2010: €198 million).

Postbank's business continuity management (BCM) activities cover the value chain for business activities and critical Group functions. BCM is the term used to describe the implementation of preventive and restorative measures taking the form of emergency, crisis, and test planning for all board departments. Business impact analyses and risk identification and assessment exercises (RIAs) are performed on a regular basis to assess key business processes and how critical they are. Tests are used to demonstrate that the emergency plans work.

Monitoring and managing investment risk

As of the reporting date of December 31, 2011, Deutsche Postbank AG held a total of 63 direct and a large number of indirect equity investments. In fiscal 2011, the number of investments in associates/equity investments did not change materially over the previous year.

These holdings are predominantly strategic investments that reflect the Postbank Group's product and service areas, and that provide internal services for the Postbank Group. A number of these equity investments are managed as Postbank units. In some of those cases, central functions such as accounting, finance, controlling, legal affairs, personnel, and internal audit are performed by the responsible organizational units at Deutsche Postbank AG. The relevant lending departments within Postbank monitor credit-equivalent investment risks or risks that have the function of credit substitutes.

As in the past, Postbank does not have any 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 Postbank 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. Postbank has no interests in SPEs designed for asset outplacement. 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.

Monitoring and managing real estate risk

The properties in the Postbank portfolio are primarily owner-occupied properties used by Deutsche Postbank AG and BHW Bausparkasse AG. They 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 (7th edition) published by the Royal Institution of Chartered Surveyors (RICS), London), the reappraisal is based primarily on 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 proper 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.

Monitoring and managing collective risk

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.

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 variance analyses 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.

Postbank considers the collective risk 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.

Monitoring and managing business risk

Postbank fundamentally revised its procedures for quantifying business risk in the first half of 2011. The procedures have a direct and consistent relationship to the method used to determine the economic capital in the risk-bearing capacity concept.

Theoretical scenarios are defined for customer transactions with non-deterministic interest rates and capital commitment periods (primarily savings and checking account deposits) in order to permit interest rate and liquidity risks to be managed. These scenarios appropriately reflect the repricing and capital commitment behavior associated with these customer products. Over time, unexpected 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 (savings and checking account risk).

Residual business risk is calculated on the basis of historical variance analyses for the periods.

Business risk is quantified and monitored partly on the basis of the value at risk concept and partly using scenario analyses, with the methods used being reviewed for accuracy at regular intervals. The BRC formally resolves the relevant limits.

In addition, extraordinary events are analyzed at regular intervals using both historically based and hypothetical scenario analyses and stress tests.

Controlling and the business divisions provide an early warning system by gathering and analyzing market and competitor data on an ongoing basis in order to identify potential risks, and by developing appropriate countermeasures.

Internal control and risk management system for the financial reporting process

As required by section 315(2) no. 5 of the *Handelsgesetzbuch* (HGB – German Commercial Code), the following section describes the key 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, Resources and Chief Risk Office 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 requirements for German stock corporations (sections 150–161 of the AktG) and the supplementary requirements of the Bank's Articles of Association.

Consolidated subsidiaries and special purpose entities prepare reports at Group level (Group reporting packages) 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

With regard to the financial reporting process, the Resources 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

- Provision of relevant disclosures relating to the notes and the risk report.

The Chief Risk Office performs the following tasks:

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

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

- 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, 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.

The Audit Committee makes use of its right to demand information from the Internal Audit function when performing its duties.

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 supervised as part of integrated data processing monitoring. The Group reporting packages 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, with all transactions being processed and entered in line with it. Dual control can be exercised at the technical or organizational level, or a combination of both.

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 is obliged to comply with the standards issued by the Institute of Internal Auditors (IIA) and the Deutsches Institut für Interne Revision (German Institute for Internal Auditing). It 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 advisory functions to full-scale Internal Audit procedures.

Audit planning and the determination of audit cycles employ appropriate tools and are based on a proven procedure that has been established for a number of years. 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.

In addition to its regular audits, Internal Audit performs special examinations in certain circumstances, and provides audit and consulting services 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

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 BaFin Circular 22/2009 dated December 21, 2009.

The Postbank Group's remuneration systems have been adjusted effective 2011 to comply with the general and specific requirements of the InstitutsVergV. 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 to be met by the remuneration systems for managing directors and employees whose activities have a material influence on the overall risk profile, the remuneration systems were designed in such a way as to provide even greater support for sustainability-oriented enterprise goals. Postbank has implemented the necessary modifications to the remuneration systems for this group of people resulting from the InstitutsVergV. Following a review in accordance with section 10 of the InstitutsVergV, the necessary changes were implemented in the relevant employment contracts insofar as this was possible under civil, employment, and company laws.

Pending proceedings

In its decision on January 25, 2012, the European Commission concluded the formal investigation against the Federal Republic of Germany concerning possible subsidies to Deutsche Post AG that it had initiated on September 12, 2007. As part of its investigation as to whether Deutsche Post AG had received state aid incompatible with EU law from the Federal Republic of Germany, the European Commission examined the cooperation agreements between Deutsche Post AG and Deutsche Postbank AG, among other things. The Monopoly Commission had also previously alleged that Deutsche Post AG permits Deutsche Postbank AG to use its outlets at below-market rates, and that in doing so it contravenes the prohibition on state aid enshrined in the EU Treaty.

The European Commission extended its official state aid proceedings on May 10, 2011. The extension concerned the funding arrangements for the civil servants' pensions paid by Deutsche Post AG, which were to be examined more closely, including the pension obligations factored into the price approval process relating to Deutsche Post AG.

In its decision of January 25, 2012, the European Commission concluded with respect to its review of the funding arrangements for the civil servants' pensions that Deutsche Post AG had received illegal state aid in this area, which would have to be paid back to the Federal Republic of Germany. By contrast, the Commission did not object to the cooperation agreements between Deutsche Post AG and Deutsche Postbank AG. The European Commission did not revisit the 1999 sale of all shares of Deutsche Postbank AG to Deutsche Post AG in its ruling.

Deutsche Post AG is of the opinion that the allegation that it received illegal state aid with respect to the funding of the civil servants' pensions is unfounded and that the Commission's decision as of January 25, 2012, cannot withstand legal review in this respect. It will appeal the decision to the European Court of Justice in Luxembourg.

Report on Expected Developments

Global economy

In 2012, the world economy should continue to grow, but the pace of this growth should slow. The IMF expects world economic output will rise only by 3.3 % compared with 3.8 % in 2011. But the risks are extensive, generated for the most part by the sovereign debt crisis in the eurozone. Should the crisis escalate, it could strongly impact the ability of international financial markets to operate. According to the IMF, growth of global GDP should again rise slightly higher in 2013.

We expect the U.S. economy will improve in 2012. But it is not projected to generate strong growth. Investments in machinery and equipment should continue to rise. Investments in construction could increase slightly from their current low level, but the continuing glut of houses on the real estate market will severely limit growth potential. Private consumption should rise modestly as unemployment dips slightly. On balance, no momentum is expected to be generated by foreign trade. The same is expected to be true of public sector spending as a result of the need to consolidate the government budget. Overall, we expect GDP to rise by 2.4 % in 2012. For 2013, we believe that growth will reach 2.7 %, presuming that the growth trend in private consumption will strengthen.

In 2012, the Japanese economy should rebound from the blows dealt by last year's earthquake and tsunami. Exports should rise sharply. Gross capital expenditures should climb steeply thanks in part to rebuilding programs. Private consumption is expected to burgeon as well. As a result, GDP in 2012 could jump by 2.1 %. For 2013, though, we expect the economy to slow again. In China, the economy should gain ground more slowly in comparison to the year under review as a result of the government's efforts to prevent the economy from overheating. The economic upswing, however, will remain robust and should continue into 2013.

The eurozone's economy is very likely to experience a distinct period of weakness in 2012. The sovereign debt crisis and the resulting consolidation pressure will mean budget cuts and tax increases. This should slow not only public-sector spending, but also private consumption and gross capital expenditures. As a result of weak domestic demand, imports should grow much more slowly than exports, enabling foreign trade to contribute positively to growth. But GDP is likely to rise less than in the previous year and less than expected, only by 0.6 %. The highly divergent growth rates seen among eurozone members should continue. Some countries with a major need to consolidate their government budgets will hardly to be able to avoid a recession, while others should be able to moderately increase their economic output. For 2013, we expect economic momentum to pick up, combined with a rise in GDP to 1.7 %.

Economic outlook for Germany

As the year changed from 2011 to 2012, the German economy was experiencing a period of weakness. But the country's economy remains on a solid foundation. As a result, we expect the driving economic forces to prevail as 2012 progresses. But the economic weakness of many eurozone partner countries will create a strong drag on the economy in 2012. In particular, export growth should slow considerably. Investments in machinery and equipment should continue to rise, but at a much slower pace than they did in 2011. We expect that investments in construction will increase slowly. As momentum in gross capital expenditures eases, the upswing on the job market may slacken as well. Nonetheless, the average number of employed people during the year should still soar. This trend will underpin the incomes of private households, resulting in continued gains in private consumption. In 2012, GDP growth will probably fall steeply to 1.2 %, but still remain well above the level of the entire eurozone. For 2013, we expect growth to resume on a broad scale with the momentum generated by foreign trade picking up some new speed. As a result, GDP growth should accelerate to 1.7 %.

Markets

The sovereign debt crisis may continue to strongly affect global markets in 2012. Given the budget deficits that are still very high, nervousness of market players can rise rapidly, triggering new plunges in prices. As in previous years, this could impact the bonds issued by euro countries with large deficits as well as the stock markets. The monetary policies of leading central banks should remain expansive in 2012. As a result of the eurozone's sluggish economy and the European sovereign debt crisis, we believe that the ECB will leave the benchmark interest rate in 2012 at 1.0 %. In the process, it may tolerate a renewed breaching of its inflation target of just under 2 %. In addition, we assume that it will continue applying its unconventional policies for the foreseeable future, including the full allotment of its main refinancing operations and the execution of standard longer-term tenders. Should the sovereign debt crisis in the eurozone escalate further, we believe that the ECB could lower benchmark interest rates once again and expand its purchases of government bonds issued by eurozone members once again. We expect no benchmark interest rate increases to be made until 2013 at the earliest. At this point, the ECB should act very cautiously. Against the backdrop of stable benchmark interest rates, money market rates may remain in 2012 at their currently low level. The U.S. Federal Reserve has already announced that it will keep its benchmark interest rate at 0 % to 0.25 % most likely through the end of 2014, as long as inflation and the economy warrant such levels. For this reason, no increases in benchmark rate in the United States can be expected in 2012 or 2013.

We believe that capital market interest rates in Germany are distorted downward at their present level primarily because of the increased inflation rate. Developments in the sovereign debt crisis of the eurozone may continue to favor German bunds with their reputation as "safe havens". Because we believe that the sovereign debt crisis in the eurozone will ease in 2012, but not yet be completely overcome, we expect that yields of 10-year German bunds will rise slightly to 2.5 %. As interest rates remain low, the yield curve may become somewhat steeper. In 2013, capital market interest rates may rise further as monetary policy is carefully tightened. In this environment, the yield curve is not expected to become significantly flatter or steeper.

As economic growth drivers strengthen and the eurozone's sovereign debt crisis eases in 2012 – as we expect – worries about possible corporate bond defaults should abate. This would enable risk premiums to fall slightly – a trend that may continue in 2013. Nonetheless, corporate spreads may remain well above their pre-crisis levels. In terms of the risk premiums demanded for the bonds issued by the eurozone's so-called periphery members, we do not expect a long-term easing of the situation to occur until the approved strategies that are designed to result in solid long-term financial policies in the eurozone yield their first clear successes. Until then, susceptibility to fluctuations will remain high.

Sector situation

On the European level, many aspects of the regulatory conditions applying to financial institutions remain undecided. Final decisions on harmonizing deposit protection insurance, introducing a tax on financial transactions or financial activities or creating an EU-wide banking levy have not been made.

As in the year under review, the entire European banking industry – and German banks as well – may face considerable challenges in 2012. There is no end in sight to the sovereign debt crisis in the eurozone's periphery members. Additional problems this year as well for German banks that are invested in bonds issued by the GIIPS countries cannot be ruled out. An additional drop in the prices of the sovereign bonds issued by these countries could result in new losses on the trading books of some banks or in writedowns. The conditions of voluntary debt waivers by private investors who own Greek bonds have not been determined yet. Depending on the conditions in this agreement, German banks may have to make additional writedowns on their portfolios of Greek bonds.

The slight economic slowdown in industrial countries that has also reached Germany may hurt the banking industry's operating business. For this reason, additional significant reductions of allowances for losses on loans and advances may be the exception, rather than the rule. We do expect a steepening of the currently flat yield curve. Given the tough competition that exists, particularly in retail banking and increasingly in corporate banking, we do not foresee any significant rise in net interest income. Contributions to earnings made by investment banking and proprietary trading may stagnate at best in light of the challenging capital market business climate and increased capital requirements.

Overall, we expect that the majority of German banks will generate a moderate increase in earnings in 2012.

We also believe that the German banking landscape will continue to be shaped over the midterm by the three-pillar structure consisting of private banks, savings banks, and cooperative banks.

The year of 2013 is also likely to be a challenging one for the German banking industry. The intense competition in the retail and corporate banking business should continue, limiting opportunities to increase net interest income and net fee and commission income. The impact of the sovereign debt crisis could continue to have a negative impact on capital market conditions and limit significant gains from being achieved in income generated by investment banking or proprietary trading. Under these conditions, the banks' operating results should only be able to rise slightly.

Investment focuses of Postbank

Legal requirements made it necessary to carry out further investments, particularly in connection with new and altered rules related to liquidity and capital requirements, SEPA, the *Solvibilitätsverordnung* (German Solvency Regulation) and consumer protection. Activities worth noting included investments in systems used in collateral management as well as recovery and workout processes that will have a positive effect on capital consumption in the future.

To optimize its ongoing operations and processes, Postbank continues to invest in its core banking system SAP and front-end sales.

As part of business activities, the partnership with Deutsche Bank will continue to be expanded and investments made in the shared retail-target platform that is planned.

The expected impact of Basel III

The Basel Committee on Banking Supervision (BCBS) issued the final text of the rules governing future international capital adequacy and liquidity requirements (Basel III) on December 16, 2010. These rules are now being turned into the appropriate guidelines and regulations on the European level. In response to the financial crisis, a number of tougher regulations were written in an attempt to make the global banking system more resilient. These proposals include increased requirements regarding the quality and quantity of regulatory capital 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 banks the time they will need to adapt to the tougher regime. At the same time, the minimum capital adequacy ratios will be increased successively up to 2018, and banks will have to build up an additional capital conservation buffer and possibly an anticyclical capital buffer.

For the period until the launch of Basel III, Postbank plans to further improve its capital position by introducing advanced models for determining capital requirements (Advanced IRB) and reducing the volume of its investment securities. Based on its current plans, this step 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.

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

Outlook for the Postbank Group

Expected impact of the conclusion of company agreements

On January 10, 2012, Deutsche Bank and Postbank agreed to begin negotiations on a control and profit and loss transfer agreement between DB Finanz-Holding GmbH (a wholly owned subsidiary of Deutsche Bank AG) as the controlling company and Deutsche Postbank AG as the dependent company. We assume that if the negotiations are brought to a successful conclusion, the regularly scheduled Annual General Meeting of Deutsche Postbank AG will be able to make a decision about approving the control and profit and loss transfer agreement on June 5, 2012. Should such an agreement be approved, Postbank could profit from the intensification of the partnership between the Deutsche Bank Group and Postbank. We expect these benefits to include, with respect to the optimization of liquidity management among other things, a tax entity and the tapping of synergies that could not be achieved if the agreement were not reached. In addition, this kind of agreement could fulfill a key legal requirement for obtaining a so-called waiver in accordance with section 2a of the KWG.

If a control and profit and loss transfer agreement is put in place, the *Aktiengesetz* (AktG – German Stock Corporation Act) would require that every net loss for the year experienced by Deutsche Postbank AG during the life of the agreement be offset insofar as this loss was not already offset by withdrawals from other retained earnings added to these provisions during the life of the agreement. Under the act, the controlling company can request the transfer of all generated profits.

Expected development in the earnings situation at Postbank

The following assessment of the presumed direction of business at Postbank in 2012 and 2013 is based on the economic assumptions and expectations contained in this Group Management Report. Further intensification of the sovereign debt crisis and/or possible setbacks or disruptions in international capital and real estate markets could have a negative impact on this scenario. The continuing discussion about stricter regulation of the banking industry, including the reform of deposit-protection insurance, and a faster reduction of risk positions than being planned today could have a significant impact on Postbank's financial position, net assets and results of operations that was not taken into consideration in the following base scenario.

The integration of the Postbank Group into the Deutsche Bank Group is expected to produce significant synergies in the coming periods. These synergies should positively affect Postbank's performance and, thus, the short-, mid- and long-term earnings situation of Postbank and its business divisions. The measures to generate these synergies will result in short and mid-term one-time effects from such activities as the achievement of increased efficiency or the development of joint IT systems. On the basis of the current results of the integration work, these positive and negative effects were considered in the following outlook.

Should a control agreement be put in place, it could also affect the measurement of assets and liabilities as a result of the assumption of group accounting policies.

The foundation of our future earnings performance at Postbank remains the solid income streams generated by its retail, business and corporate customers. In coming quarters, we will focus intently on managing our cost base and increasingly tapping efficiency potential created by our integration into the Deutsche Bank Group. On the basis of the economic outlook and an easing of the sovereign debt crisis, we also expect the need for impairments on the Bank's risk positions to decline. This will be supported by the significant reduction of these positions undertaken in recent years.

In particular, we expect the operational earnings lines of net interest income and net fee and commission income generated in 2012 will moderately trail behind the good results produced in the past fiscal year. The persisting low level of interest rates will continue to have a negative impact on net interest income, and net fee and commission income will reflect among other things higher expenses from such activities as product brokerage as part of the cooperation with norisbank. For structural reasons, fee and commission income for postal services will continue to decline. Growth is expected to resume starting in 2013 due, in part, to the anticipated steepening of the yield curve.

In terms of net trading income and net income from investment securities, we expect – excluding considerations about a possible worsening of the sovereign debt crisis and the subsequent impact on the banking industry – that, overall, a slightly negative result will be produced in both 2012 und 2013.

The direction of the allowance for losses on loans and advances is closely tied to the economic performance in Germany and other countries where we conduct commercial real estate finance business. As previously noted, we assume in our base scenario that macroeconomic conditions will temporarily cool, particularly in Europe. Against this background, we expect the allowance for losses on loans and advances to rise in 2012 and 2013 compared with 2011, a year that benefited from a reversal of allowances for losses on loans and advances.

We expect that administrative expenses will sharply fall during 2012 and 2013 from their level in this past fiscal year. In spite of expected non-recurring expenses related to the integration into the Deutsche Bank Group, efficiency measures undertaken in past periods and initial synergies should have a positive effect. For 2012, we expect other administrative expenses to remain at roughly the previous year's level and staff costs to fall, particularly as a result of the declining need for provisions. In 2013 total administrative expenses should be slightly less than the level reached in 2012.

Overall, we assume on the basis of previous assessments of trends in individual earnings components that the Postbank Group will produce strong results once again in 2012, 2013 and beyond. The mid-term rise in earnings contributions that we foresee from our customer business will be slowed particularly in 2012 by the challenging interest rate environment that continues to be faced by deposit-rich banks.

Expected development in fundamental business divisions

Retail Banking

Against the backdrop of anticipated economic trends, we expect our retail banking business in Germany will remain stable in 2012. It is a low-volatility and, vis-à-vis other areas, low risk business activity. But we believe that competition will intensify further. Thanks to our current positioning, we believe that we are well prepared for such a change and intend to remain on our growth course.

The uncertainty being felt on money and capital markets may continue to encourage the trend toward safe investments. In this area, we expect positive momentum to be generated by the savings and home savings business. In addition, the mortgage lending business should profit from the need for energy-related remodeling of buildings.

In 2012 and 2013, the earnings contribution of the Retail Banking segment should remain at the high level reached during this past fiscal year. For 2012, we do expect to see a slight decrease in net interest income and net fee and commission income compared with the very good results achieved in 2011. In 2013, income should grow once again particularly due to a continuing increase in net interest income. We expect the allowance for losses on loans and advances will remain nearly stable.

Corporate Banking

We currently believe that the Corporate Banking segment will be unable to maintain its 2011 earnings level in 2012 and 2013 because of the increased need compared with 2011 for the allowance for losses on loans and advances in the lending business as a result of the projected slowing of macroeconomic conditions. The segment's total income should remain approximately at the good level achieved in 2011.

Transaction Banking

The earnings performance of the Transaction Banking segment will decline slightly in the next two years as a result of the loss of the client Dresdner Bank in the second quarter of 2011, among other things. Net fee and commission income may suffer significantly as a result. This drop can be offset in part by decreasing administrative expenses. Moreover, we will continue to give a high priority to cost management in the coming years.

Financial Markets

In the Financial Markets segment, which includes the results of the management of our banking book, we expect the declining negative impact of the financial market and sovereign debt crisis to lead to a significant improvement in the next two years compared with the past fiscal year.

zuverlässig

Postbank brand value:
Fast, outstanding service and reliable product quality

Just as it does for its retail customers, Postbank offers its 280,000 business customers – self-employed persons, freelancers, manufacturers and small companies – a broad range of products for their daily needs. The number of customers who use us as their main banking connection is growing steady, thanks both to the quality and reliability of our products and services as well as to our employees' special expertise: in-depth knowledge of the sectors in which our customers are active.

Consolidated Financial Statements in accordance with International Financial Reporting Standards for the period ended December 31, 2011

Consolidated Statement of Comprehensive Income for the Period January 1 to December 31, 2011

Consolidated Income Statement

	Note	2011 €m	2010 €m
Interest income	(6)	6,900	6,978
Interest expense	(6)	–3,990	–4,247
Net interest income	(6)	2,910	2,731
Allowance for losses on loans and advances	(7)	–383	–561
Net interest income after allowance for losses on loans and advances		2,527	2,170
Fee and commission income	(8)	1,502	1,586
Fee and commission expense	(8)	–250	–270
Net fee and commission income	(8)	1,252	1,316
Net trading income	(9)	64	–241
Net income from investment securities	(10)	–554	–1
Administrative expenses	(11)	–3,204	–2,934
Other income	(12)	107	175
Other expenses	(13)	–114	–170
Profit before tax		78	315
Income tax	(14)	34	–176
Profit from ordinary activities after tax		112	139
Minority interest		–1	–1
Consolidated net profit		111	138
Basic earnings per share (€)		0.51	0.63
Diluted earnings per share (€)		0.51	0.63

Condensed Statement of Comprehensive Income

	2011 €m	2010 €m
Profit from ordinary activities after tax	112	139
Other comprehensive income after tax	–24	238
Change in revaluation reserve	–35	340
thereof remeasurement gains/losses	–51	239
thereof disposals and impairment	16	101
Change in currency translation reserve	9	9
Income tax relating to other comprehensive income	2	–111
Total comprehensive income for the period attributable to minority interest	–1	–1
Total comprehensive income	87	376

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 2011 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 2011.

Consolidated Balance Sheet as of December 31, 2011

Assets	Note	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Cash reserve	(15)	3,652	3,248
Loans and advances to other banks	(16)	20,322	12,140
Loans and advances to customers	(17)	110,740	111,783
Allowance for losses on loans and advances	(19)	–1,826	–1,764
Trading assets	(20)	6,892	24,150
Hedging derivatives	(21)	1,277	664
Investment securities	(22)	46,480	58,980
Intangible assets	(23)	2,274	2,339
Property and equipment	(24)	791	826
Investment property	(25)	73	73
Current tax assets	(26)	206	321
Deferred tax assets	(26)	404	347
Other assets	(27)	697	695
Assets held for sale	(2)	–	882
Total assets		191,982	214,684

Equity and Liabilities	Note	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Deposits from other banks	(28)	20,024	22,419
Due to customers	(29)	134,126	136,476
Debt securities in issue	(30)	12,727	12,860
Trading liabilities	(31)	8,591	26,174
Hedging derivatives	(32)	1,817	1,451
Provisions		2,557	2,287
a) Provisions for pensions and other employee benefits	(33)	1,161	1,126
b) Other provisions	(34)	1,396	1,161
Current tax liabilities	(35)	129	77
Deferred tax liabilities	(35)	175	284
Other liabilities	(36)	689	665
Subordinated debt	(37)	5,438	5,577
Liabilities directly related to assets held for sale	(2)	–	787
Equity	(38)	5,709	5,627
a) Issued capital		547	547
b) Share premium		2,010	2,010
c) Retained earnings		3,037	2,928
d) Consolidated net profit		111	138
Minority interest		4	4
Total equity and liabilities		191,982	214,684

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, 2010	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
Dividend payment							–		–
Changes in retained earnings			138			–138	0		0
Total comprehensive income Jan. 1 – Dec. 31, 2011				9	–33	111	87		87
Treasury shares							–		–
Other changes			–5				–5	–	–5
Balance at Dec. 31, 2011	547	2,010	3,476	–133	–306	111	5,705	4	5,709

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.

137

A more detailed disclosure of the changes in the revaluation reserve can be found in Note 38.

Postbank did not hold any treasury shares as of December 31, 2011.

Consolidated Cash Flow Statement

	Note	2011 €m	2010 €m
Consolidated net profit		111	138
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		1,123	595
Changes in provisions	(33), (34), (35)	213	23
Changes in other non-cash items		−65	95
Gains on disposal of property and equipment and investment securities		−87	−37
Other adjustments (net, primarily net interest income)		−2,688	−2,198
Subtotal		−1,393	−1,384
Changes in working capital after adjustment for non-cash components			
Loans and advances to other banks		−8,451	1,987
Loans and advances to customers		164	−1,803
Trading assets		17,543	−3,569
Hedging derivatives with positive fair values		−537	−304
Other assets		53	212
Deposits from other banks		−1,899	−16,308
Due to customers		−2,780	4,383
Debt securities in issue		−103	−3,811
Trading liabilities		−17,583	3,757
Hedging derivatives with negative fair values		437	−691
Other liabilities		41	−27
Interest received		7,081	7,346
Interest paid		−4,279	−4,609
Dividends received		0	0
Income taxes paid		−82	−210
Net cash used in operating activities		−11,788	−15,031

	Note	2011 €m	2010 €m
Proceeds from the disposal of			
Investment securities		12,574	14,568
Investments in subsidiaries	(2)	171	30
Property and equipment		25	1
Intangible assets		0	0
Payments to acquire			
Investment securities		–184	–701
Investments in subsidiaries		4	0
Property and equipment		–59	–64
Intangible assets		–38	–47
Net cash from investing activities		12,493	13,787
Dividends paid		0	0
Net change in cash and cash equivalents from other financing activities		–300	–41
Net cash used in financing activities		–300	–41
Cash and cash equivalents at start of period	(15)	3,248	4,534
Addition to basis of consolidation		–	–
Net cash used in operating activities		–11,788	–15,031
Net cash from investing activities		12,493	13,787
Net cash used in financing activities		–300	–41
Effects of exchange rate differences		–1	–1
Cash and cash equivalents at end of period	(15)	3,652	3,248

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 non-cash expenses and less non-cash income in the fiscal year.

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

Table of contents

Notes

Basis of preparation

Income statement disclosures

Balance sheet disclosures

Other disclosures

Basis of preparation

Deutsche Bank AG, Frankfurt am Main, is the parent company of Deutsche Postbank AG, Bonn. The Postbank subgroup companies are included in the parent company's consolidated financial statements.

(1) Basis of accounting
As a listed company, Deutsche Postbank AG has prepared its consolidated financial statements for the year ended December 31, 2011, 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).

182 The Annex to these consolidated financial statements provides an overview of the financial reporting standards applied (as of December 31, 2011).

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 142 uncertainty associated with measurement models for financial instruments is addressed in Note 41, 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 market 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"). 71 73 87

The disclosures on risks from financial instruments (in accordance with IFRS 7) are presented in the Risk Report contained in the Group Management Report. 62

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. 62

(2) Basis of consolidation
In addition to the parent company Deutsche Postbank AG, 50 (December 31, 2010: 51) subsidiaries that are presented in the following overview are included in the consolidated financial statements as of December 31, 2011.

Consolidated companies

Name and domicile	Equity (%) interest direct	Equity (%) interest indirect
Betriebs-Center für Banken AG, Frankfurt am Main	100.0	
Betriebs-Center für Banken Processing GmbH, Frankfurt am Main	100.0	
BHW Holding Aktiengesellschaft, 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 Aktiengesellschaft i.A., Bonn	100.0	
DSL Portfolio GmbH & Co. KG, Bonn	100.0	
DSL Portfolio Verwaltungs GmbH, Bonn	100.0	
PB (USA) Holdings, Inc., Wilmington, Delaware, U.S.A.	100.0	
PB Factoring GmbH, Bonn	100.0	
PB 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 P.O.S. Transact GmbH, Eschborn	100.0	
Postbank Systems AG, Bonn	100.0	
BHW Bausparkasse Aktiengesellschaft, Hamelin		100.0
BHW Gesellschaft für Vorsorge mbH, Hamelin		100.0
BHW - Gesellschaft für Wohnungswirtschaft mbH, Hamelin		100.0
BHW - Gesellschaft für Wohnungswirtschaft mbH & Co. Immobilienverwaltungs KG, Hamelin		100.0
BHW-Immobilien GmbH, Hamelin		100.0
BHW Kreditservice GmbH, Hamelin		100.0
Deutsche Postbank Finance Center Objekt GmbH, Munsbach, Luxembourg		100.0
Deutsche Postbank Vermögens-Management S.A., Munsbach, Luxembourg		100.0
DPBI Immobilien KGaA, Munsbach, Luxembourg		100.0
Miami MEI LLC, Dover, Delaware, U.S.A.		100.0
PB Capital Corporation, 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 Corporation, 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	

169

A complete list of shareholdings in accordance with section 313 of the HGB is given in Note 58.

Deutsche Postbank Home Finance Ltd. (India), a wholly owned subsidiary of BHW Holding AG, which was presented separately in the prior-year balance sheet, was deconsolidated as of March 31, 2011. The sale of the company resulted in a gain of €55 million. At the date of disposal, the company's assets amounted to €840 million and its liabilities amounted to €747 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, one special purpose entity established to securitize residential construction loans (PB Domicile 2009-1) and one retail fund (DWS Bond Flexible), which was newly acquired in the year under review, were consolidated. Two special purpose entities formed to securitize installment loans were wound up and deconsolidated (PB Consumer companies) in the reporting period.

Merkur I SICAV-FIS and Merkur II SICAV-FIS, a wholly owned subsidiary of Merkur I SICAV-FIS – were deconsolidated as of November 30, 2011 on the grounds that they are immaterial to the Postbank Group. Both were dissolved in December 2011.

BHW Kreditservice GmbH, domiciled in Hamelin, was formed on December 22, 2011, and included in consolidation for the first time in December 2011. BHW Kreditservice GmbH is a wholly owned subsidiary of BHW Holding AG.

In December 2011, Postbank P.O.S. Transact GmbH was included in consolidation for the first time. Postbank P.O.S. Transact GmbH is a wholly owned subsidiary of Deutsche Postbank AG.

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 a current swap yield curve and loan-specific risk or cost premiums. A detailed description of the valuation technique used can be found in Note 41. 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 are reported in net interest income.

142

The maximum credit risk on the loan portfolios allocated to the fair value option corresponds to the carrying amount of €7.5 billion (previous year: €8.1 billion); this risk is reduced by €0.5 billion (previous year: €1.0 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 due to changes in credit risk 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 observable market prices or discounted cash flow analysis using inputs that are observable in the market (current swap yield curve plus "credit spread"). Additional information on the fair value of financial instruments is given in Note 41, Fair value of financial instruments. 142

Financial instruments are grouped into classes as 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 the credit risk information required to be disclosed under IFRS 7.36f. by individual classes in the Risk Report. 62

(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;
- an observable 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.

(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 techniques (in accordance with IAS 39.AG74 ff.). A detailed description of the valuation techniques is given in Note 41. Remeasurement gains and losses as well as gains or losses realized on the sale or disposal of trading assets are recognized in net trading income.

142

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 portfolios held for trading are also carried under "trading assets". Detailed explanations of the SCP portfolios can be found in Note 4 (h), Investment securities.

113

The measurement methods used are described in Note 41, Fair value of financial instruments.

142

(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.

For interest-bearing securities and non-current 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. Furthermore, credit default swaps (CDS) are employed to hedge credit risk from securities in particular.

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.

Since October 2011, Postbank has managed interest rate risk arising from private mortgage lending using derivatives (plain vanilla swaps). Hedge accounting is used for the hedging instruments in accordance with the principles laid down in IAS 39 AG 114 ff. The hedged items are the individual loans, which as similar assets are grouped together and accounted for in loan classes. The hedging instruments employed are a collective of plain vanilla interest rate swaps.

(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
110 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 not held for trading 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 112
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 the 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.

With respect to the measurement of the structured credit portfolio, Postbank calibrated the spreads for non-corporate CDOs as of the first quarter of 2011. This adjustment to the inputs led to the recognition in profit or loss of a negative amount of €0.5 million as of December 31, 2011, and to €9.1 million being charged to the revaluation reserve.

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 41, Fair value of financial instruments.

142

(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 2011. 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. Value in use is determined based on the corresponding cash flows of the cash-generating unit. Fair value less costs to sell is only determined if calculating value in use would result in identification of an impairment. This was not the case in 2011. Value in use is calculated based on appropriate projections (management approach). The planning period covers five years. Following the detailed planning period, a projection using a 1% growth rate (a so-called perpetual annuity) was used.

A discount rate of 7.76% was used for the measurement. The discount rate consists of a risk-free interest rate of 2.75% plus a company-specific risk premium of 5.01%, which is calculated on the basis of the systematic market risk (beta factor) and the current market risk premium.

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 macroeconomic 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 macroeconomic fundamentals in Germany, an average growth rate for gross domestic product (GDP) has been assumed for the 2012 to 2016 planning period, along with a slight decline in unemployment until 2014. Private household disposable income is likely to rise substantially throughout the whole planning period. Despite a significant increase in consumer prices, consumer spending should grow at an average rate, while the savings rate should remain more or less at the current level. 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 sovereign debt crisis on the banking sector and the capital markets is likely to decline in the course of 2012. However, further charges to profit or loss arising from heavy price losses and impairment losses or writedowns of government bonds cannot be ruled out.

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 25. 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.

131
115

(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.

113

(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 €112 million (previous year: €115 million) and the statutory employer’s contributions to pension insurance in the amount of €56 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:

	2011	2010
Discount rate	4.9 % p.a.	5.0 % p.a.
Salary growth	2.8 %	2.5 %
Pension growth	2.3 %	2.1 %
Fluctuation	4.0 % p.a.	4.0 % p.a.
Pensionable age	60 – 63 years	60 – 63 years
Mortality, disability, etc.	Heubeck tables 2005G	Heubeck tables 2005G
Average expected return on plan assets	4.41 %	3.93%

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 non-monetary 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 non-monetary 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 non-monetary 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 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 non-current 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 €83.5 million.

(5) New developments in international accounting under IFRSs

New developments in fiscal year 2011

The following standards were required to be applied for the first time in the reporting period: IAS 24 (rev. 2009) "Related Party Disclosures" and "Annual Improvements Project 2010". The amendments to IAS 24 resulted in an increase in the number of related parties for Postbank (see Note 53). Apart from this, these amendments and revisions had no significant effects on Postbank's financial reporting. 156

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

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 1 "Presentation of Items of Other Comprehensive Income"	January 1, 2013 Not yet endorsed by the EU.	The presentation of other comprehensive income has been changed such that items of other comprehensive income that will subsequently be reclassified to profit or loss are required to be grouped separately from those that will not. Postbank does not expect the new requirements to have any material effects. The change affects the presentation in the statement of comprehensive income.
IAS 12 "Recovery of Underlying Assets"	January 1, 2012 Not yet endorsed by the EU.	The amendment offers a solution to determining whether the carrying amount of an asset will be recovered through use or through sale. Postbank does not expect the new requirements to have any material effects.
IAS 19 "Employee Benefits"	January 1, 2013 Not yet endorsed by the EU.	The amendments introduce new requirements for the recognition of employee benefits relating to the following areas, among others: – Elimination of the corridor approach – Recognition of actuarial gains and losses in other comprehensive income. The discontinuation of the corridor approach in the year of initial application results in a change to equity (non-recurring effect). The immediate recognition of actuarial gains and losses through other comprehensive income will increase volatility in equity in future.
IFRS 7 (am. 2011) "Disclosures – Offsetting Financial Assets and Financial Liabilities" und IAS 32 (am. 2011) "Financial Instruments: Presentation"	IFRS 7: January 1, 2013 IAS 32: January 1, 2013 Not yet endorsed by the EU.	New requirements for offsetting financial instruments: IFRS 7: Additional disclosures on financial instruments that have been offset and on financial instruments that have not been offset although they are covered by offsetting agreements. IAS 32: Clarifies that instruments may only be offset if all conditions for offsetting have been met at the reporting date. Postbank is currently examining the potential effects on, and changes to, the consolidated financial statements.
IFRS 7 (am. 2010) "Transfers of Financial Assets"	January 1, 2012 (endorsed by EU Regulation 1205/2011 dated November 22, 2011)	The amendments to IFRS 7 introduce enhanced disclosure requirements for transfers of financial assets that do not qualify for full or partial derecognition or for which a continuing involvement must be recognized. Postbank is currently examining the potential effects on, and changes to, the consolidated financial statements.
IFRS 9 "Financial Instruments"	According to the current timeline, IFRS 9 (Phase 1) is to be used for fiscal years beginning on or after January 1, 2015. Not yet endorsed by the EU.	The IASB has initiated a project to replace IAS 39 "Financial Instruments: Recognition and Measurement". This project has been broken down into three phases, which will ultimately result in a new Standard, IFRS 9 "Financial Instruments". A finalized Standard has already been produced for Phase 1, "Classification and Measurement". This specifies that financial instruments must be classified on the basis of the entity's business model and the contractual cash flow characteristics, depending on which the instruments are classified/measured at amortized cost or at fair value. At present, only exposure drafts for Phase 2 ("Amortized Cost and Impairment") and Phase 3 ("Hedge Accounting") have been issued. Phase 2 aims to replace the incurred loss impairment model by an expected loss model that accounts for risks before they materialize. Phase 3 provides for simplifications to hedge accounting, especially in relation to the effectiveness test. Postbank is currently examining the potential effects on, and changes to, the consolidated financial statements.
IFRS 10 "Consolidated Financial Statements"	January 1, 2013 Not yet endorsed by the EU.	The amendment focuses on a single definition of control and the associated definition of the companies to be included in consolidation. The new Standard replaces the current IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities". Postbank is currently examining the potential effects on, and changes to, the consolidated financial statements.
IFRS 11 "Joint Arrangements"	January 1, 2013 Not yet endorsed by the EU.	IFRS 11 addresses the accounting treatment of situations in which a company has joint control over a joint venture or a joint operation. The accounting treatment for joint ventures accounted for using the equity method is covered by IAS 28 rev. 2010. The new rules remove the option to account for joint ventures using proportionate consolidation. The new Standard replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entries – Non-Monetary Contributions by Venturers". Postbank does not expect the new requirements to have any material effects.
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013 Not yet endorsed by the EU.	IFRS 12 is a collection of disclosure requirements for consolidated financial statements relating to interest in other entities (including joint ventures and associates) and special purpose entities; it replaces the disclosure requirements in IAS 27, 28 and 31. The amendments will lead to enhanced disclosures in the notes to the consolidated financial statements, especially in relation to unconsolidated special purpose entities.
IFRS 13 "Fair Value Measurement"	January 1, 2013 Not yet endorsed by the EU.	IFRS 13 provides guidance in determining fair value. The goal is to harmonize the definition of fair value, the methods used to calculate it and, in particular, the disclosure requirements for fair value measurement used in different standards. Postbank is currently examining the potential effects on, and changes to, the consolidated financial statements.

Income statement disclosures

6) Net interest income

	2011 €m	2010 €m
Interest and current income		
Interest income from:		
Lending and money market transactions	5,380	5,310
Fixed-income and book-entry securities	1,452	1,652
Trading operations	15	24
Net gains/losses on hedges	38	–26
	6,885	6,960
Current income from:		
Equities and other non-fixed-income securities	11	9
Equity investments	4	9
	15	18
	6,900	6,978
Interest expense on:		
Deposits	2,893	2,835
Debt securities in issue	401	416
Subordinated debt	254	268
Swaps	437	691
Trading operations	5	37
	3,990	4,247
Total	2,910	2,731

Interest income from the lending business and from money market transactions includes €84 million (previous year: €132 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 €210 million (previous year: €381 million). In addition, this item includes €227 million (previous year: €310 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:

	2011 €m	2010 €m
Gains/losses on the fair value remeasurement of hedged items	–7	271
Gains/losses on the fair value remeasurement of hedging instruments	45	–297
Total	38	–26

(7) Allowance for losses on loans and advances

	2011 €m	2010 €m
Cost of additions to allowance for losses on loans and advances		
Specific valuation allowances	692	852
Portfolio-based valuation allowances	23	16
Cost of additions to provisions for credit risks	34	15
Direct loan write-offs	50	52
Income from reversals of the allowance for losses on loans and advances		
Specific valuation allowances	330	331
Portfolio-based valuation allowances	33	10
Income from the reversal of provisions for credit risks	24	12
Recoveries on loans previously written off	29	21
Total	383	561

€373 million (previous year: €558 million) of the allowance for losses on loans and advances relates to customer receivables classified as loans and receivables, and €10 million (previous year: €3 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:

	2011 €m	2010 €m
Additions		
Private mortgage lending	252	292
Home savings loans	3	3
Commercial loans	294	414
Installment credits	63	55
Other loans and advances	79	85
Portfolio-based valuation allowances	23	16
Total	714	865

€1 million (previous year: €3 million) of the cost of additions to the allowance for losses on loans and advances relates to loans and advances to other banks.

	2011 €m	2010 €m
Reversal		
Private mortgage lending	115	85
Home savings loans	2	1
Commercial loans	201	214
Installment credits	2	2
Other loans and advances	10	24
Portfolio-based valuation allowances	33	10
Total	363	336

€0 million (previous year: €5 million) of the income from the reversal of the allowance for losses on loans and advances relates to loans and advances to other banks.

(8) Net fee and commission income

	2011 €m	2010 €m
Checking account business	336	332
Securities business	90	93
Lending and guarantee business	127	130
Branch business	425	431
Other fee and commission income	274	330
Total	1,252	1,316

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

Net fee and commission income from trust activities amounted to €6 million (previous year: €7 million) and is reported in "Other fee and commission income".

To improve presentation, the allocation of fee and commission income and expense to the individual transaction types that make up net fee and commission income was newly adjusted. For this purpose, the prior-year figures were adjusted.

(9) 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.

	2011 €m	2010 €m
Net income from sale of securities and loans	2	39
Net gains/losses on remeasurement of securities and loans		
Bonds and other fixed-income securities	0	6
Equities	0	−1
Loans (held for trading)	2	1
	2	6
Net gains/losses on derivatives carried in the trading portfolio and the banking book		
Gain on derivatives	11,213	8,235
Loss on derivatives	−11,134	−8,569
	79	−334
Net gains/losses from application of the fair value option		
of which loans and advances to customers	133	51
of which derivatives substantively linked to the fair value option	−157	−30
	−24	21
Foreign exchange gain/loss	7	30
Net fee and commission income carried in the trading portfolio	−2	−3
Total	64	−241

The net gains/losses on derivatives carried in the trading portfolio and the banking book include expenses from interest on swaps of €146 million (previous year: €291 million). The underlying swap holdings are not part of a hedging relationship as defined by IAS 39.

The net gains/losses on derivatives carried in the trading portfolio and the banking book include income from asset/liability management amounting to €13 million (previous year: €31 million) (see Note 4 (g)). 112

The net gains/losses on derivatives also include gains on the measurement of embedded derivatives from structured credit products of €10 million (previous year: losses of €322 million), and on capital-guaranteed promissory note loans (CPPIs) of €10 million (previous year: losses of €31 million).

	2011 €m	2010 €m
Net income from interest rate products	3	45
Net gains/losses on derivatives carried in the trading portfolio and the banking book	79	−334
Net gain/loss from application of the fair value option	−24	21
Net income from equities	1	–
Foreign exchange gain	7	30
Net fee and commission income carried in the trading portfolio	−2	−3
Total	64	−241

(10) 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 equity investments.

	2011 €m	2010 €m
Net income from loans-and-receivables investment securities	−623	64
thereof net income from sale	0	96
Gains on sale	122	282
Losses on sale	122	186
thereof net impairment loss	−623	−32
Net income from available-for-sale investment securities	5	−56
thereof net income from sale	23	−50
Gains on sale	117	93
Losses on sale	94	143
thereof net impairment loss	−18	−6
Net income from loans to other banks	−7	1
thereof net income from sale of loans and receivables	−7	1
Net income from loans to customers	14	−1
thereof net income from sale of loans and receivables	14	−1
Net income from equity investments	57	−9
Total	−554	−1

	2011 €m	2010 €m
Net income from bonds and promissory note loans	17	47
Net income from equities and other non-fixed-income securities	13	−1
Net income from equity investments	57	−9
Impairment	−641	−38
Total	−554	−1

€6 million (previous year: €33 million) of the net impairment loss on investment securities relates to writedowns of structured credit products, €627 million (previous year: €–5 million) to writedowns of other debt instruments, and €8 million (previous year: €19 million) to writedowns of retail funds and investments.

In fiscal year 2011, Postbank wrote down its exposure to Greek government bonds due to Greece's financial difficulties. As of June 30, 2011, Greek government bonds were written down by approximately 21% of the principal amount in view of the planned voluntary involvement of the private sector. The figure of 21% was derived from the parameters of the IIF debt exchange program. Due to the continuing discussions about the level of haircut required, a recoverable amount was approximated from market prices as of September 30, 2011, for receivables from Greek government bonds. As of December 31, 2011, based on current developments as well as discussions about the rescue package and debt exchange for Greek government bonds categorized as loans and receivables, it emerged that a recoverable amount equal to an average of 27% of the principal amount is achievable. When calculating the recoverable amount, assumptions have been made, among other things, about the date of the exchange, the coupon rate and the discount factor.

Available-for-sale Greek government bonds have been written down to their respective current fair value at the balance sheet date. Total impairment losses for the year under review amounted to €632 million.

(11) 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:

	2011 €m	2010 €m
Staff costs		
Wages and salaries	1,293	1,119
Social security contributions	112	112
Expenses for pensions and other benefits	219	211
	1,624	1,442
Other administrative expenses	1,414	1,344
Amortization of intangible assets	88	74
Depreciation and writedowns of property and equipment	78	74
Total	3,204	2,934

Expenses for pensions and other benefits primarily include expenses for defined contribution plans amounting to €108 million (previous year: €116 million) and pension expenses for defined benefit plans amounting to €92 million (previous year: €84 million).

Other administrative expenses relate primarily to IT costs of €317 million (previous year: €289 million); operating building and premises expenses of €134 million (previous year: €153 million); expenses for intragroup services received from Deutsche Post AG in the amount of €144 million (previous year: €140 million); market communication costs of €107 million (previous year: €105 million); legal, consulting, and audit costs of €88 million (previous year: €76 million) as well as expenses for the banking levy amounting to €23 million. €1 million of the other administrative expenses relates to investment property (previous year: €1 million).

Other administrative expenses include lease expenses of €105 million (previous year: €139 million), which are composed of expenses for leased intangible assets, land and buildings, and operating and office equipment under operating leases.

For recognition of income from the reversal of provisions and accruals see Note 12.

As in the previous year, the amortization and writedowns of intangible assets do not include any impairment losses.

Impairment losses of €17 million were charged on property and equipment in the year under review (previous year: €8 million).

(12) Other income

	2011 €m	2010 €m
Income from property and equipment	33	26
Reimbursements from internal welfare institutions	10	21
Income from uncollectable transactions	4	4
Income from reversal of other provisions	–	27
Income from reversal of accruals	–	26
Miscellaneous	60	71
Total	107	175

Income from property and equipment mainly comprises rental income of €25 million (previous year: €25 million), of which €3 million (previous year: €4 million) relates to investment property.

From fiscal year 2011, provisions are no longer reversed to other operating income but to those line items against which they were charged. In the previous year, €39 million of the reversal of provisions and accruals related to other administrative expenses and €14 million to staff costs.

In addition, the miscellaneous item includes a large number of individual items.

(13) Other expenses

	2011 €m	2010 €m
Additions to provisions	13	19
Expenses for other taxes	13	5
Expenses for claims settlement and ex gratia payments	7	14
Expenses for the Federal Posts and Telecommunications Agency (BAnstPT and StiftPT)	7	8
Expenses from property and equipment	5	3
Offsetting of participation in loss by silent partnerships and profit participation certificates outstanding (previous years)	–	42
Miscellaneous	69	79
Total	114	170

Expenses from property and equipment include losses on the disposal of property and equipment and intangible assets.

Expenses for other taxes relate primarily to land taxes amounting to €4 million (previous year: €3 million) and value added tax amounting to €5 million (previous year: €0 million).

The miscellaneous item includes interest expense of €2 million on payables to tax authorities (previous year: €7 million). In addition, the miscellaneous item includes a large number of individual items.

(14) Income taxes

Income taxes in the Group were composed of the following items:

	2011 €m	2010 €m
Effective income tax expense		
Current income tax expense		
Corporate income tax and solidarity surcharge	82	41
Trade income tax	22	26
	104	67
Prior-period income tax expense	26	13
	130	80
Income from deferred taxes		
from temporary differences	–119	21
from the reversal of loss carryforwards	–45	75
	–164	96
Total	–34	176

The following reconciliation illustrates the relationship between profit after tax and income tax expense:

	2011 €m	2010 €m
Profit from ordinary activities after tax	112	139
Income tax expense	–34	176
Profit before tax	78	315
Applicable tax rate	29.83 %	29.83 %
Expected income taxes	23	94
Tax effects		
Effect of changes in tax rate	0	0
Effect of difference between applicable tax rates in Germany and abroad	4	2
Effect of tax-free income and non-deductible expenses	–8	6
Effect of unrecognized deferred taxes	–70	95
Effect of prior-period taxes	35	4
Effect of equities and investments resulting from section 8b KStG	–17	–23
Other	–1	–2
	–57	82
Income tax expense	–34	176

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.

Balance sheet disclosures

(15) Cash reserve

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Cash	777	807
Balances with central banks	2,875	2,441
Total	3,652	3,248

€1,563 million (previous year: €2,355 million) of the balances with central banks relates to balances with the Deutsche Bundesbank.

The minimum reserve requirement at the end of December 2011 was €1,088 million (previous year: €2,113 million).

(16) Loans and advances to other banks

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Domestic banks		
Payable on demand	1,574	989
Other loans and advances	5,725	3,171
	7,299	4,160
Foreign banks		
Payable on demand	3,285	3,445
Other loans and advances	9,738	4,535
	13,023	7,980
Total	20,322	12.140

€6,478 million (previous year: €4,148 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, 2011 €m	Dec. 31, 2010 €m
Loans and advances to other banks (loans and receivables)	8,016	8,510
thereof fair value hedges	297	272
Money market assets (loans and receivables)	12,306	3,630
Total	20,322	12,140

The loans and advances to other banks can be broken down by product group as follows:

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Securities repurchase agreements	12,184	3,630
Overnight money	4,252	4,294
Loans	2,459	3,453
Registered bonds	348	400
Term deposits	104	191
Other loans and advances	975	172
Total	20,322	12,140

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, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Financial collateral	18,319	3,587	8,958	111
Non-financial collateral	–	–	–	–
Total	18,319	3,587	8,958	111

Collateral is utilized at standard market conditions.

As of December 31, 2011, receivables under genuine repurchase agreements amounted to €12,184 million (previous year: €3,630 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 €15.0 billion (previous year: €5.7 billion) and variable-interest loans in the amount of €5.3 billion (previous year: €6.4 billion).

(17) Loans and advances to customers

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Private mortgage lending	71,263	70,459
Home savings loans	3,830	3,713
Commercial loans	26,125	30,284
Public sector	3,517	2,433
Installment credits	4,352	3,880
Other loans and advances	1,653	1,014
Total	110,740	111,783
thereof:		
Secured by mortgage charges	53,037	55,762
Public-sector loans	3,492	3,913

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Domestic customers	92,950	93,310
Foreign customers	17,790	18,473
Total	110,740	111,783

Loans and advances to customers without a fixed maturity amounted to 1.2 % of total assets (previous year: 1.2 %). These loans and advances have been allocated to the shortest maturity band in the maturity structure.

€82,104 million (previous year: €84,604 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 €90.8 billion (previous year: €91.1 billion) and variable-interest loans in the amount of €19.9 billion (previous year: €20.7 billion).

Loans and advances to customers can be broken down as follows in accordance with the categories of financial instruments defined in IAS 39:

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Loans and receivables	103,227	103,689
thereof fair value hedges	3,042	2,688
Fair value option	7,513	8,094
Total	110,740	111,783

Loans and advances to customers include amounts due under finance leases.

Total outstanding minimum lease payments amount to €232 million (previous year: €245 million) and have the following maturity structure:

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
in the first year after the balance sheet date	59	56
in the second year after the balance sheet date	45	50
in the third year after the balance sheet date	36	37
in the fourth year after the balance sheet date	27	26
in the fifth year after the balance sheet date	18	18
more than five years after the balance sheet date	47	58
Total	232	245

The reconciliation to the present value of the outstanding minimum lease payments is as follows:

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Outstanding minimum lease payments	232	245
Unguaranteed residual values	4	4
Total gross investment	236	249
Unearned finance income	30	36
Net investment	206	213
Present value of unguaranteed residual values	3	3
Present value of minimum lease payments	203	210

The accumulated allowance for uncollectible outstanding minimum lease payments amounts to €3 million (previous year: €0.1 million).

(18) Total credit extended

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Loans and advances to other banks	20,322	12,140
Loans and advances to customers	110,740	111,783
Guarantees	827	1,036
Total	131,889	124,959

(19) 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, 2011 €m	Dec. 31, 2010 €m
Allowance for losses on loans and advances to other banks	37	36
Allowance for losses on loans and advances to customers	1,789	1,728
Total allowance for losses on loans and advances	1,826	1,764
Provisions for credit risks	40	34
Total	1,866	1,798

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	
	2011 €m	2010 €m	2011 €m	2010 €m	2011 €m	2010 €m
Balance at Jan. 1	1,612	1,491	152	150	1,764	1,641
Changes in basis of consolidation	5	–	–	–	5	–
Reclassification due to IFRS 5	–	–1	–	–6	–	–7
Additions						
Allowance charged to the income statement	692	852	23	16	715	868
Disposals						
Utilization	216	277	–	–	216	277
Allowance reversed to the income statement	330	331	33	10	363	341
Unwinding	84	132	–	–	84	132
Currency translation differences	–5	–10	–	–2	–5	–12
Balance at Dec. 31	1,684	1,612	142	152	1,826	1,764

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, 2011 €m	Dec. 31, 2010 €m
Specific valuation allowances		
Private mortgage lending	483	517
Home savings loans	7	9
Commercial loans	562	535
Installment credits	250	204
Other loans and advances	345	311
Portfolio-based valuation allowances	142	152
Total	1,789	1,728

The total amount of loans for which no interest payments are being received was €1,434 million as of the balance sheet date (previous year: €1,502 million). Writedowns were charged on loans with a total volume of €3,776 million (previous year: €3,891 million). The outstanding interest receivables on these loans amounted to €119 million as of December 31, 2011 (previous year: €114 million).

€50 million of loans and advances was written off directly in fiscal year 2011 (previous year: €52 million). Recoveries on loans written off amounted to €29 million (previous year: €21 million).

(20) 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, 2011 €m	Dec. 31, 2010 €m
Bonds and other fixed-income securities		
Public-sector issuers	9	107
Other issuers	87	621
	96	728
Equities and other non-fixed-income securities	–	13
Building loans held for trading	169	188
Positive fair values of derivatives carried as trading assets	4,891	22,395
Positive fair values of banking book derivatives	1,321	562
Positive fair values from derivatives relating to hedged items accounted for under the fair value option	415	264
Total	6,892	24,150

Deposits of €5,784 million (previous year: €18,854 million) are due after more than 12 months.

€81 million of the bonds and other fixed-income securities have a fixed rate of interest over the entire term (previous year: €498 million), while €15 million (previous year: €230 million) have 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, 2011 €m	Dec. 31, 2010 €m
Bonds and other fixed-income securities	96	698
Equities and other non-fixed-income securities	–	–

(21) 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, 2011 €m	Dec. 31, 2010 €m
Assets		
Hedging derivatives on loans to customer		
Loans and receivables	4	12
	4	12
Hedging derivatives on investment securities		
Bonds and other fixed-income securities	32	197
	32	197
Liabilities		
Deposits from other banks	35	20
Due to customers	547	82
Debt securities in issue	172	65
Subordinated debt	487	288
	1,241	455
Total	1,277	664

Holdings of €1,112 million (previous year: €604 million) are due after more than 12 months.

(22) Investment securities

Investment securities include bonds and other fixed-income securities, equities and other non-fixed-income securities, equity investments, and investments in unconsolidated subsidiaries.

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Bonds and other fixed-income securities		
Public-sector issuers	18,671	21,623
Other issuers	27,643	36,148
	46,314	57,771
Equities and other non-fixed-income securities		
Equities	2	2
Investment fund shares	128	1,164
	130	1,166
Equity investments	18	19
Investments in unconsolidated subsidiaries	18	24
Total	46,480	58,980

Bonds and other fixed-income securities contain securities and interest coupons due on the balance sheet date in the amount of €0 million (previous year: €18 million).

Holdings of €38,364 million (previous year: €50,286 million) are due after more than 12 months.

€37.9 billion of the bonds and other fixed-income securities have a fixed rate of interest over the entire term, while €8.4 billion have a variable rate of interest (floaters).

Postbank's portfolio of structured credit products has a total volume of €2.0 billion (previous year: €3.7 billion).

Investment securities are classified as follows in accordance with the categories of financial instruments defined in IAS 39:

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Bonds and other fixed-income securities		
Loans and receivables investment securities	39,976	50,032
thereof fair value hedges	17,412	21,727
Available for sale	6,338	7,739
thereof fair value hedges	1,674	1,366
	46,314	57,771
Equities and other non-fixed-income securities		
Available for sale	130	1,166
	130	1,166
Equity investments (available for sale)	18	19
Investments in unconsolidated subsidiaries (available for sale)	18	24
Total	46,480	58,980

The following amounts of investment securities are negotiable and listed:

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Bonds and other fixed-income securities	45,578	56,603
Equities and other non-fixed-income securities	13	370
Equity investments	4	6

Investment securities were furnished as collateral for the following liabilities:

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Liabilities	14,459	11,009
Contingent liabilities	21	11
Total	14,480	11,020

Investment securities are pledged as collateral in accordance with standard market conditions.

Changes in the fair value of unhedged available-for-sale securities in the amount of €–103 million were charged to the revaluation reserve (previous year: €280 million). €–11 million (previous year: €43 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 €641 million (previous year: €38 million) were recognized in fiscal year 2011 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, 2011, the total volume of securities reclassified in accordance with IAS 39.50E had a fair value of €19.9 billion and a carrying amount of €21.8 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 €1,879 million in the period up to December 31, 2011 (previous year: €1,533 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 €621 million (previous year: €28 million) were charged for all reclassified securities in the period up to December 31, 2011; disposal losses on reclassified securities amounted to €9 million (previous year: disposal loss of €1 million).

Interest amounting to €650 million (previous year: €750 million) accrued for the reclassified securities up to December 31, 2011.

(23) Intangible assets

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Acquired goodwill	1,642	1,651
Acquired software, concessions, industrial rights	549	589
Internally generated intangible assets and software	70	77
Advance payments on intangible assets and in-process intangible assets	13	22
Total	2,274	2,339

€1,568 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 €74 million (previous year: €78 million), while those for beneficial contracts amounted to €39 million (previous year: €46 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, 2010	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
Changes in basis of consolidation	–	–	–	–	–
Additions	–	17	9	12	38
Reclassifications	–	3	16	–19	0
Disposals	9	5	6	25	45
Closing balance at Dec. 31, 2011	1,653	1,049	178	13	2,893

	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, 2010	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
Changes in basis of consolidation	–	–	–	–	–
Amortization	–	59	29	–	88
Additions	–	–	–	–	–
Reclassifications	–	–	–	–	–
Disposals	–	4	3	23	30
Closing balance at Dec. 31, 2011	11	500	108	0	619
Carrying amount at Dec. 31, 2010	1,651	589	77	22	2,339
Carrying amount at Dec. 31, 2011	1,642	549	70	13	2,274

The carrying amounts of intangible assets changed as follows in the year under review:

	Carrying amount at Jan. 1, 2011 €m	Additions €m	Disposals €m	Reclassifications €m	Amortization €m	Carrying amount at Dec. 31, 2011 €m
Acquired goodwill	1,651	–	9	–	–	1,642
Acquired software, concessions, industrial rights	589	17	1	3	59	549
Internally generated intangible assets and software	77	9	3	16	29	70
Advance payments on intangible assets and in-process intangible assets	22	12	2	–19	–	13
Total	2,339	38	15	0	88	2,274

In fiscal year 2011, borrowing costs for qualifying assets (software under development) of €0.5 million were capitalized in accordance with IAS 23 (previous year: €0.4 million). The underlying capitalization rate was 2.12 %.

The carrying amount as of December 31, 2011, of advance payments on intangible assets was €4 million (previous year: €4 million); the carrying amount of intangible assets under development was €9 million (previous year: €18 million).

(24) Property and equipment

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Land and buildings	633	668
Operating and office equipment	157	156
Advance payments and assets under development	1	2
Total	791	826

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, 2010	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
Changes in basis of consolidation	–	–	–	–
Reclassifications due to IFRS 5	–	1	–	1
Additions	6	50	2	58
Reclassifications	1	–	–1	0
Disposals	17	48	2	67
Closing balance at Dec. 31, 2011	1,070	452	1	1,523

	Land and buildings €m	Operating and office equipment €m	Advance payments and assets under development €m	Total €m
Depreciation				
Opening balance at Jan. 1, 2010	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
Changes in basis of consolidation	–	–	–	–
Depreciation	30	48	–	78
Additions	–	–	–	–
Reclassifications	–	–	–	–
Disposals	5	46	–	51
Closing balance at Dec. 31, 2011	437	295	–	732
Carrying amount at Dec. 31, 2010	668	156	2	826
Carrying amount at Dec. 31, 2011	633	157	1	791

The carrying amounts of property and equipment changed as follows in the year under review:

	Carrying amount at Jan. 1, 2011 €m	Reclassification due to IFRS 5 €m	Additions €m	Disposals €m	Reclassifications €m	Reversals of impairment losses €m	Depreciation €m	Carrying amount at Dec. 31, 2011 €m
Land and buildings	668	–	6	12	1	–	30	633
Operating and office equipment	156	1	50	2	–	–	48	157
Advance payments and assets under development	2	–	2	2	–1	–	–	1
Total	826	1	58	16	0	–	78	791

At the balance sheet date, assets under development amounted to €1 million (previous year: €1 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, 2011 €m	Dec. 31, 2010 €m
Cost	723	724
Cumulative depreciation	371	339
Carrying amount	352	385

Acquisition costs amounting to €238 million (previous year: €240 million) relate to land.

(25) Investment property

A comparison of historical cost and cumulative depreciation with the prior-period amounts is presented below:

	Historical cost		Cumulative depreciation	
	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €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, 2011 €m	Additions €m	Disposals €m	Reclassifications €m	Depreciation €m	Carrying amount at Dec. 31, 2011 €m
Investment property	73	–	–	–	–	73

The disclosures relating to investment property for fiscal year 2011 are as follows:

	Rental income €m	Direct operating expenses €m	Restraints on disposal €m	Disposal proceeds received €m	Contractual obligations €m
Investment property	3	1	–	–	–

The disclosures relating to investment property for fiscal year 2010 are as follows:

	Rental income €m	Direct operating expenses €m	Restraints on disposal €m	Disposal proceeds received €m	Contractual obligations €m
Investment property	4	1	–	–	–

The fair value of investment property amounts to €73 million (previous year: €73 million) according to the expert appraisals.

(26) Current and deferred tax assets

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Current tax assets	206	321
Deferred tax assets		
from temporary differences	175	163
from tax loss carryforwards	229	184
domestic	64	–
foreign	165	184
	404	347
Total	610	668

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

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, 2011 €m	Dec. 31, 2010 €m
Assets		
Loans and advances	2	35
Allowance for losses on loans and advances	116	124
Trading assets	69	124
Hedging derivatives	0	15
Investment securities	206	100
Property and equipment	13	10
Other assets	98	154
Liabilities		
Amounts due to other banks and customers	249	63
Trading liabilities	655	612
Hedging derivatives	369	267
Provisions for pensions and other employee benefits	67	65
Other provisions	84	134
Other liabilities	20	12
	1,948	1,715
Tax loss carryforwards	229	184
Netted against deferred tax liabilities	1,773	1,552
Total	404	347

The acquisition of shares by Deutsche Bank AG means that loss carryforwards 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.

As of December 31, 2011, no deferred tax assets were recognized for temporary differences/tax loss carryforwards amounting to €487 million. The unrecognized deferred tax assets include tax loss carryforwards which will presumably expire in 2028.

(27) Other assets

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Prepaid expenses	504	492
Trade receivables	91	83
Receivables from tax authorities	21	16
Advances to members of the mobile sales force	13	13
Miscellaneous	68	91
Total	697	695

€378 million of the prepaid expenses (previous year: €367 million) relates to prepaid brokerage commissions and €8 million (previous year: €12 million) to prepaid rent and lease expenses.

Miscellaneous other assets include collateral received on lending totaling €17 million (previous year: €23 million). Collateral received is measured at the lower of cost and net realizable value.

Other assets amounting to €227 million (previous year: €461 million) have a maturity of more than 12 months.

(28) Deposits from other banks

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Domestic banks		
Payable on demand	634	888
With an agreed maturity or withdrawal notice	17,185	17,007
	17,819	17,895
Foreign banks		
Payable on demand	272	1,345
With an agreed maturity or withdrawal notice	1,933	3,179
	2,205	4,524
Total	20,024	22,419

€831 million of the amounts due to other banks is covered by fair value hedges (previous year: €291 million).

Deposits from other banks only include financial instruments classified as liabilities at amortized cost.

Deposits of €11,069 million (previous year: €10,781 million) are due after more than 12 months.

Deposits from other banks include fixed-interest deposits in the amount of €16.3 billion (previous year: €17.6 billion) and variable-interest deposits in the amount of €3.7 billion (previous year: €4.8 billion).

As of December 31, 2011, liabilities relating to genuine securities repurchase agreements amounted to €1.1 billion (previous year: €5.8 billion).

(29) Due to customers

Amounts due to customers are primarily composed of savings deposits, amounts payable on demand, and term deposits.

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Savings deposits		
With an agreed withdrawal notice of three months	47,748	50,201
With an agreed withdrawal notice of more than three months	154	164
	47,902	50,365
Home savings deposits	17,936	17,173
thereof: on terminated contracts	95	92
thereof: on allotted contracts	6	5
Other amounts due		
Payable on demand	36,673	37,641
With an agreed maturity or withdrawal notice	31,615	31,297
	68,288	68,938
Total	134,126	136,476
Domestic customers	126,262	131,555
Foreign customers	7,864	4,921
Total	134,126	136,476

€6,374 million of the amounts due to customers is covered by fair value hedges (previous year: €4,053 million).

Amounts due to customers only include financial instruments classified as liabilities at amortized cost.

Deposits of €33,677 million (previous year: €33,924 million) are due after more than 12 months.

Amounts due to customers contain fixed-interest deposits in the amount of €50.7 billion (previous year: €49.0 billion) and variable-interest deposits in the amount of €83.4 billion (previous year: €87.5 billion).

(30) 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, 2011 €m	Dec. 31, 2010 €m
Public-sector *Pfandbriefe*	1,773	1,829
Mortgage *Pfandbriefe*	5,970	4,887
Other debt instruments	4,984	6,144
Total	12,727	12,860

€2,973 million of the debt securities in issue is covered by fair value hedges (previous year: €2,572 million).

Debt securities in issue consist solely of financial instruments classified as liabilities at amortized cost.

Deposits of €9,000 million (previous year: €8,462 million) are due after more than 12 months.

Debt securities in issue include fixed-interest liabilities in the amount of €12.1 billion (previous year: €12.0 billion) and variable-interest liabilities in the amount of €0.6 billion (previous year: €0.8 billion).

Repurchased own bonds amounting to €156 million (previous year: €500 million) were deducted directly from debt securities in issue.

(31) 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, 2011 €m	Dec. 31, 2010 €m
Negative fair values of trading derivatives	4,945	23,031
Negative fair values of banking book derivatives	2,317	2,075
Negative fair values from derivatives relating to hedged items accounted for under the fair value option	1,329	1,060
Delivery obligations under securities sold short	–	8
Total	8,591	26,174

Deposits of €7,156 million (previous year: €20,735 million) are due after more than 12 months.

(32) 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, 2011 €m	Dec. 31, 2010 €m
Assets		
Hedging derivatives on loans to other banks		
Loans and receivables	17	16
	17	16
Hedging derivatives on loans to customers		
Loans and receivables	205	113
	205	113
Hedging derivatives on investment securities		
Bonds and other fixed-income securities	1,512	1,131
	1,512	1,131
Liabilities		
Deposits from other banks	–	1
Due to customers	–	41
Debt securities in issue	5	68
Subordinated debt	78	81
	83	191
Total	1,817	1,451

Deposits of €1,650 million (previous year: €1,291 million) are due after more than 12 months.

(33) 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	2011 €m	2010 €m	2009 €m	2008 €m	2007 €m
Present value of obligations of fully or partially funded benefits	794	766	728	660	698
Present value of obligations of non-funded benefits	924	879	815	733	729
Present value of total defined benefit obligation	1,718	1,645	1,543	1,393	1,427
Fair value of plan assets	−487	−480	−470	−392	−392
Unrealized gains (+)/ losses (–)	−70	−39	31	148	108
Net pension provisions	1,161	1,126	1,104	1,149	1,143

Change in present value of total defined benefit obligation	2011 €m	2010 €m
Present value of total defined benefit obligation at January 1	1,645	1,543
Current service cost, excluding employee contributions	26	25
Employee contributions	4	4
Interest cost	81	80
Pension benefits paid	−80	−79
Past service cost	–	1
Plan settlements	−4	–
Transfers	1	−1
Changes in basis of consolidation	–	–
Actuarial gains (–)/losses (+)	44	71
Currency effects	1	1
Present value of total defined benefit obligation at December 31	1,718	1,645

Change in plan assets	2011 €m	2010 €m
Fair value of plan assets at January 1	480	470
Employer contributions	4	5
Employee contributions	–	–
Expected return on plan assets	18	20
Gains (+)/losses (–) on plan assets	11	3
Pension benefits paid	– 22	– 18
Transfers	–	– 1
Changes in basis of consolidation	–	–
Plan settlements	– 4	–
Currency effects	–	1
Fair value of plan assets at December 31	487	480

Plan assets primarily consist of pension fund contracts (68 %, previous year: 69 %), fixed-income securities (25 %, previous year: 23 %), other assets (4 %, previous year: 6 %), and equities (3 %, previous year: 2 %). None of the assets are used directly by the Postbank Group.

Gains and losses

Gains and losses on plan assets	2011 €m	2010 €m	2009 €m	2008 €m	2007 €m
Actual return on plan assets	29	23	27	10	10
Expected return on plan assets	18	20	17	16	17
Experience gains (+)/losses (–) on plan assets	11	3	10	– 6	– 7

Gains and losses on defined benefit obligation	2011 €m	2010 €m	2009 €m	2008 €m	2007 €m
Experience gains (+)/losses (–) on defined benefit obligations	10	– 3	– 20	0	33
Increase (+)/decrease (–) in defined benefit obligations arising from changes in assumptions	– 54	– 68	– 98	53	177
Total actuarial gains (+)/ losses (–) on defined benefit obligations	– 44	– 71	– 118	53	210

Change in net pension provisions	2011 €m	2010 €m
Balance at January 1	1,126	1,104
Pension expense	92	84
Pension benefits paid	– 58	– 61
Employer contributions	– 4	– 5
Employee contributions	4	4
Changes in basis of consolidation	–	–
Transfers	1	–
Currency effects	–	–
Balance at December 31	1,161	1,126

Payments in the amount of €59 million are expected to be made to net pension provisions in 2012; these relate to directly anticipated pension payments by the Company. Employer contributions of €6 million are also expected.

Pension expense	2011 €m	2010 €m
Current service cost	26	25
Interest cost	81	80
Expected return on plan assets	– 18	– 20
Recognized past service cost	–	1
Amortization of unrecognized gains (–)/losses (+)	3	– 2
Effects of plan settlements	–	–
Other	–	–
Pension expense	92	84

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 loss of €3 million was recognized in profit or loss in 2011 (previous year: gain of €2 million).

(34) Other provisions

The other provisions changed as follows in the year under review:

	Balance at Jan. 1, 2011 €m	Utilization €m	Reversal €m	Additions €m	Balance at Dec. 31, 2011 €m
Provisions for home savings business	842	124	4	178	892
Staff-related provisions	130	75	23	219	251
Provisions for credit risks	34	4	24	34	40
Risk compensation amounts of the Postbeamten-Krankenkasse (Postal Civil Service Health Insurance Fund)	1	–	–	1	2
Miscellaneous	154	94	15	166	211
Total	1,161	297	66	598	1,396

€1,018 million (previous year: €767 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, 2011 €m	Utilization €m	Reversal €m	Additions €m	Balance at Dec. 31, 2011 €m
Provisions for home savings business					
for interest premiums	670	100	–	143	713
for reimbursement claims from arrangement fees	77	10	–	10	77
for changes in interest rates	87	13	–	18	92
Miscellaneous	8	1	4	7	10
Total	842	124	4	178	892

Miscellaneous other provisions include provisions for litigation costs amounting to €32 million (previous year: €16 million), provisions for jubilee benefits amounting to €7 million (previous year: €8 million), and provisions for year-end closing costs amounting to €4 million (previous year: €3 million).

(35) Current and deferred tax liabilities

	Balance at Jan. 1, 2011 €m	Utilization €m	Reversal €m	Additions €m	Balance at Dec. 31, 2011 €m
Current taxes	77	24	1	77	129
Deferred taxes	284	–	284	175	175
Total	361	24	285	252	304

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, 2011 €m	Dec. 31, 2010 €m
Assets		
Loans and advances	344	301
Allowance for losses on loans and advances	7	–
Trading assets	188	160
Hedging derivatives	219	116
Investment securities	783	764
Property and equipment	9	8
Other assets	281	282
Liabilities		
Amounts due to other banks and customers	33	110
Provisions for pensions and other employee benefits	13	11
Other provisions	48	52
Other liabilities	23	32
	1,948	1,836
Netted against deferred tax assets	1,773	1,552
Total	175	284

(36) Other liabilities

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Liabilities from other taxes	168	168
Trade payables	143	107
Liabilities from expenses for outstanding invoices	65	81
Liabilities from expenses for management bonuses	62	62
Liabilities from expenses for commissions and premiums	44	47
Liabilities from expenses for outstanding vacation entitlements and other compensated absences	41	41
Deferred income	33	39
Miscellaneous liabilities	133	120
Total	689	665

€58 million of other liabilities (previous year: €49 million) is due after more than 12 months.

(37) Subordinated debt

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Subordinated liabilities	2,281	2,545
Hybrid capital instruments	1,939	1,777
Profit participation certificates outstanding	1,196	1,230
Contributions by typical silent partners	22	25
Total	5,438	5,577

Subordinated debt consists solely of financial instruments classified as liabilities at amortized cost.

€5,064 million of subordinated debt (previous year: €5,134 million) is due after more than 12 months.

Due to the current maturity structure, only €2,982 million (previous year: €3,296 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: €113 million). Deferred interest not yet due amounting to €44 million (previous year: €30 million) is carried as subordinated debt under subordinated liabilities.

Hybrid capital instruments represent four issues in the form of Class B preferred securities that were issued by subsidiaries established for this purpose. The Class B preferred securities of Postbank Funding LLC I to IV are issued for an unlimited term and represent Tier 1 capital for banking regulatory purposes.

Deferred interest on hybrid capital instruments not yet due amounted to €23 million (previous year: €22 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 2011 on profit participation certificates outstanding totals €58 million (previous year: €66 million). Deferred interest not yet due amounting to €45 million (previous year: €53 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 €2,381 million of the subordinated debt (previous year: €2,157 million) is hedged against changes in fair value; of this figure €442 million (previous year: €379 million) is attributable to subordinated liabilities and €1,939 million (previous year: €1,778 million) to hybrid capital instruments.

€2.9 billion of subordinated debt (previous year: €4.0 billion) is fixed-interest, while €2.5 billion (previous year: €1.6 billion) is variable-interest.

(38) Equity

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Issued capital	547	547
Share premium	2,010	2,010
Retained earnings	3,476	3,343
Foreign currency translation reserve	–133	–142
Revaluation reserve	–306	–273
	3,037	2,928
Consolidated net profit	111	138
Minority interest	4	4
Total	5,709	5,627

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 generally reported under retained earnings.

On April 12, 2011, a court settlement was agreed in the award proceedings relating to the squeeze-out of BHW Holding AG. Under the settlement, Postbank will pay each shareholder €1.79 plus interest per BHW share in addition to the squeeze-out cash settlement already granted. The cash settlement was increased to a total of €16.90 plus interest per share. The court settlement meant that the proceedings became final and unappealable. The cash settlement was recognized directly in retained earnings.

The foreign currency translation reserve contains the translation gain or loss from the consolidation of the subsidiaries reporting in foreign currency that arose as a result of acquisition accounting.

The profit or loss from the measurement of investment securities at fair value after deduction of deferred taxes is reported in the revaluation reserve. Any profit or loss is not recognized in the income statement until the asset has been sold or impaired.

By way of a resolution adopted by the Annual General Meeting on April 22, 2009, the Management Board was authorized, with the consent of the Supervisory Board, to increase the Bank's share capital on one or more occasions in whole or in part by up to a total of €273.5 million up to April 21, 2014, by issuing new no-par value registered shares against cash and non-cash contributions, including mixed non-cash contributions (Authorized Capital).

The shareholders 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.

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 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	
	2011 €m	2010 €m
Balance at January 1	–273	–502
Remeasurement gains	–51	239
Available for sale, hedged (due to changes in credit risk)	52	–41
Available for sale, unhedged	–103	280
Disposals and impairment	16	101
Impairment	19	6
thereof available for sale	18	6
thereof loans and receivables	1	–
Disposal/hedge termination	–30	42
thereof available for sale	–23	50
thereof loans and receivables	–7	–8
Writedown effect in net interest income	27	53
thereof available for sale	–2	26
thereof loans and receivables	29	27
Income tax recognized directly in equity	2	–111
Balance at December 31	–306	–273

€–11 million (previous year: €48 million) of the revaluation reserve was reversed to income from disposals of and impairment losses 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 €27 million from the revaluation reserve to income (previous year: €53 million). In addition, the revaluation reserve decreased by €51 million (previous year: increase €239 million) due to the remeasurement of available-for-sale financial instruments. Income tax recognized directly in equity changed by €2 million in the fiscal year under review (previous year: €–111 million), resulting in a closing balance of €142 million (previous year: €140 million); the revaluation reserve increased by a corresponding amount.

Other disclosures

(39) Segment reporting

Segment reporting by business division

	Retail Banking[1]		Corporate Banking[1]		Transaction Banking[1]		Financial Markets[1]		Cost Centers/ Consolidation[1]		Group	
	2011 €m	2010 €m	2011 €m	2010 €m	2011 €m	2010 €m	2011 €m	2010 €m	2011 €m	2010 €m	2011 €m	2010 €m
Net interest income	2,448	2,341	567	624	2	2	–112	–228	5	–8	2,910	2,731
Net trading income	–9	15	–	–	–	–	79	–255	–6	–1	64	–241
Net income from investment securities	–1	–5	–	–14	–	–	–612	18	59	–	–554	–1
Net fee and commission income	1,041	1,080	106	123	327	363	–12	–5	–210	–245	1,252	1,316
Total income	3,479	3,431	673	733	329	365	–657	–470	–152	–254	3,672	3,805
Administrative expenses	–2,259	–2,178	–152	–151	–295	–318	–132	–106	–366	–181	–3,204	–2,934
Allowance for losses on loans and advances	–295	–355	–85	–209	–	–	–3	3	–	–	–383	–561
Other income/expenses	15	10	12	9	14	20	–3	2	–45	–36	–7	5
Profit/loss before tax	940	908	448	382	48	67	–795	–571	–563	–471	78	315
Revenues from external customers	3,437	3,391	670	730	167	177	–659	–471	57	–22	3,672	3,805
Intersegmental revenues	42	40	3	3	162	188	2	1	–209	–232	0	0
Depreciation and amortization	–30	–19	–2	–2	–6	–7	–2	–2	–108	–110	–148	–140
Impairment losses	–30	–19	–2	–2	–6	–7	–2	–2	–126	–118	–166	–148
Reversal of impairment losses	0	0	0	0	0	0	0	0	0	0	0	0
Cost/income ratio (CIR)	64.9 %	63.5 %	22.6 %	20.6 %	89.7 %	87.1 %	–20.1 %	–22.6 %	–	–	87.3 %	77.1 %
Return on equity before taxes (RoE)	53.0 %	57.9 %	115.8 %	115.2 %	–	–	–22.4 %	–15.8 %	–	–	1.3 %	5.7 %

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. Segment reporting was modified as from 2011 as a result of changes in the organizational responsibilities at Group Management Board level.

VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH is now allocated to the Transaction Banking segment (previously Retail Banking). Responsibility for banking and trading book results now lies with the Management Board member responsible for Financial Markets, and the results are reported by the Financial Markets segment. The results of the former Other segment have been transferred to the new Cost Centers/Consolidation segment together with the results of the former Consolidation segment. Additional adjustments were made in the context of the comprehensive changes to segment reporting, so that the figures reflect the current organizational structure to a greater extent. The imputed return on equity was adjusted in line with the overnight rate. The Group's key earnings indicators remain unchanged; only the allocation to the segments has changed.

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 operations, the BHW subgroup (excluding BHW Bausparkasse AG's banking and trading book results), Postbank Filialvertrieb AG, Postbank Filial GmbH, Postbank Direkt GmbH and P.O.S Transact GmbH. In addition, the result of purchase price allocation from the acquisition of BHW has been allocated to the Retail Banking segment.

[1] Prior-year figures adjusted

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. The division's third business area is factoring and leasing.

The profit/loss before tax for this segment comprises the profit/loss of the corporate banking business of Deutsche Postbank AG, PB Firmenkunden AG, the corporate banking business of PB Capital Corporation, Postbank Leasing GmbH, PB Factoring GmbH, the corporate banking business of the London branch, and the corporate banking business of 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. Its earnings comprise the earnings of the BCB subgroup and those of VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH.

The results of the Group's financial markets transactions (banking and trading books) and of fund administration and management for a number of Postbank's retail funds and for special funds have been assigned to the Financial Markets business division.

The profit/loss before tax for the segment comprises the banking and trading books of Deutsche Postbank AG, BHW Bausparkasse AG, PB Capital Corporation, the London branch, and the profit/loss of the Deutsche Postbank International S.A. (not including the corporate banking business), Deutsche Postbank Vermögens-Management S.A., Luxembourg, and Deutsche Postbank Financial Services GmbH subsidiaries.

The Cost Centers/Consolidation segment comprises Group consolidations – less intrasegment consolidation adjustments – plus the profit/loss of the cost centers and their unallocated overhead costs. In addition, the profit/loss includes the profit/loss of the Postbank Systems AG, Postbank Immobilien und Baumanagement GmbH, and Postbank Support GmbH subsidiaries, which are allocated to the cost centers. The reconciliation to consolidated profit also falls within 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.

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 prior-year figures were adjusted in the course of the changes made to the business unit accounting described above. The main adjustments to the prior-year figures are described below.

Income in the Retail Banking segment decreased by €42 million. This is due to the reassignment of the banking and trading books to the Financial Markets segment, the allocation of VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH to the Transaction Banking segment, the change in the way net fee and commission income is allocated between the cost centers and the Retail Banking segment, and the recognition of intrasegment consolidation adjustments. Administrative expenses declined by €54 million as a consequence of the reassignment of the banking and trading books, the allocation of VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH to the Transaction Banking segment, the recognition of intrasegment consolidation adjustments, and the modifications made to cost allocation with the aim of correctly reproducing the new Management Board responsibilities. Other income declined by €1 million due to the allocation of VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH to the Transaction Banking segment. As a result, profit before tax for the segment increased by a total of €11 million.

The effects in the Corporate Banking segment were mainly due to the reallocation of the banking and trading books to the Financial Markets segment. This led to a decline in income of €29 million. Administrative expenses declined by €21 million due to the reallocation of the banking and trading books and the modifications made to cost allocation with the aim of correctly reproducing the redefined Management Board responsibilities. The allowance for losses on loans and advances decreased by €8 million due to the reallocation of the banking and trading books. Profit before tax for the segment remains unchanged.

Profit before tax for the Transaction Banking segment grew by €6 million due to the reallocation of VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH (income: €15 million, administrative expenses: €–10 million, other income: €1 million).

In the Financial Markets segment, income declined by €629 million as a result of reallocation of the banking and trading books to this segment. The €19 million increase in administrative expenses is also due to this as well as to the modifications to cost allocation made to correctly reproduce Management Board responsibilities. The allowance for losses on loans and advances increased by €8 million due to the allocation of the banking and trading books. Profit before tax for the segment decreased by €656 million.

The new Cost Centers/Consolidation segment combines the remaining results of the previous Other and Consolidation segments. The income generated by the new segment rose by €685 million in comparison to the total income for the two previous segments. This was due to the allocation of Postbank's banking and trading books, which were previously allocated to the Other segment, to the Financial Markets segment, as well as to the recognition of additional consolidation adjustments and the modifications to the way net fee and commission income is allocated between the cost centers and the Retail Banking segment. Administrative expenses rose by €46 million due to the recognition of additional consolidation adjustments and the modifications made to cost allocation with the aim of correctly reproducing the Management Board responsibilities. Overall, profit before tax for the segment increased by €639 million.

The transfer of market risk and of the credit risk relating to the banking and trading books to the Financial Markets segment led to a change in the average equity reported under the IFRSs assigned to the segments: Whereas it declined in the Retail Banking, Corporate Banking, Cost Centers/Consolidation (previously Other and Consolidation) segments, it rose by €2,820 million in the Financial Markets segment.

The allocation of VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH – which was previously assigned to the Retail Banking segment – to the Transaction Banking segment resulted in a change in inter-segment income of €7 million in the Transaction Banking segment and of €36 million in the Retail Banking segment for the 2010 comparative period. This was due to the commission agreements between these segments.

Company level disclosures

The following table contains information about income per product or service:

	2011 €m	2010[1] €m
Deposits and loans for Retail and Corporate Banking customers	3,089	3,081
Payment transaction services for Retail and Corporate Banking customers	361	379
Retail and Corporate Banking fee and commission income	572	572
Transaction Banking insourcing (net fee and commission income)	167	177
Others	–517	–404
Total	3,672	3,805

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, among other things, and hence reflects the significant effects of the financial markets crisis.

The reallocation of income from the banking and trading books to the Financial Markets segment, as opposed to the Corporate Banking segment as was previously the case, led to a reduction of €51 million in the prior-year figure for the "deposits and loans for Retail and Corporate Banking customers" item. The allocation of VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH to the Transaction Banking segment increased the prior-year figure for the "Transaction Banking Insourcing" item by €23 million. The "others" item rose by €28 million as a result.

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 region contains the entities from the Europe, U.S.A. (PB Capital), and Asia (Postbank Home Finance) regions. The London branch, the Luxembourg entities Deutsche Postbank International S.A. and Deutsche Postbank Vermögensmanagement S.A., and the branches of BHW in Italy, Luxembourg, and Belgium form part of the Europe region.

Germany comprises all domestic business units including all consolidation adjustments.

	Income		Loss/profit before tax		Non-current assets	
	2011 €m	2010 €m	2011 €m	2010 €m	2011 €m	2010 €m
Germany	3,382	3,422	–121	78	3,131	3,228
Others	290	383	199	237	7	10
Europe	170	269	103	140	4	5
U.S.A.	114	87	92	79	3	3
Asia	6	27	4	18	0	2
Total	3,672	3,805	78	315	3,138	3,238

Non-current assets comprise intangible assets, property and equipment, and investment property.

[1] Prior-year figures adjusted

(40) 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, 2011 €m	Dec. 31, 2010 €m
Contingent liabilities		
on guarantees and warranties	827	1,036
Other obligations		
irrevocable loan commitments	8,002	9,469
of which: building loans provided	2,375	2,409
miscellaneous obligations	12,075	12,094
Total	20,904	22,599

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.

(41) 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, as follows:

Level 1:

Quoted market prices for the identical asset or the identical liability exist for the instruments classified as Level 1. In other words, Level 1 fair value measurement is based solely on quoted market prices in an active market for an 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				
		Fair value reported in:		
Classes	Dec. 31, 2011 €m	Level 1 €m	Level 2 €m	Level 3 €m
Financial assets at fair value through profit or loss (FVtPL)				
Trading assets	6,892	31	6,843	18
Hedging derivatives	1,277	0	1,277	0
Loans and advances to customers	7,513	0	7,513	0
of which private mortgage lending	7,513	0	7,513	0
Available-for-sale financial assets				
Investment securities	6,504	3,614	2,389	501
Loans and advances to other banks	0	0	0	0
Total	22,186	3,645	18,022	519

Liabilities measured at fair value				
		Fair value reported in:		
Classes	Dec. 31, 2011 €m	Level 1 €m	Level 2 €m	Level 3 €m
Financial liabilities at fair value through profit or loss (FVtPL)				
Trading liabilities	8,591	0	8,547	44
Hedging derivatives	1,817	0	1,817	0
Total	10,408	0	10,364	44

Assets measured at fair value				
		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
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
Total	41,856	5,481	34,665	1,710

Liabilities measured at fair value				
		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

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 at the valuation date (IAS 39.AG72). 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 and cost 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 approved 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 also 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.

There were no significant transfers between Level 1 and Level 2 in fiscal year 2011.

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 2011:

Assets measured at fair value based on Level 3						
	Dec. 31, 2011					
	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	11	0	0	1,699	0	1,710
Total gains or losses	–3	0	0	–34	0	–37
in profit or loss	–3	0	0	–29	0	–32
in other comprehensive income	0	0	0	–5	0	–5
Purchases	0	0	0	0	0	0
Disposals	0	0	0	–1,047	0	–1,047
Issues	0	0	0	0	0	0
Settlements	0	0	0	–128	0	–128
Exchange rate effects	0	0	0	5	0	5
Transfers out of Level 3	0	0	0	–4	0	–4
Transfers to Level 3	10	0	0	10	0	20
Closing balance	18	0	0	501	0	519
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	0	0	0	–3	0	–3

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 €1,191 million (previous year: €1,558 million).

Level 3 financial assets changed as follows as of December 31, 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 held at the end of the reporting period	1	0	0	0	0	1

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, 2011			
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	−29	0	−5
Total gains/losses recognized in profit or loss/ other comprehensive income for assets held at the end of the reporting period	0	−3	0	−67

Level 3 assets were reported in the prior-year income statement as follows:

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 financial liabilities changed as follows in fiscal year 2011:

Liabilities measured at fair value based on Level 3	Dec. 31, 2011		
	Fair value reported in Level 3		
Financial liabilities at FVtPL	Trading liabilities €m	Hedging derivatives €m	Total €m
Opening balance	627	0	627
Total loss	−17	0	−17
in profit or loss	−17	0	−17
Purchases	0	0	0
Disposals	−558	0	−558
Issues	0	0	0
Settlements	−10	0	−10
Exchange rate effects	2	0	2
Transfers out of Level 3	0	0	0
Transfers to Level 3	0	0	0
Closing balance	44	0	44
Total losses for the period included in profit or loss for liabilities held at the end of the reporting period	10	0	10

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, the full amount of which affects the embedded derivatives in structured credit products (which are allocated to trading liabilities).

Level 3 financial liabilities changed as follows in the previous fiscal year:

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 loss	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 gains/losses for the period included in profit or loss for liabilities held at the end of the reporting period	209	0	209

Level 3 liabilities are reported in the income statement as follows:

Liabilities measured at fair value based on Level 3	Dec. 31, 2011	
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	17	0
Total losses for the period included in profit or loss for liabilities held at the end of the reporting period	10	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, 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 gains/losses for the period included in profit or loss for liabilities held at the end of the reporting period	209	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 €659 billion) of approximately 4.6 % (approximately 2.2 %). An increase (decrease) of 1 basis point in the liquidity spreads used would result in a decrease (increase) in the fair values of approximately 2.4 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, 2011		Dec. 31, 2010	
	Carrying amount €m	Full fair value €m	Carrying amount €m	Full fair value €m
Assets				
Cash reserve	3,652	3,652	3,248	3,248
Loans and advances to other banks (loans and receivables)	20,322	20,256	12,140	12,101
Loans and advances to customers (loans and receivables)	103,227	110,240	103,689	109,029
Allowance for losses on loans and advances	−1,826	−1,826	−1,764	−1,764
Investment securities (loans and receivables)	39,976	37,456	50,032	47,992
	165,351	169,778	167,345	170,606
Liabilities				
Deposits from other banks (liabilities at amortized cost)	20,024	19,466	22,419	22,403
Due to customers (liabilities at amortized cost)	134,126	135,314	136,476	137,831
Debt securities in issue and subordinated debt	18,165	17,090	18,437	17,977
	172,315	171,870	177,332	178,211

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.

(42) 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	2011 €m	2010 €m
Interest income and expense	(6)		
Loans and receivables		6,606	6,701
Available for sale		226	259
Held to maturity		0	1
Liabilities at amortized cost		−3,548	−3,519
Net gains or losses	(9), (10)		
Held for trading		90	−259
Designated as at fair value		−24	21
Loans and receivables		−617	61
Available for sale		5	−55

	Fair value hedges/option		Unhedged		Total	
	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Assets	31,630	35,075	154,081	172,642	185,711	207,717
Loans and receivables	20,751	24,687	142,774	141,174	163,525	165,861
Loans to other banks	297	272	20,025	11,868	20,322	12,140
Loans to customers	3,042	2,688	100,185	101,001	103,227	103,689
Investment securities	17,412	21,727	22,564	28,305	39,976	50,032
Available for sale	1,674	1,366	4,830	7,582	6,504	8,948
Investment securities	1,674	1,366	4,830	7,582	6,504	8,948
Held to maturity	–	–	–	–	–	–
Investment securities	–	–	–	–	–	–
Held for trading	415	264	6,477	23,886	6,892	24,150
Trading assets	415	264	6,477	23,886	6,892	24,150
Fair value option	7,513	8,094	–	–	7,513	8,094
Loans to customers	7,513	8,094	–	–	7,513	8,094
Hedging derivatives	1,277	664	–	–	1,277	664
Liabilities	15,705	11,584	167,018	193,373	182,723	204,957
Liabilities at amortized cost	12,559	9,073	159,756	168,259	172,315	177,332
Deposits from other banks	831	291	19,193	22,128	20,024	22,419
Due to customers	6,374	4,053	127,752	132,423	134,126	136,476
Debt securities in issue	2,973	2,572	9,754	10,288	12,727	12,860
Subordinated debt	2,381	2,157	3,057	3,420	5,438	5,577
Held for trading	1,329	1,060	7,262	25,114	8,591	26,174
Trading liabilities	1,329	1,060	7,262	25,114	8,591	26,174
Hedging derivatives	1,817	1,451	–	–	1,817	1,451

(43) 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, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Trading derivatives	295,829	809,846	6,627	23,221	8,591	26,166
Hedging derivatives	32,069	33,683	1,277	664	1,817	1,451
Total	327,898	843,529	7,904	23,885	10,408	27,617

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.

	Notional amount		Fair value Positive fair values		Negative fair values	
	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Trading derivatives						
Foreign currency derivatives						
OTC products						
Currency forwards	5,975	4,553	183	142	189	133
Currency swaps	13,870	13,099	125	119	61	96
Total holdings of foreign currency derivatives	19,845	17,652	308	261	250	229
Interest rate derivatives						
OTC products						
Interest rate swaps	263,007	735,279	6,182	22,803	7,789	25,064
Cross currency swaps	6,477	4,037	60	39	393	169
Forward rate agreements	1,000	40,563	–	5	0	9
OTC interest rate options	2,720	3,121	52	20	87	27
Other interest rate contracts	1,155	910	5	4	5	6
Exchange-traded products						
Interest rate futures	12	4,728	–	–	–	–
Interest rate options	–	13	–	–	–	–
Total holdings of interest rate derivatives	274,371	788,651	6,299	22,871	8,274	25,275

	Notional amount		Fair Value Positive fair values		Negative fair values	
	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Equity/index derivatives						
OTC products						
Equity options (long/short)	46	137	–	1	5	11
Exchange-traded products						
Equity/index options	46	119	2	4	–	–
Total holdings of equity/index derivatives	92	256	2	5	5	11
Credit derivatives						
Credit default swaps	1,521	3,287	18	84	62	651
Total holdings of credit derivatives	1,521	3,287	18	84	62	651
Total holdings of trading derivatives	295,829	809,846	6,627	23,221	8,591	26,166
of which: banking book derivatives	50,563	45,394	1,321	562	2,317	2,076
of which: derivatives relating to hedged items accounted for under the fair value option	17,241	32,947	415	264	1,329	1,060
Hedging derivatives						
Fair value hedges						
Interest rate swaps	31,270	32,529	1,152	561	1,805	1,428
Cross currency swaps	484	665	123	101	10	15
Credit default swaps	315	489	2	2	2	8
Interest rate futures	–	–	–	–	–	–
Total holdings of hedging derivatives	32,069	33,683	1,277	664	1,817	1,451
Total holdings of derivatives	327,898	843,529	7,904	23,885	10,408	27,617

Total holdings of recognized derivative assets and liabilities:

	Hedging derivatives			
	Positive fair values Dec. 31, 2011 €m	Positive fair values Dec. 31, 2010 €m	Negative fair values Dec. 31, 2011 €m	Negative fair values Dec. 31, 2010 €m
Remaining maturity				
less than 3 months	159	58	142	143
3 months to 1 year	6	2	25	17
from 1 to 2 years	31	20	115	72
from 2 to 3 years	10	54	111	124
from 3 to 4 years	1	25	183	100
from 4 to 5 years	1	70	323	113
more than 5 years	1,069	435	918	882
	1,277	664	1,817	1,451

	Trading and banking book derivatives			
	Positive fair values Dec. 31, 2011 €m	Positive fair values Dec. 31, 2010 €m	Negative fair values Dec. 31, 2011 €m	Negative fair values Dec. 31, 2010 €m
Remaining maturity				
less than 3 months	902	4,657	1,153	5,060
3 months to 1 year	176	294	282	378
from 1 to 2 years	351	844	644	996
from 2 to 3 years	301	1,493	459	1,871
from 3 to 4 years	371	1,109	397	1,401
from 4 to 5 years	557	1,702	600	1,891
more than 5 years	3,969	13,122	5,056	14,569
	6,627	23,221	8,591	26,166

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, 2011 €m	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Counterparties				
Banks in OECD countries	7,392	23,497	10,216	26,991
Other counterparties in OECD countries	512	388	178	269
Non-OECD	0	0	14	357
	7,904	23,885	10,408	27,617

(44) Foreclosures and compulsory administration

	Dec. 31, 2011 Number	Dec. 31, 2010 Number
Foreclosures pending	1,289	1,295
Compulsory administration proceedings	354	389
Foreclosures completed	498	477

(45) Foreign currency volume

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Foreign currency assets	19,593	20,260
Foreign currency liabilities	19,390	20,263

(46) 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, 2011 €m	Dec. 31, 2010 €m
Credit and counterparty risk	51,038	58,100
Market risk positions	2,462	3,863
Operational risk	3,550	4,400
Total capital charge	57,050	66,363
Tier 1 capital	6,149	5,381
thereof: hybrid capital instruments	1,620	1,620
Tier 2 capital	2,334	2,124
thereof: profit participation certificates outstanding	1,149	1,149
thereof: subordinated liabilities	1,833	2,147
Tier 3 capital	0	0
Eligible own funds	8,483	7,505
Tier 1 ratio in %	10.8	8.1
Capital ratio in %	14.9	11.3

Postbank's regulatory risk-bearing capacity is ensured by its compliance with the regulatory minimum capital requirements. These are determined as ratios of available capital and risk positions entered into. The key components of Postbank's Tier 1 capital are the share capital, recognized reserves, and hybrid capital instruments. Tier 2 capital is composed of profit participation certificates outstanding and long-term subordinated liabilities after the deductions prescribed by law. 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.

(47) 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 in the IFRS balance sheet or the notes. 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 2011 and 2010 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, 2011 €m	Dec. 31, 2010 €m
Market risk	2,450	2,456
Credit risk	3,200	2,200
Operational risk	550	600
Investment and real estate risk	95	100
Collective risk	650	500
Business risk	1,600	2,100
Total before diversification	8,545	7,956
Diversification effects	1,513	1,449
Total after diversification	7,032	6,507
Unallocated risk cover amount	3,197	5,014
Total risk cover amount	10,229	11,521

Other disclosures relating to capital management can be found in the Risk Report section of the Group Management Report.

62

(48) Maturity structure

As of December 31, 2011:

	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	4,858	6,137	2,849	1,044	557	122	1,372	3,383	20,322
Loans and advances to customers	5,137	14,792	8,707	12,342	11,630	10,433	8,256	39,443	110,740
Trading assets	–	906	202	375	314	504	614	3,977	6,892
Hedging derivatives	–	159	6	31	10	1	1	1,069	1,277
Investment securities	847	2,670	4,599	4,766	6,401	5,772	14,905	6,520	46,480
Current tax assets	–	–	189	17	–	–	–	–	206
Deferred tax assets	5	–	9	23	33	37	50	247	404
Other assets	77	116	277	39	38	32	34	84	697
Total	10,924	24,780	16,838	18,637	18,983	16,901	25,232	54,723	187,018
Deposits from other banks	907	3,642	4,406	1,973	763	1,429	925	5,979	20,024
Due to customers	36,853	59,159	4,437	3,097	1,945	3,102	4,319	21,214	134,126
Debt securities in issue	255	2,385	1,087	1,895	2,782	1,045	139	3,139	12,727
Trading liabilities	–	1,153	282	644	459	397	600	5,056	8,591
Hedging derivatives	–	142	25	115	111	183	323	918	1,817
Provisions	21	98	318	559	271	213	192	885	2,557
Provisions for pensions	-	22	37	197	83	82	82	658	1,161
Other provisions	21	76	281	362	188	131	110	227	1,396
Current tax liabilities	1	–	93	13	22	–	–	–	129
Deferred tax liabilities	–	–	–	11	16	15	83	50	175
Other liabilities	302	138	191	13	9	8	5	23	689
Subordinated debt	85	119	171	318	237	705	707	3,096	5,438
Total	38,424	66,836	11,010	8,638	6,615	7,097	7,293	40,360	186,273

149

The remaining maturities of derivatives are presented separately in a table in Note 43.

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	–	4,819	477	986	1,615	1,258	1,815	13,180	24,150
Hedging derivatives	–	58	2	20	54	25	70	435	664
Investment securities	–	3,939	4,755	7,311	5,965	5,186	6,897	24,927	58,980
Current tax assets	–	–	25	150	46	60	40	–	321
Deferred tax assets	–	–	–	103	181	63	–	–	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	–	5,061	378	996	1,871	1,401	1,898	14,569	26,174
Hedging derivatives	–	143	17	72	124	100	112	883	1,451
Provisions	28	113	315	358	248	204	195	826	2,287
Provisions for pensions	–	20	42	183	76	75	75	655	1,126
Other provisions	28	93	273	175	172	129	120	171	1,161
Current tax liabilities	–	–	12	14	–	22	29	–	77
Deferred tax liabilities	–	–	–	61	59	72	92	–	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

(49) 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 do not include subordinated assets (previous year: €21 million).

(50) 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 Corporation (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. Conversely, there is 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 articles of association of Liquiditäts-Konsortialbank GmbH, Frankfurt am Main, Postbank's investment in that company 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's operating leases involving non-cancelable leasing agreements relate to land and buildings and have the following maturity structures:

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
in the first year after the balance sheet date	81	80
in the second year after the balance sheet date	75	74
in the third year after the balance sheet date	67	64
in the fourth year after the balance sheet date	47	56
in the fifth year after the balance sheet date	36	42
more than five years after the balance sheet date	70	86
Total	376	402

In contrast to the previous year, those leases whose basic terms have expired are no longer included in obligations under non-cancelable leasing arrangements. The prior-year figures have been adjusted accordingly.

(51) Trust activities

Trust activities are composed of the following items:

	Dec. 31, 2011 €m	Dec. 31, 2010 €m
Trust assets		
Loans and advances to other banks	55	51
Loans and advances to customers	738	825
	793	876
Trust liabilities		
Trust funds for transmitted loans	383	425
Special fund of the State of Mecklenburg-Western Pomerania	45	45
Retired farmers' pension fund	12	12
Special-purpose funds	353	394
	793	876

(52) Employees

The average number of employees in the Group in the period under review was as follows:

	Total 2011	Total 2010
Full-time		
Civil servants	5,528	5,907
Salaried employees	10,787	11,239
	16,315	17,146
Part-time		
Civil servants	854	899
Salaried employees	2,630	2,627
	3,484	3,526
	19,799	20,672

The employees are employed almost exclusively in Germany.

(53) Related party disclosures

In addition to the companies included in the consolidated financial statements, in the course of its ordinary business activities, Postbank has direct or indirect relationships with Deutsche Bank AG, which controls Postbank, and Deutsche Post AG, which exercises a significant influence on Postbank, and with a relatively small number of subsidiaries, associates and joint ventures not included in Postbank's consolidated financial statements. Other related parties are Deutsche Bank AG's subsidiaries, as well as the associates and joint ventures of Postbank and Deutsche Bank. The amended definition of related parties contained in IAS 24 rev. 2009 led to an increase in Deutsche Postbank AG's related parties, with the subsidiaries, joint ventures, and their subsidiaries of Deutsche Postbank AG, as well as the subsidiaries of the joint ventures and associates of Deutsche Bank AG now also being included. The existing material relationships with these companies are also disclosed under relationships with other related parties. 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 business activities, all transactions for the provision of goods and services entered into with the aforementioned companies and persons 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. A complete list of shareholdings in accordance with section 313 of the HGB is given in Note 58. 169

116

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 €112 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.

The transactions with Deutsche Bank AG as the parent are presented for the comparative 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, 2011 €m	Dec. 31, 2010[1] €m
Loans and advances to other banks		
Deutsche Bank AG	1,121	641
Other related parties	13	–
	1,134	641
Loans and advances to customers		
Companies with a significant influence	8	75
Subsidiaries	3	6
Other related parties	56	109
	67	190

Loans and advances to other banks relating to Deutsche Bank AG primarily comprise receivables from money market transactions and promissory note loans. Of these, receivables of €87 million arise from the difference in secured money market transactions (repos in the amount of €4,429 million and reverse repos in the amount of €4,342 million).

	Dec. 31, 2011 €m	Dec. 31, 2010[1] €m
Trading assets		
Deutsche Bank AG	1,037	3,359
	1,037	3,359
Hedging derivatives		
Deutsche Bank AG	114	85
	114	85

	Dec. 31, 2011 €m	Dec. 31, 2010[1] €m
Investment securities		
Deutsche Bank AG	100	131
	100	131

The investment securities relate to bonds issued by Deutsche Bank AG.

	Dec. 31, 2011 €m	Dec. 31, 2010[1] €m
Other assets		
Deutsche Bank AG	10	9
Companies with a significant influence	17	5
Subsidiaries	–	1
Other related parties	2	1
	29	16

Related party payables

	Dec. 31, 2011 €m	Dec. 31, 2010[1] €m
Deposits from other banks		
Deutsche Bank AG	738	92
Other related parties	248	18
	986	110
Due to customers		
Companies with a significant influence	151	304
Subsidiaries	10	51
Other related parties	29	108
	190	463
Trading liabilities		
Deutsche Bank AG	1,744	3,857
	1,744	3,857
Hedging derivatives		
Deutsche Bank AG	29	32
	29	32
Other liabilities		
Deutsche Bank AG	1	1
Companies with a significant influence	54	43
Subsidiaries	2	2
Other related parties	6	2
	63	48
Subordinated debt		
Subsidiaries	10	56
	10	56

The other liabilities due to companies with a significant influence relate in particular to the retail outlet business as stipulated in the cooperation agreement.

[1] Prior-year figures adjusted in accordance with IAS 24 (rev. 2009)

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

The subordinated debt item contains subordinated liabilities of Deutsche Postbank AG to BHW Euro Finance B.V. in the form of subordinated promissory note loans.

As of the end of the reporting period, contingent liabilities from guarantees and warranty obligations to Deutsche Post AG amounted to €5 million (December 31, 2010: €3 million). Contingent liabilities from warranty obligations to Deutsche Bank AG amounted to €45 million as of the end of the reporting period (December 31, 2010: €36 million). There are no contingent liabilities from other obligations, i.e., from irrevocable loan commitments or similar obligations to subsidiaries and associates.

Income and expenses from related parties

	2011 €m	2010[1] €m
Interest income		
Deutsche Bank AG	30	8
Companies with a significant influence	9	26
Subsidiaries	–	4
Other related parties	7	4
	46	42
Interest expense		
Deutsche Bank AG	42	2
Companies with a significant influence	3	18
Subsidiaries	1	3
Other related parties	1	–
	47	23
Fee and commission income		
Deutsche Bank AG	43	4
Companies with a significant influence	428	443
Subsidiaries	–	5
Other related parties	11	6
	482	458
Fee and commission expense		
Deutsche Bank AG	5	–
Subsidiaries	8	9
Other related parties	1	–
	14	9
Net income from investment securities		
Deutsche Bank AG	–1	–
Subsidiaries	1	6
Other related parties	1	–
	1	6
Net trading income		
Deutsche Bank AG	–261	32
Companies with a significant influence	–	–180
	–261	–148
Administrative expenses		
Deutsche Bank AG	–6	–3
Companies with a significant influence	317	309
Subsidiaries	14	18
Other related parties	186	167
	511	491
Other income		
Deutsche Bank AG	6	–
Companies with a significant influence	1	6
Subsidiaries	3	4
Other related parties	19	21
	29	31
Other expenses		
Companies with a significant influence	7	4
Other related parties	1	1
	8	5

[1] Prior-year figures adjusted in accordance with IAS 24 (rev. 2009)

The fee and commission income from companies with a significant influence mainly relates to remuneration from Deutsche Post AG for the postal services provided in the Postbank branches.

The net trading income represents the remeasurement results for interest rate swap transactions in the held-for-trading category entered into with Deutsche Bank.

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.

The other income from Deutsche Bank AG comprises income generated in the context of the IT cooperation in the year under review.

In November 2011, Postbank acquired units in a retail fund (DWS Bond Flexible) from Deutsche Bank in the total amount of approximately €600 million.

In addition, Postbank reduced its holdings of interest rate swaps in the year under review as part of the ongoing reduction of its risk positions. Trading assets and liabilities with a carrying amount of €11.9 billion and €12.7 billion respectively were assigned to Deutsche Bank AG.

As of the balance sheet date, loans of €3,535 thousand (previous year: €863 thousand) had been granted to members of the key management personnel and deposits of €5,381 thousand (previous year: €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 2011

The overall structure of the remuneration of the Management Board and the principal Management Board contract components are stipulated and regularly reviewed by the Supervisory Board of Deutsche Postbank AG. The remuneration system was amended retrospectively as of January 1, 2010, to comply with the regulations of the *Instituts-Vergütungsverordnung* (InstitutsVergV – Regulation Governing Supervisory Requirements for Remuneration Systems of Institutions), which came into force on October 13, 2010. As a result, share-based remuneration components coupled with a separate blocking period and installment payments for components with a long-term incentive effect were introduced.

The Supervisory Board resolves the appropriateness of the remuneration of the members of the Management Board of Deutsche Postbank AG on the basis of recommendations by the Executive Committee, taking into account the Company's performance, the sector, and the outlook for the future.

As well as appropriateness and sustainability, the core criterion for the design of the Management Board remuneration structure is to ensure that incentives for taking disproportionately high risks are avoided. Therefore an upper limit has been set for the ratio of fixed to variable remuneration. Furthermore, 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 position, 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 level of remuneration is performance-linked and designed so as to motivate members of the Management Board to achieve the Bank's strategic aims and thus contribute to the Company's sustainable growth.

Overall remuneration consists of fixed and performance-related components.

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

The performance-related component is the variable remuneration.

The variable remuneration awarded to the members of the Management Board is based on their achieving quantitative and qualitative targets. These targets are laid down in a target agreement entered into at the start of each fiscal year (base year). The amount of variable remuneration paid depends on predetermined targets being met and is subject to a cap set out in the individual agreements.

As was already the case before the remuneration system was modified, the variable remuneration is not paid out in full, even where the agreed targets have been reached. It continues to be split into a short-term component (40%) and a long-term component (60 %).

Half of the short-term component is immediately paid out in cash in the following year, after it has been determined that the targets have been reached (short-term component I). The second half of the short-term component (short-term component II) is converted into phantom shares of Deutsche Postbank AG. For this purpose, the euro amount is divided by the Xetra closing price of Deutsche Postbank AG shares for the day on which the Supervisory Board determined that the targets have been reached. Following a one-year blocking period, the euro amount is calculated based on the then current Xetra closing price of Deutsche Postbank AG shares, and this amount is paid out. The phantom shares of Deutsche Postbank AG also attract a dividend equivalent equal to the actual dividend paid.

The long-term component continues to depend on the Group's sustainable performance as well as the achievement of a sustainability criterion and continues to be governed by a multi-year assessment period. In the first year following the fiscal year for which remuneration is to be calculated, the Supervisory Board examines and determines whether the predetermined targets have been met. The following three years are the sustainability phase, during which the sustainability criterion, which is determined by the Supervisory Board at the start of this phase in accordance with the regulatory requirements, must be met. This is known as the adjusted profit after cost of capital (APACC). Sustainable Group performance and the sustainability criterion are achieved if the value of the APACC equates to, or exceeds, or at the end of the sustainability phase cumulatively exceeds, the value in the base year.

In line with the three-year sustainability phase, the long-term component is divided into three equal tranches. Again, half of each tranche is paid out in cash (long-term component I) and half is converted into Deutsche Postbank AG phantom shares (long-term component II).

If the sustainability criterion is met, the cash element is paid out immediately after its achievement has been established by the Supervisory Board. The procedure for dealing with the second half of the long-term component that was converted into Deutsche Postbank AG phantom shares is the same as outlined above for short-term component II.

If the sustainability criterion is not met for a particular year, the corresponding tranche of the long-term component is deferred to the following year. A renewed examination based on the sustainability criterion is then performed to establish if payment can be made. If the sustainability criterion has not been met after the end of the third year, i.e., the last year of the sustainability phase, payment of all deferred components also lapses without compensation. In this way, remuneration of the Management Board is affected by any negative Company performance during the entire measurement period (malus system). There is also an additional malus system, whereby payment for outstanding tranches or for performance-related components can be reduced retrospectively or canceled completely during the sustainability phase based on the overall performance of the Management Board member concerned. The members of the Management Board are not permitted to use hedging transactions or other countermeasures to mitigate or remove the risk orientation of deferred remuneration components.

The Supervisory Board has the right to award members of the Management Board an appropriate special bonus for exceptional performance. Its size is effectively limited by the upper limit set by the Supervisory Board for the proportion of fixed to variable remuneration.

In accordance with the recommendation of the German Corporate Governance Code, the Company will provide compensation for no more than the remaining term of the contract in instances in which the contract of a member of the Management Board is terminated prematurely without good cause, and will limit the payment to a maximum of two base-pay installments plus 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 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.

Fixed and potential remuneration of the Management Board for fiscal year 2011

The nine members of the Management Board active in fiscal year 2011 could receive total remuneration of €9,701.1 thousand (previous year: €9,763.4 thousand) for the period under review (not including fluctuations in the share price at the time of conversion into phantom shares). €5,489.1 thousand of this total amount relates to fixed remuneration components (previous year: €4,564.0 thousand) and €4,212.0 thousand to performance-related components (previous year: €5,199.4 thousand). €842.4 thousand of the performance-related remuneration relates to non-deferred performance-related components (previous year: €1,039.9 thousand) and €842.4 thousand to performance-related components blocked for one year (previous year: €1,039.9 thousand). The total amount of the deferred performance-related components with a long-term incentive effect for fiscal year 2011 is €2,527.2 thousand (previous year: €3,119.6 thousand). The amount will only be paid/the conversion into phantom shares and the blocking period will only take place in fiscal years 2013 to 2015 if the sustainability criteria have been met; if not, they will lapse in part or in full.

The fixed component includes "other compensation" totaling €179.1 thousand (previous year €164.0 thousand). These fringe benefits relate primarily to the use of company cars, the reimbursement of travel costs, and contributions to insurance schemes. In principle, fringe benefits are available to all members of the Management Board equally; the amount varies depending on their different personal circumstances.

Total remuneration for the nine members of the Management Board active in fiscal year 2011 potentially amounts to €9,701.1 thousand, not including fluctuations in the share price at the time of conversion into phantom shares (previous year: €9,763.4 thousand). The exact level of remuneration is dependent on the sustainability targets for the deferred components being met.

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 separate share-based remuneration program. However, share-based remuneration components exist in the context of the sustainability concept, as outlined above.

Management Board remuneration in 2011

	Fixed remuneration		Performance-related remuneration	Total paid	Performance-related remuneration		Subtotal	Total	Payments for previous years
	Fixed component	Fringe benefits	Short-term compo-nent I Immediate cash payment		Short-term compo-nent II Converted into phantom shares and blocked[1]	Possible long-term component Deferred[2]			Long-term component 2010, Tranche 1 Cash payment[3]
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Stefan Jütte (Chairman)	900.0	23.9	125.0	1,048.9	125.0	375.0	500.0	1,548.9	89.9
Mario Daberkow	600.0	21.8	89.0	710.8	89.0	267.0	356.0	1,066.8	70.0
Marc Hess	650.0	20.2	108.0	778.2	108.0	324.0	432.0	1,210.2	70.0
Horst Küpker	630.0	27.6	100.0	757.6	100.0	300.0	400.0	1,157.6	80.0
Michael Meyer	600.0	23.6	89.0	712.6	89.0	267.0	356.0	1,068.6	70.0
Hans-Peter Schmid	500.0	21.6	95.0	616.6	95.0	285.0	380.0	996.6	70.0
Ralf Stemmer	630.0	12.1	100.0	742.1	100.0	300.0	400.0	1,142.1	70.0
Hanns-Peter Storr (Member since March 1, 2011)	500.0	19.4	83.4	602.8	83.4	250.2	333.6	936.4	0.0
Frank Strauss (Member since July 1, 2011)	300.0	8.9	53.0	361.9	53.0	159.0	212.0	573.9	0.0
Total	5,310.0	179.1	842.4	6,331.5	842.4	2,527.2	3,369.6	9,701.1	519.9

[1] Short-term component II is converted into phantom shares of Deutsche Postbank AG. For this purpose, the euro amount is divided by the Xetra closing price of Deutsche Postbank AG shares for the day on which the Supervisory Board determines that the targets have been reached. After a one-year blocking period, the phantom shares are translated into euros based on the then current share price and this amount is paid out immediately.

[2] The long-term component is divided into three equal tranches. Half of each tranche consists of a cash element. The second half is converted into phantom shares at the Xetra closing price for the day on which the supervisory board determined that the sustainability criterion was met, and blocked for one year, before being translated into the euro amount at the then current share price and paid out. Tranches 2013, 2014, and 2015 will only be paid out/converted into phantom shares and blocked, if the respective sustainability criteria are met. Otherwise, the particular tranche is deferred to the following year and reassessed. If the sustainability criterion is not met in the final year of the sustainability phase, the long-term component lapses without compensation, otherwise the portions that were deferred are also paid out.

[3] Since the sustainability criterion has been met, half of the first tranche of the long-term component for 2010 is being paid out in cash at the amount shown. The second half is being converted into phantom shares based on the Xetra closing price for the day on which the supervisory board determined that the sustainability criterion was met, blocked for one year, and translated at the then current share price into euros and paid out immediately.

Management Board remuneration in 2010

	Fixed remuneration		Performance-related remuneration	Total paid	Performance-related remuneration		Subtotal	Total
			Short-term component I		Short-term component II	Possible long-term component		
	Fixed component	Fringe benefits	Immediate cash payment		Converted into phantom shares and-blocked[1]	Deferred[2]		
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Stefan Jütte (Chairman)	900.0	15.4	179.9	1,095.3	179.9	539.6	719.5	1,814.8
Mario Daberkow	600.0	21.4	140.0	761.4	140.0	420.0	560.0	1,321.4
Marc Hess	600.0	26.9	140.0	766.9	140.0	420.0	560.0	1,326.9
Horst Küpker	600.0	34.5	160.0	794.5	160.0	480.0	640.0	1,434.5
Michael Meyer	600.0	28.9	140.0	768.9	140.0	420.0	560.0	1,328.9
Hans-Peter Schmid	500.0	19.2	140.0	659.2	140.0	420.0	560.0	1,219.2
Ralf Stemmer	600.0	17.7	140.0	757.7	140.0	420.0	560.0	1,317.7
Total	4,400.0	164.0	1,039.9	5,603.9	1,039.9	3,119.6	4,159.5	9,763.4

The level of variable remuneration for Management Board Member Hans-Peter Schmid has been corrected.

[1] The short-term component II has been converted into phantom shares of Deutsche Postbank AG by dividing the euro amount by €21.00, which was the Xetra closing price of Deutsche Postbank shares as of March 15, 2011. After a one-year blocking period, the phantom shares are translated into euros based on the then current share price and this amount is paid out immediately.

[2] The long-term component is divided into three equal tranches. Half of each tranche consists of a cash element. The second half is converted into phantom shares at the Xetra closing price for the day on which the Supervisory Board determined that the sustainability criterion was met, and blocked for one year, before being translated into the euro amount at the then current share price and paid out. Since the sustainability criterion has been met, half of the first 2012 tranche is being paid out in 2012 (see remuneration table 2011), while the second half is being converted into phantom shares and blocked. If the 2013 and 2014 sustainability criteria are also met, the remaining tranches will be paid out/converted into phantom shares and blocked. Otherwise the respective tranche will be deferred to the following year and reassessed. If the sustainability criterion is not met in the final year of the sustainability phase, the deferred tranches of the long-term components lapse without compensation.

Pension commitments

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

Pensions are paid if the member of the Management Board leaves the Company's 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, Horst Küpker, Hanns-Peter Storr, and Frank Strauss. 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 regularly accrue at a 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 reached this level of benefits when he turned 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, Horst Küpker, Michael Meyer, Hanns-Peter Storr, and Frank Strauss - 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. 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, Michael Meyer, Hanns-Peter Storr, and Frank Strauss 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, 2011 %	Maximum percentage of final salary %	Service cost for pension obligation €
Stefan Jütte	50	50.00	0
Mario Daberkow	52	60.00	146,008
Hans-Peter Schmid	52	60.00	268,394
Ralf Stemmer	54	60.00	90,735

	Contribution amount for 2011 €	Pension account balance as of Dec. 31, 2011 €	Service cost for pension obligation €
Marc Hess	150,000	1,259,613	184,118
Horst Küpker	150,000	702,871	152,267
Michael Meyer	225,000	1,004,048	113,701
Hanns-Peter Storr	124,980	131,229	0
Frank Strauss	75,000	77,250	0

Contractually agreed grants of special amounts increased the contribution amount in the case of Michael Meyer.

The remuneration paid to former members of the Management Board and their surviving dependants amounted to €2.77 million (previous year: €6.02 million).

The defined benefit obligation (DBO) for current pensions and entitlements attributable to former members of the Management Board calculated in accordance with the International Financial Reporting Standards amounted to €51.34 million (previous year: €47.54 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 performance-related 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. Rainer Neske, Hugo Bänziger, Werner Steinmüller, and Stefanie Heberling have furnished Deutsche Postbank AG with a corresponding waiver.

The total remuneration paid to members of the Supervisory Board for fiscal year 2011: amounted to €825.6 thousand including attendance allowances (previous year: €547.2 thousand). The members of the Supervisory Board will not receive any annual performance-related short-term remuneration for fiscal year 2011. As a result of Postbank's sustainable performance improvement, the Supervisory Board members will receive performance-related remuneration with a long-term effect.

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

Members of the Supervisory Board	Remuneration for fiscal year 2011			Remuneration for fiscal year 2010		
	Fixed remuneration	Variable remuneration[1]	Total	Fixed remuneration	Variable remuneration[1]	Total
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Rainer Neske[2]	–	–	–	–	–	–
Frank Bsirske	45.0	3.3	48.3	16.8	2.0	18.8
John Allan	–	3.3	3.3	–	–	–
Wilfried Anhäuser	22.5	26.5	49.0	22.5	3.3	25.8
Frank Appel	–	35.0	35.0	52.5	3.3	55.8
Marietta Auer	22.5	25.3	47.8	22.5	3.5	26.0
Hugo Bänziger[2]	–	–	–	–	–	–
Rolf Bauermeister	15.0	16.8	31.8	15.0	1.8	16.8
Wilfried Boysen	15.0	16.5	31.5	15.0	2.0	17.0
Henry B. Cordes	–	9.2	9.2	12.7	0.5	13.2
Edgar Ernst	30.0	34.5	64.5	30.0	4.8	34.8
Annette Harms	15.0	16.8	31.8	15.0	1.8	16.8
Stefanie Heberling[2]	–	–	–	–	–	–
Timo Heider	15.0	1.5	16.5	7.6	1.3	8.9
Tessen von Heydebreck	27.1	18.6	45.7	22.5	1.8	24.3
Peter Hoch	30.0	35.3	65.3	30.0	4.0	34.0
Elmar Kallfelz	30.0	31.5	61.5	30.0	5.0	35.0
Ralf Krüger	22.5	27.3	49.8	22.5	3.5	26.0
Hans-Dieter Petram	8.9	18.7	27.6	22.5	1.3	23.8
Bernd Pfaffenbach	–	1.5	1.5	–	–	–
Lawrence A. Rosen	15.0	6.4	21.4	15.0	1.8	16.8
Elmo von Schorlemer	–	1.5	1.5	–	–	–
Torsten Schulte	–	11.4	11.4	7.4	0.5	7.9
Michael Sommer	–	22.4	22.4	22.3	0.8	23.1
Eric Stadler	22.5	19.9	42.4	22.5	3.3	25.8
Werner Steinmüller[2]	–	–	–	33.8	3.5	37.3
Gerd Tausendfreund	22.5	26.5	49.0	22.5	3.8	26.3
Renate Treis	30.0	27.4	57.4	30.0	3.0	33.0
Total	388.5	437.1	825.6	490.6	56.6	547.2

[1]The reported variable remuneration comprises the short- and long-term remuneration and the attendance allowance to be paid to the Supervisory Board member for the relevant fiscal year.

[2]Under the Articles of Association of Deutsche Postbank AG, a claim to remuneration exists for the period following the acquisition of the majority interest in the Bank's capital. Rainer Neske, Hugo Bänziger, Werner Steinmüller, and Stefanie Heberling 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.

The employee representatives received remuneration in the amount of €506 thousand as set out in their respective employment contracts.

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 2011, 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 €766.8 thousand (previous year: €863.1 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 the members 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.

(54) Other disclosures

Deutsche Postbank AG is a member of the deposit protection fund of the Bundesverband deutscher Banken e.V. and of Entschädigungseinrichtung deutscher Banken GmbH's investor compensation scheme.

Deutsche Postbank AG has issued guarantee bonds in the amount of €208 million for its subsidiary PB Capital Corporation, Delaware, U.S.A. These consist primarily of a rental guarantee for office premises, derivatives, and for repo and other transactions with Deutsche Bank and other banks. In addition, Postbank has issued a €1,100 million guarantee bond in favor of PB Finance (Delaware) Inc., Delaware, U.S.A., for its commercial paper program. Postbank has also furnished Deutsche Postbank International S.A., Luxembourg, with a guarantee in the amount of €640 million. This mainly serves to cover exposures from risk subparticipation agreements that, among other things, exceed the large exposure limit of Deutsche Postbank International S.A., Luxembourg.

(55) 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	
Hanns-Peter Storr, Bonn	since March 1, 2011
Frank Strauss, Bad Nauheim	since July 1, 2011

Offices held by members of the Management Board of Deutsche Postbank AG as of December 31, 2011, 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 Corporation, Wilmington (Delaware, U.S.A.)
Chairman of the Board of Directors	PB (USA) Holdings, Inc., Wilmington (Delaware, U.S.A.)
Member of the Advisory Board (until December 31, 2011)	CORPUS SIREO Holding GmbH & Co. KG, Cologne
Offices relinquished during the year	
Member of the Supervisory Board (until July 21, 2011)	IVG Institutional Funds GmbH, Frankfurt am Main

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
Chairman of the Advisory Board (since May 6, 2011) Deputy Chairman of the Advisory Board (until May 5, 2011)	VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH, Bonn
Deputy Chairman of the Advisory Board	Deutsche WertpapierService Bank AG, Frankfurt am Main
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
Member of the Supervisory Board	Postbank Filialvertrieb AG, Bonn

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-Investmentaktiengesell-schaft 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-Investmentaktiengesell-schaft 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
Member of the Board of Directors	PB Capital Corporation, Wilmington (Delaware, U.S.A.)
Member of the Board of Directors	PB (USA) Holdings, Inc., Wilmington (Delaware, U.S.A.)

Offices relinquished during the year

Deputy Chairman of the Supervisory Board (until July 31, 2011)	Postbank Finanzberatung AG, Hamelin

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
Deputy Chairman of the Supervisory Board	Deutsche Postbank Financial Services GmbH, Frankfurt am Main
Deputy Chairman of the Supervisory Board	PB Spezial-Investmentaktiengesell-schaft mit Teilgesellschaftsvermögen, Frankfurt am Main
Deputy Chairman of the Supervisory Board	Postbank Akademie und Service GmbH, Hamelin
Deputy Chairman of the Supervisory Board (since August 1, 2011) Chairman of the Supervisory Board (until July 31, 2011)	Postbank Finanzberatung AG, 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
Deputy Chairman of the Advisory Board (since May 6, 2011) Chairman of the Advisory Board (until May 5, 2011)	VÖB-ZVD Bank für Zahlungsverkehrs-dienstleistungen GmbH, Bonn
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 Advisory Board (since June 1, 2011)	Verband der Sparda-Banken e.V., Frankfurt am Main
Member of the Economic Advisory Board	HUK-Coburg Versicherungsgruppe, Coburg

Offices relinquished during the year

Chairman of the Board of Directors (until March 25, 2011)	Deutsche Postbank Home Finance Ltd., Gurgaon/New Delhi (India)

Hans-Peter Schmid

Function	Company
Chairman of the Supervisory Board	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	Proactiv Holding AG, Hilden

Ralf Stemmer

Function	Company
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 Supervisory Board	PB Pensionsfonds AG, Hilden
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	Postbank Filialvertrieb AG, Bonn
Member of the Administrative Board	Bundesanstalt für Post und Telekom-munikation Deutsche Bundespost, Bonn

Offices relinquished during the year

Chairman of the Supervisory Board (until May 13, 2011)	Postbank Immobilien und Baumanagement GmbH, Bonn
Member of the Board of Directors (until March 31, 2011)	PB Capital Corporation, Wilmington (Delaware, U.S.A.)
Member of the Board of Directors (until March 31, 2011)	PB (USA) Holdings, Inc., Wilmington (Delaware, U.S.A.)

Hanns-Peter Storr	Member of the Management Board since March 1, 2011

Function	Company
Member of the Supervisory Board	norisbank GmbH, Berlin

Frank Strauss	Member of the Management Board since July 1, 2011

Function	Company
Member and Chairman of the Supervisory Board (both since August 1, 2011)	Postbank Finanzberatung AG, Hamelin
Chairman of the Supervisory Board	Deutsche Bank Bauspar AG, Frankfurt am Main
Chairman of the Supervisory Board	norisbank GmbH, Berlin
Member of the Supervisory Board (since November 1, 2011)	BHW Bausparkasse AG, Hamelin
Member of the Supervisory Board (since November 1, 2011)	BHW Holding AG, Berlin/Hamelin
Member of the Board of Directors (since August 1, 2011)	PB Capital Corporation, Wilmington (Delaware, U.S.A.)
Member of the Board of Directors (since August 1, 2011)	PB (USA) Holdings, Inc., Wilmington (Delaware, U.S.A.)

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

1. Shareholder representatives	
Rainer Neske, Member of the Management Board of Deutsche Bank AG, Bad Soden (Chairman since January 1, 2011)	
Hugo Bänziger, Member of the Management Board of Deutsche Bank AG, London	since February 1, 2011
Wilfried Boysen, businessman, Hamburg	
Edgar Ernst, President of the Financial Reporting Enforcement Panel, DPR e.V., Bonn	
Stefanie Heberling, Managing Director of Deutsche Bank Privat- und Geschäftskunden Aktiengesellschaft – Lower Rhine Region, Wuppertal	since May 24, 2011
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	until May 24, 2011
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)
Wilfried Anhäuser, Member of Postbank Filialvertrieb AG's 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
Elmar Kallfelz, Chairman of Deutsche Post AG's European Works Council, Wachtberg
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, 2011 on supervisory boards or other supervisory bodies:

Shareholder representatives

Rainer Neske	Chairman of the Supervisory Board since January 1, 2011

Function	Company
Chairman of the Supervisory Board	Deutsche Bank Privat- und Geschäftskunden AG, Frankfurt am Main

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
Chairman of the Supervisory Board (since June 8, 2011)	Hanse Marine-Versicherung AG, Hamburg
Member of the Supervisory Board	ASKLEPIOS Kliniken Hamburg GmbH, Hamburg

Edgar Ernst

Function	Company
Member of the Supervisory Board	Gildemeister AG, Bielefeld
Member of the Supervisory Board	Österreichische Post AG, Vienna
Member of the Supervisory Board (since February 9, 2011)	TUI AG, Berlin and Hanover
Member of the Supervisory Board (since January 23, 2012)	Wincor Nixdorf AG, Paderborn

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 — Member of the Supervisory Board until May 24, 2011

Function	Company
Member of the Supervisory Board	Talanx AG, Hanover

Werner Steinmüller

Function	Company
Chairman of the Supervisory Board	Deutsche Bank Nederland N.V., Amsterdam
Chairman of the Supervisory Board (until August 1, 2011)	Deutsche Bank Portugal S.A., Lisbon
Member of the Board of Directors	Deutsche Bank Luxembourg S.A., Luxembourg
Member of the Advisory Council	True Sale International GmbH, Frankfurt am Main

Employee representatives

Frank Bsirske

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

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

Timo Heider

Function	Company
Deputy Chairman of the Supervisory Board	BHW Bausparkasse AG, Hamelin
Deputy Chairman of the Supervisory Board	Pensionskasse der BHW Bausparkasse, Hamelin

Elmar Kallfelz

Function	Company
Member of the Administrative Board (until February 28, 2011)	Bundesanstalt für Post und Telekommunikation Deutsche Bundespost, Bonn

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

(56) Auditors' fee in accordance with sections 285 no. 17 and 314 (1) no. 9 of the HGB

	2011 €m	2010 €m
Audits of the financial statements	7.1	5.5
Other assurance of valuation services	3.0	2.4
Tax advisory services	0.2	0.1
Other services rendered to the parent company or subsidiaries	4.1	1.5
Total	14.4	9.5

The fees for the fiscal year are presented net of value added tax in compliance with the 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".

(57) 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 2011:

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.

(58) 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	299,182	33,227
Betriebs-Center für Banken Processing GmbH, Frankfurt am Main	100.0	4,330	1,280
BHW Bausparkasse Aktiengesellschaft, Hamelin	100.0	983,831	0 [1]
BHW Gesellschaft für Vorsorge mbH, Hamelin	100.0	242,370	0 [1]
BHW - Gesellschaft für Wohnungswirtschaft mbH, Hamelin	100.0	918,946	0 [1]
BHW - Gesellschaft für Wohnungswirtschaft mbH & Co. Immobilienverwaltungs KG, Hamelin	100.0	82,451	2,324
BHW Holding Aktiengesellschaft, Berlin/Hamelin	100.0	912,156	184,653
BHW-Immobilien GmbH, Hamelin	100.0	2,728	567
BHW Kreditservice GmbH, Hamelin	100.0	25	0
Deutsche Postbank Finance Center Objekt GmbH, Schuttrange (Munsbach), Luxembourg	100.0	50	355
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	0
Deutsche Postbank Funding LLC II, Wilmington, Delaware, U.S.A.	100.0	4	–4
Deutsche Postbank Funding LLC III, Wilmington, Delaware, U.S.A.	100.0	36	7
Deutsche Postbank Funding LLC IV, Wilmington, Delaware, U.S.A.	100.0	87	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	60	3
Deutsche Postbank International S.A., Schuttrange (Munsbach), Luxembourg	100.0	832,435	91,264
Deutsche Postbank Vermögens-Management S.A., Schuttrange (Munsbach), Luxembourg	100.0	31,745	11,325
DPBI Immobilien KGaA, Schuttrange (Munsbach), Luxembourg	100.0	348	120
DSL Holding Aktiengesellschaft i.A., Bonn	100.0	63,527	395
DSL Portfolio GmbH & Co. KG, Bonn	100.0	16,659	819
DSL Portfolio Verwaltungs GmbH, Bonn	100.0	25	1
Miami MEI, LLC, Dover, Delaware, U.S.A.	0.0	7,554	0 [2, 7]
PB Capital Corporation, Wilmington, Delaware, U.S.A.	100.0	488,847	82,871 [2]
PBC Carnegie, LLC, Wilmington, Delaware, U.S.A.	0.0	0	0 [2, 7]
PB Factoring GmbH, Bonn	100.0	11,546	0 [1]
PB Finance (Delaware) Inc., Wilmington, Delaware, U.S.A.	100.0	190	0 [2]
PB Firmenkunden AG, Bonn	100.0	1,100	0 [1]
PB Hollywood I Hollywood Station, LLC, Dover, Delaware, U.S.A.	0.0	2,257	376 [2, 7]
PB Hollywood II Lofts, LLC, Dover, Delaware, U.S.A.	0.0	15,220	–601 [2, 7]
PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt am Main	100.0	6,513,539	435,522 [8]
Teilgesellschaftsvermögen PB 02	100.0	495,432	20,407
Teilgesellschaftsvermögen PB 03	100.0	133,296	14,838
Teilgesellschaftsvermögen PB 04	100.0	115,216	17,781
Teilgesellschaftsvermögen PB 05	100.0	35,653	4,230
Teilgesellschaftsvermögen PB 06	100.0	54,294	6,408
Teilgesellschaftsvermögen PB 07	100.0	277,091	25,420
Teilgesellschaftsvermögen PB 08	100.0	494,095	25,018
Teilgesellschaftsvermögen PB 09	100.0	536,916	18,155
Teilgesellschaftsvermögen PB 10	100.0	234,364	22,894
Teilgesellschaftsvermögen PB 11	100.0	603,802	28,357
Teilgesellschaftsvermögen PB 12	100.0	229,540	16,452
Teilgesellschaftsvermögen PB 13	100.0	329,420	13,494
Teilgesellschaftsvermögen PB 14	100.0	330,651	18,070
Teilgesellschaftsvermögen PB 15	100.0	147,054	12,931

Name and domicile of the company	Equity interest %	Equity € thousand	Profit/loss for the period € thousand
Teilgesellschaftsvermögen PB 16	100.0	269,658	27,102
Teilgesellschaftsvermögen PB 17	100.0	197,849	13,132
Teilgesellschaftsvermögen PB 18	100.0	342,321	18,016
Teilgesellschaftsvermögen PB 20	100.0	137,745	7,580
Teilgesellschaftsvermögen PB 21	100.0	207,477	12,083
Teilgesellschaftsvermögen PB 22	100.0	69,126	7,565
Teilgesellschaftsvermögen PB 24	100.0	1,245,466	104,326
PB (USA) Holdings, Inc., Wilmington, Delaware, U.S.A.	100.0	657,491	0[2]
PB (USA) Realty Corporation, New York, U.S.A.	94.7	1,194,578	60,670[2]
PMG Collins, LLC, Tallahassee, Florida, U.S.A.	100.0	9,287	975[2]
Postbank Beteiligungen GmbH, Bonn	100.0	310	0[1]
Postbank Direkt GmbH, Bonn	100.0	20,858	0[1]
Postbank Filial GmbH, Bonn	100.0	25	0[1]
Postbank Filialvertrieb AG, Bonn	100.0	55	0[1]
Postbank Finanzberatung AG, Hamelin	100.0	30,130	−19,936
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	739
Postbank Leasing GmbH, Bonn	100.0	500	0[1]
Postbank P.O.S. Transact GmbH, Eschborn	100.0	9,011	2,603
Postbank Support GmbH, Cologne	100.0	759	0[1]
Postbank Systems AG, Bonn	100.0	51,591	0[1]
Postbank Versicherungsvermittlung GmbH, Bonn	100.0	25	0[1]
VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH, Bonn	75.0	12,896	4,048
Not included in the consolidated financial statements			
BHW Direktservice GmbH, Hamelin	100.0	3,509	44
BHW Eurofinance B.V., Arnheim, Netherlands	100.0	521	−3,332
BHW Financial S.r.l., Verona, Italy	100.0	882	139
BHW Invest, Société à responsabilité limitée, Luxembourg, Luxembourg	100.0	5,611	594
CREDA Objektanlage- und -verwaltungsgesellschaft mbH, Bonn	100.0	1,000	0[1]
DPB Regent´s Park Estates (GP) Holding Limited, London, U.K.	100.0	0	0[3]
DPB Regent´s Park Estates (LP) Holding Limited, London, U.K.	100.0	8,191	−6,041[3]
easyhyp GmbH, Hamelin	100.0	192	86
EC EUROPA IMMOBILIEN FONDS NR. 3 GmbH & Co. KG, Hamburg	65.2	2,985	−7,301
Fünfte SAB Treuhand und Verwaltung GmbH & Co. Suhl „Rimbachzentrum" KG, Bad Homburg v.d. Höhe	74.0	0	−2,759
Iphigenie Verwaltungs GmbH, Bonn	100.0	22	0
PB Kreditservice GmbH, Hamelin	100.0	25	0
PB Sechste Beteiligungen GmbH, Bonn	100.0	54	−1
PB Service GmbH, Bonn	100.0	55	−1
Postbank Akademie und Service GmbH, Hamelin	100.0	1,083	193
SAB Real Estate Verwaltungs GmbH, Hamelin	100.0	29	2

Explanations to the footnotes in this table can be found on page 172.

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	131	–22
Regent´s Park Estates (GP) Limited, Douglas, Isle of Man	50.0	0	0 [3]
Regent´s Park Estates Limited Partnership, Douglas, Isle of Man	50.0	28,440	–139 [3]
Starpool Finanz GmbH, Berlin	50.0	177	–24
Fünfte SAB Treuhand und Verwaltung GmbH & Co. „Leipzig-Magdeburg" KG, Bad Homburg v.d. Höhe	40.7	0	–2,744
giropay GmbH, Frankfurt am Main	33.3	0	–130
Fünfte SAB Treuhand und Verwaltung GmbH & Co. Dresden „Louisenstraße" KG, Bad Homburg v.d. Höhe	30.6	0	–1,228
SRC Security, Research & Consulting GmbH, Bonn	16.9	3,532	853
GENOPACE GmbH, Berlin	15.0	200	0 [1]
Domus Beteiligungsgesellschaft der Privaten Bausparkassen mbH, Berlin	14.1	17,023	–2
BSQ Bauspar AG, Nuremberg	14.1	31,803	–2,206
Landgesellschaft Mecklenburg-Vorpommern mbH, Leezen	11.0	36,664	1,590
Gut Dummerstorf GmbH, Dummerstorf	11.0	747	14
MetallRente Pensionsfonds AG i.G., Stuttgart	10.0	–	– [4]
LHA Anlagenverwaltungsgesellschaft mbH, Munich	10.0	134	–44
HYPOPORT AG, Berlin	9.7	29,506	2,560
SILEX Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Bad Schwalbach KG, Düsseldorf	9.5	0	–479 [5]
SUSIK Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Rathaus Lübben KG, Düsseldorf	9.5	0	18 [5]
MAXUL Beteiligungs GmbH & Co. Vermietungs-KG, Pullach i. Isartal	9.0	14	2 [6]
Eurogiro A/S, Taastrup, Denmark	8.6	–	– [4]
SENA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Sonderhausen KG, Düsseldorf	7.5	0	193
ROSARIA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Bankakademie KG, Düsseldorf	6.0	0	40 [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	–	– [4, 5]
TOSSA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Perleberg KG, Düsseldorf	5.5	–	– [4]
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 Gesellschaft mit beschränkter Haftung, Frankfurt am Main	1.5	–	– [4]
EURO Kartensysteme Gesellschaft mit beschränkter Haftung, 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 Gesellschaft mit beschränkter Haftung, 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 mit beschränkter Haftung, 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 = USD 1.2939

[3] Translated at the following exchange rate: €1 = GBP 0.86075

[4] In accordance with section 286(3) sentence 1 no. 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 also includes the shares in Teilgesellschaftvermögen PB 25 which are not held by a company belonging to the Postbank Group.

(59) Declaration of compliance with the German Corporate Governance Code

On November 29, 2011, the Management Board and the Supervisory Board of Deutsche Postbank AG jointly published the most recent declaration of compliance with the German Corporate Governance Code for fiscal year 2011 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 14, 2012
Deutsche Postbank Aktiengesellschaft

The Management Board

Stefan Jütte

Mario Daberkow

Marc Hess

Horst Küpker

Michael Meyer

Hans-Peter Schmid

Ralf Stemmer

Hanns-Peter Storr

Frank Strauss

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, 2011. 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) are 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 15, 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Ralf Schmitz Wirtschaftsprüfer	Christoph Theobald Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)


unverbesserlich
• Filiale
• Telefon
• Zuhause
• Online
Multikanal-
bank
Hervorragende Erreichbarkeit über alle Kanäle
Meine Bank ist für mich
da. Egal wann, egal wo.
UNTERM STRICH ZÄHL ICH.
· www.postbank.de
· 01803 2881 (9 Cent/Min.)*
· Postbank Finanzcenter
· Postbank Finanzberatung,
gerne auch bei Ihnen zu Hause
Postbank
* 9 Cent/Minute aus dem deutschen Festnetz; Mobilfunktarif maximal 42 Cent/Minute.

nah

Postbank brand value:
Nationwide presence and easy accessibility across all sales channels

As a multi-channel bank, Postbank can be easily reached by its customers – at its branches, online or on the phone. It has the largest network of branches of any bank in Germany – with just under 1,100 own branches, 4,500 partner retail outlets with Deutsche Post offering selected Postbank financial services, and more than 800 advisory centers from Postbank Finanzberatung. Added to this are some 3,500 mobile advisors specializing in asset building and retirement planning.
Postbank also occupies a leading position in online and telephone banking in Germany. Its customers now manage a total of 3.7 million checking accounts and some 550,000 securities accounts online, while 4.1 million take advantage of telephone banking services. And that number is continuing to grow.

Other Information

Consolidated Income Statement – Quarterly Overview

	2011				2010				2011	2010
	Q4 €m	Q3 €m	Q2 €m	Q1 €m	Q4 €m	Q3 €m	Q2 €m	Q1 €m	Jan.–Dec. €m	Jan.–Dec. €m
Interest income	1,747	1,744	1,701	1,708	1,705	1,740	1,735	1,798	6,900	6,978
Interest expense	–994	–1,013	–1,001	–982	–1,041	–1,019	–1,064	–1,123	–3,990	–4,247
Net interest income	753	731	700	726	664	721	671	675	2,910	2,731
Allowance for losses on loans and advances	–102	–80	–106	–95	–112	–134	–175	–140	–383	–561
Net interest income after allowance for losses on loans and advances	651	651	594	631	552	587	496	535	2,527	2,170
Fee and commission income	355	382	380	385	409	385	381	411	1,502	1,586
Fee and commission expense	–54	–64	–70	–62	–70	–67	–65	–68	–250	–270
Net fee and commission income	301	318	310	323	339	318	316	343	1,252	1,316
Net trading income	63	–7	10	–2	–26	–92	–40	–83	64	–241
Net income from investment securities	–105	–349	–182	82	–55	0	26	28	–554	–1
Administrative expenses	–841	–734	–738	–891	–788	–738	–716	–692	–3,204	–2,934
Other income	39	24	22	22	70	26	50	29	107	175
Other expenses	–42	–35	–14	–23	–73	–30	–38	–29	–114	–170
Profit/loss before tax	66	–132	2	142	19	71	94	131	78	315
Income tax	40	40	–9	–37	–99	–6	–37	–34	34	–176
Profit/loss from ordinary activities after tax	106	–92	–7	105	–80	65	57	97	112	139
Minority interest	–1	0	0	0	0	0	0	–1	–1	–1
Consolidated net profit/loss	105	–92	–7	105	–80	65	57	96	111	138

Condensed Statement of Comprehensive Income – Quarterly Overview

	2011				2010				2011	2010
	Q4 €m	Q3 €m	Q2 €m	Q1 €m	Q4 €m	Q3 €m	Q2 €m	Q1 €m	Jan.–Dec. €m	Jan.–Dec. €m
Profit/loss from ordinary activities after tax	106	–92	–7	105	–80	65	57	97	112	139
Other comprehensive income after tax	–16	–77	81	–12	–11	188	–25	86	–24	238
Change in revaluation reserve	–19	–116	119	–19	–17	293	–51	115	–35	340
thereof remeasure-ment gains/losses	–14	–110	89	–16	–53	286	–103	109	–51	239
thereof disposals and impairment	–5	–6	30	–3	36	7	52	6	16	101
Change in currency translation reserve	1	9	–2	1	5	–15	11	8	9	9
Income tax relating to other comprehensive income	2	30	–36	6	1	–90	15	–37	2	–111
Total comprehensive income for the period attributable to minority interest	–1	0	0	0	0	0	0	–1	–1	–1
Total comprehensive income	89	–169	74	93	–91	253	32	182	87	376

Consolidated Income Statement – Multi-Year Overview

	2007 €m	2008 €m	2009 €m	2010 €m	2011 €m
Interest income	8,384	9,938	7,987	6,978	6,900
Interest expense	–6,144	–7,443	–5,582	–4,247	–3,990
Net interest income	2,240	2,495	2,405	2,731	2,910
Allowance for losses on loans and advances	–338	–498	–678	–561	–383
Net interest income after allowance for losses on loans and advances	1,902	1,997	1,727	2,170	2,527
Fee and commission income	1,675	1,683	1,623	1,586	1,502
Fee and commission expense	–246	–252	–285	–270	–250
Net fee and commission income	1,429	1,431	1,338	1,316	1,252
Net trading income	281	–389	–498	–241	64
Net income from investment securities	294	–1,249	–148	–1	–554
Administrative expenses	–2,937	–2,969	–2,864	–2,934	–3,204
Other income	160	218	178	175	107
Other expenses	–137	–103	–131	–170	–114
Profit/loss before tax	992	–1,064	–398	315	78
Income tax	–135	179	475	–176	34
Profit/loss from ordinary activities after tax	857	–885	77	139	112
Minority interest	–1	–1	–1	–1	–1
Consolidated net profit/loss	856	–886	76	138	111
Cost/income ratio (CIR)	69.2 %	129.8 %	92.5 %	77.1 %	87.3 %
Return on equity (RoE)					
before tax	19.2 %	–23.3 %	–7.8 %	5.7 %	1.3 %
after tax	16.6 %	–19.4 %	1.5 %	2.5 %	1.9 %

Consolidated Balance Sheet – Multi-Year Overview

Assets	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2011
	€m	€m	€m	€m	€m
Cash reserve	3,352	3,417	4,534	3,248	3,652
Loans and advances to other banks	24,560	18,684	14,467	12,140	20,322
Loans and advances to customers	92,064	105,318	111,043	111,783	110,740
Allowance for losses on loans and advances	–1,154	–1,323	–1,641	–1,764	–1,826
Trading assets	9,940	16,573	20,471	24,150	6,892
Hedging derivatives	421	474	520	664	1,277
Investment securities	68,582	83,058	72,359	58,980	46,480
Intangible assets	2,415	2,371	2,368	2,339	2,274
Property and equipment	927	879	838	826	791
Investment property	73	73	73	73	73
Current tax assets	117	162	280	321	206
Deferred tax assets	522	863	552	347	404
Other assets	529	670	745	695	697
Assets held for sale	565	–	–	882	–
Total assets	202,913	231,219	226,609	214,684	191,982

Equity and Liabilities	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2011
	€m	€m	€m	€m	€m
Deposits from other banks	61,146	62,790	39,318	22,419	20,024
Due to customers	110,696	117,472	131,988	136,476	134,126
Debt securities in issue	9,558	16,342	16,722	12,860	12,727
Trading liabilities	5,600	16,987	22,434	26,174	8,591
Hedging derivatives	873	2,693	2,051	1,451	1,817
Provisions	2,107	2,138	2,148	2,287	2,557
a) Provisions for pensions and other employee benefits	1,143	1,149	1,104	1,126	1,161
b) Other provisions	964	989	1,044	1,161	1,396
Current tax liabilities	122	192	174	77	129
Deferred tax liabilities	1,104	1,091	305	284	175
Other liabilities	835	826	711	665	689
Subordinated debt	5,603	5,736	5,507	5,577	5,438
Liabilities directly related to assets held for sale	44	–	–	787	–
Equity	5,225	4,952	5,251	5,627	5,709
a) Issued capital	410	547	547	547	547
b) Share premium	1,160	2,010	2,010	2,010	2,010
c) Retained earnings	2,797	3,278	2,614	2,928	3,037
d) Consolidated net profit/loss	856	–886	76	138	111
Minority interest	2	3	4	4	4
Total equity and liabilities	202,913	231,219	226,609	214,684	191,982

Segment Reporting – Multi-Year Overview

	Retail Banking					Corporate Banking					Transaction Banking				
	2007 €m	2008 €m	2009 €m	2010[1] €m	2011 €m	2007 €m	2008 €m	2009 €m	2010[1] €m	2011 €m	2007 €m	2008 €m	2009 €m	2010[1] €m	2011 €m
Net interest income	2,392	2,226	2,141	2,341	2,448	292	386	543	624	567	4	4	1	2	2
Net trading income	5	25	–32	15	–9	–9	–92	–140	–	–	–	–	–	–	–
Net income from investment securities	50	–2	0	–5	–1	–5	–241	–51	–14	–	–	–	–	–	–
Net fee and commission income	988	1,178	1,113	1,080	1,041	104	107	104	123	106	350	340	349	363	327
Total income	3,435	3,427	3,222	3,431	3,479	382	160	456	733	673	354	344	350	365	329
Administrative expenses	–2,210	–2,220	–2,189	–2,178	–2,259	–163	–171	–185	–151	–152	–331	–312	–317	–318	–295
Allowance for losses on loans and advances	–292	–304	–345	–355	–295	–28	–143	–300	–209	–85	–	–	–	–	–
Other income/expenses	2	26	29	10	15	–	1	–2	9	12	13	16	6	20	14
Profit/loss before tax	935	929	717	908	940	191	–153	–31	382	448	36	48	39	67	48
Cost/income ratio (CIR)	64.3 %	64.8 %	67.9 %	63.5 %	64.9 %	42.7 %	106.9 %	40.6 %	20.6 %	22.6 %	93.5 %	90.7 %	90.6 %	87.1 %	89.7 %
Return on equity before taxes (RoE)	32.4 %	41.9 %	32.5 %	57.9 %	53.0%	50.5 %	–37.4%	–5.7 %	115.2 %	115.8 %	–	–	–	–	–

	Financial Markets					Others			Consolidation		Cost Centers/ Consolidation		Group				
	2007 €m	2008 €m	2009 €m	2010[1] €m	2011 €m	2007 €m	2008 €m	2009 €m	2008 €m	2009 €m	2010[1] €m	2011 €m	2007 €m	2008 €m	2009 €m	2010[1] €m	2011 €m
Net interest income	114	162	125	–228	–112	–562	–281	–406	–2	1	–8	5	2,240	2,495	2,405	2,731	2,910
Net trading income	72	–6	47	–255	79	213	–325	–372	9	–1	–1	–6	281	–389	–498	–241	64
Net income from investment securities	1	–110	–21	18	–612	248	–895	–76	–1	–	–	59	294	–1,249	–148	–1	–554
Net fee and commission income	83	57	27	–5	–12	–96	–33	–42	–218	–213	–245	–210	1,429	1,431	1,338	1,316	1,252
Total income	270	103	178	–470	–657	–197	–1,534	–896	–212	–213	–254	–152	4,244	2,288	3,097	3,805	3,672
Administrative expenses	–83	–92	–90	–106	–132	–150	–973	–864	799	781	–181	–366	–2,937	–2,969	–2,864	–2,934	–3,204
Allowance for losses on loans and advances	4	–22	–33	3	–3	–22	–29	0	–	–	–	–	–338	–498	–678	–561	–383
Other income/expenses	–1	–3	5	2	–3	9	662	577	–587	–568	–36	–45	23	115	47	5	–7
Profit/loss before tax	190	–14	60	–571	–795	–360	–1,874	–1,183	0	0	–471	–563	992	–1,064	–398	315	78
Cost/income ratio (CIR)	30.7 %	89.3 %	50.6 %	–22.6 %	–20.1 %	–	–	–	–	–	–	–	69.2 %	129.8%	92.5 %	77.1 %	87.3 %
Return on equity before taxes (RoE)	37.2 %	–2.2 %	8.1 %	–15.8 %	–22.4 %	–26.3 %	–145.9 %	–73.9 %	–	–	–	–	19.2 %	–23.3 %	–7.8 %	5.7 %	1.3 %

[1] Prior-year figures adjusted

I International Financial Reporting Standards (IFRSs)

Accounting Standards applied as of December 31, 2011

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. 2009	Related Party Disclosures	Angaben über Bezie-hungen zu nahestehen-den Unternehmen und Personen	Jan. 1, 2011	632/2010, July 19, 2010
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	Unternehmenszusammenschlüsse	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 Discountinued 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 Leasingverhältnis enthält	Jan. 1, 2006	1126/2008, Nov. 3, 2008
IFRIC 9	2006 (2009)	Reassessment of Embedded Derivatives	Neubeurteilung eingebetteter 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 Finanzdienstleistungsinstitutionen	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 Organmitglieder	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 Wertpapierbörsenordnung	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.

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

Hanns-Peter Storr, Bonn
since March 1, 2011

Frank Strauss, Bad Nauheim
since July 1, 2011

Supervisory Board

Rainer Neske, Bad Soden
Chairman since January 1, 2011
Member of the Management Board of Deutsche Bank AG

Frank Bsirske*, Berlin
Deputy Chairman
Chairman of the ver.di Trade Union

Wilfried Anhäuser*, Kerpen
Member of Postbank Filialvertrieb AG's 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

Edgar Ernst, Bonn
President of the Financial Reporting Enforcement Panel,
DPR e.V., Bonn

Annette Harms*, Hamburg
Deputy Chair of Deutsche Postbank AG's Works Council,
Hamburg

Stefanie Heberling, Wuppertal
since May 24, 2011
Managing Director of Deutsche Bank Privat- und
Geschäftskunden Aktiengesellschaft – Lower Rhine Region,
Wuppertal

Timo Heider*, Hamelin
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
until May 24, 2011
Consultant

Lawrence A. Rosen, Bonn
Member of the Board of Management of Deutsche Post AG

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

Glossary

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 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 non-derivative 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).
Hedging instruments	Transactions whose change in fair value offsets the change in the fair value of the hedged item.
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	Non-standardized financial instruments (derivatives) which are traded not on a stock exchange, but directly between market participants (over the counter).
Portfolio	Similar transactions, particularly in securities or derivatives, grouped together according to price risk criteria.
Premium	The positive difference between the historical cost of a financial instrument and its notional value.
Rating	External rating: standardized evaluation of an issuer's 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. Trading assets are 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., ten days) and the confidence level (see Confidence level) (e.g., 99.0 %) must also be disclosed. The VaR thus describes the potential future loss that will not be exceeded during the holding period with a probability equal to the confidence level.

Volatility

Price fluctuation of a security or a currency, often calculated in terms of standard deviation on the basis of historical performance, or implicitly on the basis of a price-setting formula. The higher the volatility, the higher the risk associated with holding the investment.

Contact Details

Deutsche Postbank AG
Head Office
Friedrich-Ebert-Allee 114–126
53113 Bonn, Germany
Postfach 40 00
53105 Bonn, Germany
Phone: +49 228 920-0
Fax: +49 228 920-35151
Internet: www.postbank.com
E-mail: direkt@postbank.de

Subsidiaries

Betriebs-Center für Banken AG
Eckenheimer Landstrasse 242
60320 Frankfurt am Main, Germany
Postal address:
60290 Frankfurt am Main, Germany
Phone: +49 69 689 76-0
Fax: +49 69 689 76-5099
E-mail: bcb.direkt@bcb-ag.de

Betriebs-Center für Banken Processing GmbH
Eckenheimer Landstrasse 242
60320 Frankfurt am Main, Germany
Postal address:
60290 Frankfurt am Main, Germany
Phone: +49 69 959092-0
Fax: +49 69 959092-200
E-mail: info@bcb-processing.eu

BHW Bausparkasse AG
Lubahnstrasse 2
31789 Hameln, Germany
Postfach 10 13 22
31781 Hameln, Germany
Phone: +49 180 4440-500
Fax: +49 5151 18-3001
E-mail: info@bhw.de

BHW Immobilien GmbH
Lubahnstrasse 2
31789 Hameln, Germany
Postfach 10 13 42
31763 Hameln, Germany
Phone: +49 180 2060-240
Fax: +49 5151 18-5101
E-mail: info@bhw-immobilien.de

Deutsche Postbank Financial Services GmbH
Ludwig-Erhard-Anlage 2–8
60325 Frankfurt am Main, Germany
Postfach 15 02 55
60062 Frankfurt am Main, Germany
Phone: +49 69 789 86-0
Fax: +49 69 789 86-58001
E-mail: info.pfs@postbank.de

Deutsche Postbank International S.A.
PB Finance Center
Parc d'Activité Syrdall 2
18–20, rue Gabriel Lippmann
5365 Munsbach, Luxembourg
Postal address:
2633 Luxembourg, Luxembourg
Phone: +352 34 95 31-1
Fax: +352 34 95 32-550
E-mail: deutsche.postbank@postbank.lu

easyhyp GmbH
Lubahnstrasse 2
31789 Hameln, Germany
Phone: +49 800 044 8888
E-mail: info@easyhyp.de

PB Capital Corporation
230 Park Avenue
19 & 20th Floor
New York, NY 10169
U.S.A.
Phone: +1212 756-5500
Fax: +1212 756-5536
E-mail: info@pb-us.com

PB Factoring GmbH
Friedrich-Ebert-Allee 114–126
53113 Bonn, Germany
Postfach 40 00
53105 Bonn, Germany
Phone: +49 180 50905-22
Fax: +49 180 50905-33
E-mail: factoring@postbank.de

PB Firmenkunden AG
Friedrich-Ebert-Allee 114–126
53113 Bonn, Germany
Postfach 40 00
53105 Bonn, Germany
Phone: +49 180 3040-636
Fax: +49 180 3040-696
E-mail: firmenkunden@postbank.de

Postbank Direkt GmbH
Kennedyallee 62–70
53175 Bonn, Germany
Postfach 40 00
53105 Bonn, Germany
Phone: +49 228 920-0
Fax: +49 228 920-35151
E-mail: direkt@postbank.de

Postbank Filialvertrieb AG
Friedrich-Ebert-Allee 114–126
53113 Bonn, Germany
Postfach 40 00
53105 Bonn, Germany
Phone: +49 228 920-0
Fax: +49 228 920-35151
E-mail: direkt@postbank.de

Postbank Finanzberatung AG
Lubahnstrasse 5
31789 Hameln, Germany
Postal address:
31789 Hameln, Germany
Phone: +49 1803 2881
Fax: +49 5151 18-3001
E-mail: direkt@postbank.de

Postbank Leasing GmbH
Friedrich-Ebert-Allee 114–126
53113 Bonn, Germany
Postfach 40 00
53105 Bonn, Germany
Phone: +49 1805 72 53-27
Fax: +49 1805 72 53-28
E-mail: leasing@postbank.de

Postbank P.O.S. Transact GmbH
Frankfurter Strasse 71–75
65760 Eschborn, Germany
Phone: +49 6196 96 96-0
Fax: +49 6196 96 96-200
E-mail: info@postransact.de

Postbank Support GmbH
Edmund-Rumpler-Strasse 3
51149 Köln, Germany
Phone: +49 2203 560-0
Fax: +49 2203 560-4009

Postbank Systems AG
Baunscheidtstrasse 8
53113 Bonn, Germany
Postfach 26 01 46
53153 Bonn, Germany
Phone: +49 228 920-0
Fax: +49 228 920-63010
E-mail: postbank.systems@postbank.de

VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH
Godesberger Allee 88
53175 Bonn, Germany
Postfach 26 01 32
53153 Bonn, Germany
Phone: +49 228 9377-0
Fax: +49 228 9377-599
E-mail: zvd@voeb-zvd.de

Contacts

Published by

Deutsche Postbank AG
Head Office
Investor Relations

Friedrich-Ebert-Allee 114 – 126
53113 Bonn, Germany

Postfach 40 00
53105 Bonn, Germany

Phone: +49 228 920 - 0

Investor Relations

Phone: +49 228 920 18003
E-mail: ir@postbank.de
www.postbank.com/ir

Design and layout

EGGERT GROUP, Düsseldorf

Coordination/editing

Postbank
Investor Relations

Translation

Deutsche Post Corporate Language
Services et al.

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

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

The English version of the Group Annual Report constitutes a translation of the original German version. Only the German version is legally binding.

678 112 012