Postbank Investor Relations Release
Preliminary results 2009

Postbank posts a small net profit for fiscal year 2009 - result still clearly burdened by crisis-related effects

Consolidated net profit at €76 million due to positive tax effects after €-886 million in 2008

Profit before tax at €-398 million after €-1,064 million in 2008

Burden from financial market crisis in 2009 at €919 million is clearly below 2008 (€2,187 million)
Allowances for losses on loans and advances increase due to economic conditions, but remain within own target range

Tier 1 ratio at 7.6% (7.2% at the end of 2008)

Solid customer business with partially strong expansion of market shares

(Comment versus restated figures of the previous year and previous quarters (see page 3), unless stated otherwise)

- **Profit before tax:** €-398 million (adjusted 2008: €-1,064 million)

- **Profit before tax Q4 09:** €–269 million (Q3 09: €-29 million); burden from structered credit portfolio €–228 million, thereof €–157 million due to adjustment of input parameters for the valuation model of our structured credit products (scp); allowances for losses on loans and advances increased to €-308 million due to an additional review of our corporate loan book with a focus on commercial real estate loans in US/UK; result includes one-off effects of €-48 million due to restructuring charges and revaluation of own property

- **Consolidated net profit:** €76 million (08: €–886 million); positive tax effects mainly due to a release of deferred taxes
  Q4 09: €-99 million (Q3 09: €62 million)

- **Net interest income:** €2,405 million (08: €2,495 million); previous year was positively influenced by one-off effects of €116m; therefore net interest income increased slightly on an adjusted basis
  Q4 09: €621 million (Q3 09: €578 million); continuous increase of net interest income since Q2 09 (€569 million) due to positive effects from steeper yield curve as well as ongoing adjustment of interest expenses to low interest rate level

- **Net fee and comission income:** €1,329 million (08: €1,431 million); H2 09 at €684 million clearly above H1 09 at €645 million; decline due to expected structural burden from postal services and transaction banking as well as lack of customer appetite in term life insurance and securities business
  Q4 09: €342 million (Q3 09: €342 million)

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• **Net trading income:**	€-498 million (08: €-389 million); burdens from scp totalling €–652 million (2008: €-786 million); **Q4 09:** €-149 million (Q3 09: €-139 million) incl. burdens from scp of €-180 million, thereof €-106 million due to the adjustment of input parameters of our model for the valuation of our structured credit products
• **Net income from investment securities:**	€-148 million € (08: €-1,249 million); burdens from impairments on scp €–97 million and on other bonds, mutual funds and investments in associates of €–170 million **Q4 09:** €-45 million (Q3 09: €15 million); incl. burden from scp impairments €–48 Million (thereof €-51 million from the adjustment of input parameters into valuation model of structured credit products) and on other bonds, mutual funds and investments in associates of €-64 million;
• **Admin. expenses:**	€2,864 million (08: €2,969 million); decline of €105 million or 3.5 % inspite of various non-recurring items **Q4 09:** €765 million (Q3 09: 696 million €) including revaluation of own property €-25 million and restructuring charges of €-30 million
• **Allowances for losses on loans and advances:**	€-678 million (2008: adjusted €-498 million); previous year was adjusted by €-90 million, Q1 – Q3 09 relieved by €84 million respectively (in addition to an unwinding effect of €+6 million in net interest income); increase y-o-y due to deteriorating economic surrounding, especially on international real estate markets; net addition ratio in 2009 at 63 basis points is within target range (without restatement at app. 70 basis points) **Q4 09:** €-308 million (Q3 09 adjusted: €-142 million)
• **Earnings per share:**	€0.35 (08: €-5.26), based on a weighted average of 218.8 million shares in 2009 and an average of 168.567 million shares in the previous year
• **Tier 1 ratio**	7.6 % after adjusted 7.2 % in 2008 and 8.0 % in 9M 09; decline of Tier 1 ratio vs 9M 09 partly temporary at current point of view (details on page [ ] balance sheet line equity); revaluation reserve improves from €–724 Million at 31.12.2008 to €-502 Million due to improved situation on interest and spread markets
• **Continuosly solid customer business with strongly expanded savings volume**	- Savings volume +16.5 % to €57.2 billion - Book of home finance +1.5 % to €73.8 billion - Book of consumer loans +20 % to €3.6 billion

Income statement

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

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

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

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

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

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

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Individual items

Net interest income

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

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

During the course of 2009, net interest income has steadily increased since the second quarter. This development was due to the positive impact from the steeper yield curve and the gradual fall in interest expense in line with low interest rates, among other things. As a result, net interest income in the last quarter of 2009 amounted to an encouraging €621 million, an increase of €43 million or 7.4% on the third quarter. In addition, net fee and commission income decreased as a result of the change in the disclosure of commitment interest amounting to €13 million referred to above.

Net income from investment securities

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

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

In the previous year, impairments on our structured credit products had amounted to a total of €156 million. We also recognized writedowns of €170 million (previous year: €468 million) on securities, retail funds and equity investments. In contrast, the overall trend as far as our banking book is concerned was encouraging. In the second half of the year we were once again able to realize limited gains on the sale of securities held in our portfolio.

Net trading income

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

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The Bank's underlying net trading income profited from gains on our swap positions used for hedging and for managing the banking book as part of asset/liability management. Total income from this source amounted to €100 million (previous year: €554 million). However, a clear loss was recognized on the measurement of embedded derivatives from the structured credit substitution business. The total loss amounted to €652 million as against a loss of €786 million in 2008.
As in net income from investment securities, some of these adverse effects were attributable to a review and adjustment of input parameters for the mark-to-model measurement of our structured credit products. This additionally impacted the item by €106 million in the fourth quarter of 2009.

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

Net fee and commission income

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

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

Second, Postbank's net fee and commission income was also adversely affected from a structural point of view by a drop in receipts from the sale of postal services in our branches and a decrease in income from Transaction Banking. In total, the contribution from these units to net fee and commission income declined by €34 million compared with the previous year. In addition, net fee and commission income decreased as a result of the change in the disclosure of commitment interest amounting to €13 million referred to above.

Total income

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

Allowances for losses on loans and advances

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

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

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

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

Administrative expenses

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

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

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

Other income

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

Profit/loss

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

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

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

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

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

Segment Reporting

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

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

We have restated the figures for 2008 in line with this in order to ensure comparability for the comments that follow.

Retail Banking

At €770 million, profit before tax in the Retail Banking segment was down €159 million on the strong figure achieved in 2008. Approximately €55 million of this decrease was due to factors that are unrelated to customer business.
Net interest income continued to be the dominant earnings component, accounting for more than 66% of total revenues for the segment. In 2009, the yield curve and specifically the considerable drop in short-term interest rates presented a major challenge as regards the development of net interest income in Postbank's deposit business. These business conditions were the main reason behind the fall of €85 million in net interest income to €2,141 million. The segment was able to improve net interest income from quarter to quarter by means of a gradual reduction in the costs of liabilities. Net interest income in the fourth quarter was €551 million, €14 million up on the third quarter.

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

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

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

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

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

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

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

Corporate Banking

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

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

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

At €104 million, net fee and commission income was down by €3 million year-on-year. Total income for the segment therefore amounted to €456 million, €296 million up on the previous year's figure.There was only a slight increase of €9 million in administrative expenses to €180 million.

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

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

Transaction Banking

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

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

Net other income and expenses - which largely arises from the provision of services for third parties - saw some encouraging growth, the figure increasing by €17 million year-on-year to €33 million.
The cost/income ratio for the segment rose from 90.7% in 2008 to 98.1% in 2009.

Financial Markets

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

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

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

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

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

Others

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

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

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

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

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

The segment's administrative expenses improved by €51 million to €922 million. The item primarily comprises corporate function costs of €329 million that cannot be directly allocated to the operating segments (previous year: €240 million). The main reasons for the rise in these expenses were higher deposit protection costs and increased contributions to the Pensionssicherungsverein (German Pension Insurance Association). Moreover, the segment's administrative expenses include IT and other service expenses of €424 million (previous year: €456 million), some of which are charged on to the operating segments and credited to other income in the Others segment. Consequently, net other income and expenses amounted to €577 million compared with €662 million in the previous year.

Consolidation

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

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

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

Total Assets

Postbank's total assets declined to €226.6 billion, a decrease of approximately €4.6 billion compared with December 31, 2008. On the assets side of the balance sheet, we substantially reduced our portfolio of investment securities by €10.7

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billion to €72.4 billion as part of our program to scale back our capital market investments and exposure to the associated risks. At the same time, we expanded our customer lending business by €5.7 billion to €111.0 billion.

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

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

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

Loans and advances to customers

The portfolio of loans and advances to customers, which also includes securitized assets such as promissory note loans, grew by 5.4% during the course of 2009 to €111.0 billion. Private mortgage lending saw a slight year-on-year increase of €0.8 billion to €70.2 billion. This includes an increased reduction of the mortgage lending portfolios purchased during the past. In contrast, internally generated mortgage lending rose by 4.8% to €65.8 billion. We were also able to expand our installment loan business by €0.6 billion or 20% to €3.6 billion, while at the same time ensuring strict compliance with our risk criteria. Corporate Banking business was a further contributing factor to the growth in the loans and advances portfolio. During 2009, we were able to play a significant role in supplying lending to corporate customers, filling gaps left by other banks.

Money and capital market investments

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

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

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

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

Amounts due to customers

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

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Money and capital market liabilities

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

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

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

Equity

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

The Tier 1 capital ratio in accordance with Basel II was 7.6% as of December 31, 2009, compared with 7.2% based on the restated figures at year-end 2008. There was a moderate fall of 0.4 percentage points compared with September 30, 2009. It should be noted that as part of the preparations for the introduction of the IRBA in the fourth quarter of 2009 deductions were made from the Tier 1 capital equivalent to approximately 0.3 percentage points. Our current assessment is that it will be possible to add back most of these deductions following the planned introduction of the internal models from the end of 2010.

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

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

Expected results of operations at the Postbank Group

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

Postbank is well positioned to meet existing challenges, with a continuing good development in its operating earnings, its stable and sustainable revenue streams from its customer business as well as its solid refinancing base. The concentration of the business model on retail, business and corporate customers that has been initiated will be

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systematically continued. In this effort, the “Postbank4Future” strategy program will generate valuable momentum toward improving the market position, particularly in Retail Banking. The Bank will maintain its strategy of lowering capital-market risks and portfolios in the future.

Given the expected trends in the Bank’s customer business and external general conditions, we foresee a slight rise in the core operating earnings components of net interest income and net fee and commission income during the ongoing fiscal year despite the persistently low levels of interest rates and the slowly rising transaction volume in the securities and fund business. Here, significant growth momentum will be generated by net interest income, while the net fee and commission income may experience a moderate decline and then move laterally as a result of structure-driven declines in revenues generated by the postal business in our branches and from external transaction banking in 2010.

As part of our strategy program, we will once again intensify our cost management substantially. In this work, we will focus on both non-personnel and personnel cost centers. Given the expected gains in efficiency generated by the streamlining of our product range and by the consolidation of overhead functions, we expect that, by 2012, we will be able to reduce the workforce in a fair manner by about 2,000 employees to a total of 19,000. Overall administrative costs should then be lowered by about 5 % by 2012 compared with 2008, as announced in the strategy program.

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

For allowances for losses on loans and advances, we foresee a level that continues to exceed that of pre-crisis years, particularly as a result of prolonged difficult business conditions in international real-estate markets. In the area of commercial real-estate lending, we expect measurable – albeit lower – negative effects in 2010 than in 2009.

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

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

Over the mid and long term, Postbank continues to strive for an operating return on equity after tax of about 13 %.

Please refer to our websites on www.postbank.com/ir for the presentations slides and for further information on Postbank.

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