

Postbank Investor Relations Release

Preliminary results 2010

Clear turnaround and return to the profit zone in 2010

(Comments refer to the adjusted figures for fiscal year 2009 unless otherwise stated)

Profit before tax at €315 million after €-398 million in 2009.

Fourth quarter 2010 earnings contribution at €19 million before tax (previous year: €-269 million) despite various one-time costs

Strong customer business generates rise in total income of 22.9% - net interest income provides essential boost

Substantial progress in reducing investment securities and the structured credit substitution business:

Investment securities: -19% to €59.0 billion

Structured credit substitution business: -36% to €3.7 billion

Tier 1 ratio* successfully increased to 8.1% after 6.6% at the end of 2009

- **Profit before tax Q4 2010:** **€19 million** (Q4 09: €-269 million (Q3 10: €71 million)
Total extraordinary factors: €-239 million
of which negative effects from risk portfolios: €-158 million (Q4 09: €-292 million)
of which recognition of staff-related provisions: €-30 million
of which replenishment and payment of deferred distributions on hybrid capital €-51 million
- **Profit before tax 2010:** **€315 million**(2009: €-398 million)
Total extraordinary factors: €-536 million
of which negative effects from risk portfolios decline substantially to €-427 million (2009: €-919 million)
of which recognition of staff-related provisions: €-58 million
of which replenishment and payment of deferred distributions on hybrid capital €-51 million
- **Consolidated net profit 2010:** **€138 million**(2009: €76 million; Q4 10: €-80 million)
Profit after tax in Q4 10 impacted by non-recurring tax effect of €-94 million from first-time consolidation in Deutsche Bank Group
- **Net interest income:** **€2,731 million**(2009: €2,405 million; Q4 10: €664 million)
Sharp increase of +13.6% in particular from volume and margin growth in customer business
Q4 10 impacted by reinstatement of deferred distributions on hybrid capital instruments (€-9 million) and negative hedge result (€-34 million)

* including market risk positions

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- **Net fee and commission income:** **€1,316 million**(2009: €1,338 million; Q4 10: €339 million)
Moderate decrease compared with previous year due to structural decline of fee and commission income received from postal business as well as decreased fee income from reduction of incoming payment threshold for free checking account
- **Net trading income:** **€-241 million**(2009: €-498 million; Q4 10: €-26 million)
negative effects from structured credit portfolio (SCPs) €-322 million (2009: €-652 million; Q4 10: €-104 million)
- **Net income from investment securities:** **€-1 million**(2009: €-148 million; Q4 10: €-55 million)
Negative effects from SCP €-84 million (2009: €-97 million ; Q4 10: €-52 million)
- **Administrative expenses** **€2,934 million**(2009: €2,864 million; Q4 10: €788 million)
Moderate increase of 2.4% year-on-year despite
- structural increase from acquisition of 277 DP retail outlets (€27 million)
- recognition of staff-related provisions of €58 million (Q4: €30 million)
- increased project costs, primarily for regulatory requirements
- **Allowance for losses on loans and advances:** **€561 million**(2009: €678 million; Q4 10: €112 million);
net addition ratio at lower end of our own expectations at 50 basis points (2009: 63 basis points)
- **Earnings per share:** **€0.63** (2009: €0.35)
- **Tier 1 ratio*:** **8.1 %** (2009: 6.6 %; Q3 10: 8.0%)
Increase due to reduction in risk-weighted assets, profit retention, introduction of pre-processing to measure market risk exposures and advanced measurement approach for operational risk
- **Results of customer business related segments** - Profit before tax Retail Banking segment +25.1% year-on-year to €897 million
- Profit before tax Corporate Banking segment + €413 million to €382 million
- Increase in result especially due to high net interest income from interest-bearing customer business

Income statement

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

This turnaround is primarily due to substantial growth in total income, which increased by a total of around 23% year-on-year. On the one hand, a decline in negative effects from the Bank's risk positions and, on the other, a significant increase in net interest income from the customer business were responsible for this positive development. The strict cost discipline contributed to the fact that administrative expenses only grew very moderately, despite various non-recurring expenses, for example for the implementation of programs to increase efficiency within Postbank4Future. The allowance for losses on loans and advances declined noticeably compared with the previous year and was at the lower end of our expectations. As a result, profit increased by €713 million as against fiscal year 2009, when the Bank had recorded a loss of €398 million.

Postbank's customer business also performed well in the past fiscal year and contributed to the noticeable improvement in the earnings situation. This can be seen, among other things, in the encouraging growth in portfolio volumes, in particular in deposits. Customer deposits amounted to a total of €116.2 billion, up €5.1 billion as compared to December 31, 2009. Postbank also saw a slight improvement in the customer lending business. At €109.3 billion,

* including market risk positions

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customer loans were up €0.3 billion year-on-year. Our lending business focuses on private mortgage lending, whose self generated volume increased by €1.4 billion to €67.2 billion. Value contributions also developed positively in 2010; these take not only growth in volumes into account, but also the profitability of the lending and deposit business in present value terms. Overall, Postbank therefore achieved a significant turnaround in 2010. Furthermore, important cornerstones of the Postbank4Future strategy program, which was established in 2009, were implemented, such as the take-over of additional Deutsche Post retail outlets. The Bank thus further strengthened its market position in Germany and gained market share.

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

Net interest income

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

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

Net trading income

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

Net income from investment securities

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

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

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

Net fee and commission income

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

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

Total income

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

Allowances for losses on loans and advances

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

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

Administrative expenses

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

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

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

Other income

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

Profit/loss

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

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

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

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

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

Pending approval of the annual financial statements by the Supervisory Board, Deutsche Postbank AG will report a profit after tax and a net retained profit in its single-entity financial statements in accordance with the Handelsgesetzbuch (HGB – German Commercial Code). The deferred distributions in previous years as a result of loss participation will be reinstated and reductions in the nominal value of silent partnerships and profit participation rights reversed. The Annual Report of Deutsche Postbank AG (HGB) will be published on March 30, 2011.

Segment Reporting

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

Retail Banking

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

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

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

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

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

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

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

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

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

Corporate Banking

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

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

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

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

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

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

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

Transaction Banking

Profit before tax in the Transaction Banking segment improved by 56.4% or €22 million, climbing to €61 million. At €349 million, net fee and commission income was stable at the prior-year level. By contrast, revenue from the supply of intragroup project services increased substantially, lifting other income by €13 million to €19 million.

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

The segment's cost/income ratio therefore improved from 90.6% in 2009 to 88.0% in 2010. In this segment, we expect the integration of HSH Nordbank – a new customer acquired in 2009 – to generate positive momentum for net fee and commission income in the next few years as well. At the same time, we are losing an important customer relationship in 2011 due to the integration within Commerzbank of the payment transactions that we previously handled for Dresdner Bank.

Financial Markets

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

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

By contrast, we recorded an increase of €13 million in net trading income to €60 million. Net loss from investment securities nearly halved from €21 million to €11 million. The result of these two earnings line items includes effects from the structured credit portfolio amounting to €-10 million, €-8 million of which relates to net trading income and a

further €–2 million to net income from investment securities. In the prior year, effects of €–34 million were recognized, of which €–30 million related to net trading income and €–4 million to net income from investment securities. In addition, value adjustments and income from the sale of securities of €+1 million were recognized in the year under review (previous year: €–20 million).

At €11 million, the allowance for losses on loans and advances was positive (previous year: €–33 million), which is a result of the development recorded at the PBI Luxembourg subsidiary referred to above. Administrative expenses declined by €3 million to €87 million.

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

Others

The net loss of the Others segment improved by €73 million to €–1,110 in 2010. This segment contains items not directly attributable to the other business segments, unallocated central function costs, and the result of Postbank's own-account transactions. This segment therefore had to bear a significant proportion of the negative effects from the financial market crisis.

The segment's net interest income declined by €43 million to €–449 million. The negative figure is due among other things to disposals of banking book and trading book assets, contributions from asset/liability management, the transfer pricing system in place up to and including 2004, and the acquisition of the BHW Group and the branches in 2006.

Net trading income for the segment saw an improvement of €81 million to €–291 million in 2010. Of this figure, €–286 million relates to the measurement of embedded derivatives contained in structured credit products (previous year: €–468 million), of which €–92 million relates to the fourth quarter of 2010. In addition, impairments on guaranteed promissory note loans of €–31 million (previous year: positive effect of €33 million) were recognized in 2010. Gains of €31 million from asset/liability management (previous year: €100 million) arising from the use of derivative financial instruments had a positive effect.

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

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

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

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

Total Assets

Postbank's total assets declined to €214.7 billion, a decrease of approximately €11.9 billion compared with December 31, 2009. In a year-on-year comparison, on the assets side of the balance sheet the portfolio of investment securities was substantially further reduced by €13.4 billion or 18.5% to €59.0 billion as part of our program to scale back our capital market investments and our exposure to the associated risks. On the liabilities side, we expanded amounts due to customers by €4.5 billion to €136.5 billion, while deposits from other banks declined significantly by almost €17 billion.

Loans and advances to customers

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

Money and capital market investments

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

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

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

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

Amounts due to customers

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

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

Money and capital market liabilities

Money and capital market liabilities, comprising deposits from other banks, debt securities in issue, and trading liabilities, fell by 21.7% or €17.0 billion to €61.5 billion in line with the change in the corresponding assets.

The Bank's sound refinancing situation, resulting from its strong deposit business on the one hand and the asset-side reduction of investment securities on the other, enabled a significant reduction in deposits from other banks, which fell by 43.0% to €22.4 billion. Debt securities in issue fell by €3.8 billion to €12.9 billion in 2010. Due to the Bank's positive

liquidity situation, we only implemented one Pfandbrief issue in 2010. Nevertheless, this source of refinancing represents an important component of the Bank's refinancing mix.

As already described under trading assets, the 17% growth in trading liabilities to €26.2 billion was largely attributable to changes in market interest rates in 2010.

Equity

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

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

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

Goals of Postbank

For 2011 and 2012, we expect the world economy will continue to recover. In Germany, the growth momentum should continue in 2011. We foresee a slowdown beginning in 2012. Business conditions in capital markets will likely remain fragile – as trends showed during the third and fourth quarter of 2010. Outside Germany in particular, we believe that an above-average number of business bankruptcies will occur and that business conditions in selected international real-estate markets will remain difficult. We still believe that an increased – albeit declining – need for allowances for losses on loans and advances will exist in the entire banking industry.

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

The following assessment of the likely course of business at Postbank during the ongoing fiscal year and in 2012 are based on a scenario that reflects our current economic expectations. In addition some possible effects of potentially severe setbacks and disruptions in international capital and real-estate markets have to be taken into account. Furthermore, the continuing discussion about strict regulations for the banking sector, including the reform of deposit protection, as well as a possible acceleration in the reduction of risk positions exceeding today's planning could have a significant impact on the financial, asset and income situation of Postbank.

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

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

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

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

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

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

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

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

We are determined to further expand the Postbank's strong position on the German market, and we are confident that we will move forward in our drive to generate profitable growth.

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

Your Postbank Investor Relations Team