

Deutsche Postbank AG, Bonn  
Annual Financial Statements (HGB)  
as of December 31, 2008



Deutsche Postbank AG, Bonn

Annual Financial Statements for the Period Ended December 31, 2008

and Management Report for Fiscal Year 2008

2	Management Report
32	Balance Sheet as of December 31, 2008
34	Income Statement for the period January 1, 2008 to December 31, 2008
36	Notes
62	Auditors' Report

# Deutsche Postbank AG Management Report

## I Business and Environment

### Macroeconomic environment in 2008

#### Global economic slowdown

Global economic growth slowed noticeably in 2008. Although the global economy was still robust at the beginning of the year, the declining trend, which originated in the U.S.A., spread to more and more countries and regions during the course of the year. The period of extremely high oil prices had hit on industrialized countries particularly hard. The escalation of the financial market crisis in September provided further fuel for the negative trend. Global economic output in 2008 rose only by 3.4 % as compared with around 5 % in the previous year.

The U.S. economy performed extremely poorly throughout 2008, dragged down by the prolonged real estate crisis, the spike in oil prices, and the crisis on the financial markets. As a result, investments in construction and in machinery and equipment were slashed. Consumer spending hovered barely above stagnation for 2008 as a whole and in fact declined in the second half of the year. In contrast, exports helped bolster the U.S. economy although momentum from this slowed considerably in the second half of the year due to the global economic downturn. Gross domestic product (GDP) grew by only 1.3 % in 2008; this was the lowest increase recorded since the recession in 2001.

Even Asia was unable to escape the global trend. Following a positive start to the year, economic growth eased continuously. China's GDP growth in 2008 decreased to 9.0 % due to a clear decline in export momentum, although exports still finished up 17.2 % year-on-year. Japan was also particularly hard hit by the global slowdown due to its high dependence on exports. Foreign business lost traction, with companies slashing investments due to lower sales forecasts. This tipped the country into a marked recession. GDP declined in the year under review by 0.4 %.

After a good start to 2008, the euro zone economy began to slump as of the second quarter. Consumer spending was hit by the high oil prices and the related surge in inflation. Exports were increasingly hampered by the extremely strong euro. In this environment, companies also eventually decreased their investments. Although oil prices fell substantially in the second half of the year and the euro dropped sharply, the positive impetus that could have been expected failed to materialize because of the escalation of the financial market crisis. This meant that the recessionary trends not only continued until the end of the year, but in fact gathered momentum. Taken together, those factors led to an increase in euro zone GDP in 2008 of only 0.9 %, far below the previous year's growth of 2.6 %.

#### German economy in recession

Germany's economic output grew by 1.3 % in 2008. Although this was clearly more than the figure for the euro zone as a whole, it was significantly lower than the 2.5 % recorded in the previous

year. In addition, the relatively positive result was due to the extremely dynamic development seen at the beginning of the year. The German economy also entered into recession in the spring. As a result of the massive appreciation of the euro in the first half of the year and the significant slowdown in the global economy, exports recorded only muted growth in 2008. Consequently, foreign trade did not make any notable contribution to growth, in contrast to previous years. Consumer spending in Germany was hit by the sharp increase in energy and food prices and remained flat year-on-year, despite the existence of conditions that could have led to a substantial increase. Unemployment fell temporarily to below the 3 million mark in the year under review, the first time since 1992. On average, 500,000 fewer people were registered as unemployed than in 2007. The unemployment rate dropped during the course of the year from 8.2 % to 7.5 %.

Investments painted a comparatively bright picture in 2008. Gross capital expenditure grew by 4.1 %, almost as much as in the previous year. The trends in individual subsegments were similar to those in 2007; while significant growth was seen in investment in machinery and equipment (5.3 %) and commercial construction (6.7 %), investment in residential construction recorded growth of only 0.7 %. Growth in all segments slowed massively over the course of 2008 after a good start to the year due to special factors. Investment in machinery and equipment began to drop during the second half of the year, while investment in construction still saw moderate growth in the same period.

In general, macroeconomic developments in Germany, as in other major economies, were much more unfavorable in 2008 than we had predicted.

#### Market developments

The crisis that started with the U.S. mortgage market impacted almost all financial markets around the world in 2008. In contrast to the previous year, falling share prices were not limited to assets linked to U.S. mortgages. In particular, the bankruptcy of the U.S. bank Lehman Brothers in September 2008 led to a great deal of further uncertainty among investors and fostered mutual distrust among financial market players. The result was the complete collapse of the money markets. Only massive intervention by the central banks and extensive government aid packages prevented this having a devastating impact on the financial sector and the real economy. Increasing fears of a global recession intensified the downward trend on the markets.

Stock market prices in particular were under pressure from the beginning of the year. The turbulence on the financial markets, the economic slowdown in the U.S.A., and increasing oil prices led to marked losses in the first half of the year. The trend accelerated sharply in the fall following the bankruptcy of U.S. investment bank Lehman Brothers in mid-September 2008. The DAX lost 40 % during the course of the year, while the EURO STOXX 50 was down 44 % and the S&P 500 38.5 %. Financial stocks again came under massive pressure. The spillover of the U.S. mortgage crisis onto the financial markets led to additional substantial writedowns and impairments at banks. However, shares of companies in other sectors also dropped significantly in 2008. The economic slump triggered a broad downward correction of earnings expectations, which put even more

pressure on share prices. The changed economic outlook also impacted the prices of other securities. Risk premiums for some corporate bonds rose to new heights during the course of 2008. Even prime-rated bonds, including *Pfandbriefe* and bank and government bonds, were affected by this development. As a result, trade in these instruments almost came to a complete standstill. The markets became illiquid for most positions, which was reflected in a significant widening of the bid/offer spreads and a clear drop in volumes.

The weak U.S. economy and the crisis in the financial markets prompted the U.S. Federal Reserve to cut its key interest rate from 4.25 % at the beginning of the year to 2 % in April 2008 and to almost 0% at the end of the year. The European Central Bank (ECB), on the other hand, kept its key interest rate at 4 % due to strong price increases in the first six months of the year and even increased it to 4.25 % in July. The euro zone's growing interest rate advantage drove up the euro to approximately \$1.60, an all-time high. A sharp turnaround in monetary policy then occurred in the second half of the year, facilitated by an unexpected decline in inflation due to falling commodity prices. Inflation in the euro zone fell from 4 % in the middle of the year under review to 1.6 % at the end of the year, bringing it back into line with the Bank's stability target. In view of the massive deterioration in the economic environment, the ECB used its freedom to cut interest rates, reducing its key interest rate to 2.5 % by the end of December. The ECB's turnaround in interest rate policy also heralded a trend reversal in the euro – it fell to as low as €1.23 as against the dollar at times. The euro closed the year at \$1.40, 5.2 % lower than its opening price.

The euro zone's relatively good economic performance at the beginning of the year, the sharp increase in inflation, and the prospect of interest rate increases by the ECB initially led to an increase in capital market yields in the euro zone in the first half of the year. However, government bond yields ultimately plummeted due to the worsening financial market crisis, easing inflation, and the sharp interest rate cuts by the ECB. At the end of 2008, the yield on 10-year German bunds was at a new record low of just under 3 %, around 1.4 percentage points lower than at the end of 2007. In contrast, the yield on 10-year U.S. government bonds fell by 1.8 percentage points in the same period, to just over 2 %.

Market developments failed to match our expectations in the year under review. When the 2007 Annual Report was published, we were anticipating constant interest rates and a trend towards rising yields for the euro zone in 2008.

**Sector situation**

The performance of the financial sector in 2008 was dominated by the global financial market crisis. Financial institutions worldwide had writedowns of €1,048 billion in the period between the onset of the crisis in mid-2007 and the end of the past fiscal year. Banks raised €894 billion in fresh capital during the same period to strengthen their equity base. Banks and brokers have borne the brunt of the crisis, accounting for 75 % of the writedowns. The remaining 25 % is attributable to insurers and the U.S. mortgage lenders Fannie Mae and Freddie Mac, which have now been nationalized. The effects can be broken down by region as follows: America, with almost 70 %, is followed by Europe, with just under 28 %. Asian institutions, with 3 % or €31 billion, have the lowest share of writedowns to date.

Banks' share price performance in 2008 clearly reflects the effects of the financial market crisis, substantially underperforming the market as a whole since the turn of the year 2007/2008. While the DAX, for example, lost around 40 % in the period up to the end of 2008, the unweighted mean loss recorded by the shares of the six German banks listed in Deutsche Börse's Prime Standard was almost 80 % in the same period. The interim reports for the first nine months of the listed banks revealed the clear impact of the crisis. All five private banks (excluding IKB) listed in Deutsche Börse's Prime Standard reported a significant drop in both pre- and post-tax profit for this period, and in some cases even a loss. Almost all institutions registered a decline in the return on equity after taxes in the double-digit percentage range as well as significant slumps in net fee and commission income and proprietary trading. Although almost all banks reduced their administrative expenses, they were unable to offset the decline in operating income. As a result, their cost/income ratios deteriorated considerably compared with the prior year period. After 59.4% in the first nine months of 2007, the unweighted mean climbed in the first nine months of 2008 to 77.9 %.

The rescue measures initiated in many countries following the bankruptcy of U.S. investment bank Lehman Brothers are slowly having an effect. Uncontrolled insolvencies of systematically significant financial institutions have been prevented. In Germany, the Federal government's rescue measures have been bundled in the *Sonderfonds Finanzmarktstabilisierung* (SoFFin – Special Fund for Financial Market Stabilization). The fund has a maximum volume of €480 billion, with €400 billion available for the assumption of guarantees and €70 billion for recapitalization and the assumption of risk. If required, the funds available for recapitalization and the assumption of risk can be increased by an additional €10 billion with the approval of the Bundestag's Budget Committee. According to SoFFin, 150 inquiries regarding rescue package funds had been received by the beginning of December. This resulted in 15 applications, four of which had been decided by December 31, 2008. Guarantees totaling €90 billion had been approved by the beginning of December. In addition, one bank was granted a silent partner contribution of €8.2 billion.

There were no additional major mergers or acquisitions in the German banking landscape between mid-October and the end of December 2008. Germany's banking landscape continues to be dominated by the three-pillar structure comprising private banks, savings banks, and cooperative banks.

Lending in Germany showed signs of a slight recovery during the first nine months of the year under review. Loans to companies and private customers increased by €66 billion to €2,355 billion compared with the year-end 2007. However, the trends in the individual subsegments were extremely disparate. The trend in corporate lending remained positive. Lending in this segment rose by €73.6 billion up to the end of the first nine months of 2008 to total €946.7 billion. In contrast, the trend towards debt reduction continued among the self-employed. However, loans in this area fell only slightly, dropping €4.1 billion to €382.4 billion. Lending to dependent employees and other private individuals also saw a slight decline. The volume of loans here fell by €2.9 billion in the first three quarters of 2008, to €1,012.3 billion. Installment loans reported a rise of

Management Report

Balance Sheet

Income Statement

Notes

Auditors' Report

€1.1 billion. Debit balances on checking accounts increased by €0.7 billion. In contrast, residential construction loans declined in the same period by €2.0 billion. New business also performed less well than in the previous year. The volume for 2008 was €176.4 billion, compared with €181.8 billion year-on-year. Lending reflected the in some cases extremely disparate macroeconomic developments of last year. Investment in Germany in commercial construction and in machinery and equipment rose significantly in the period up to the middle of the year. In contrast, consumer confidence was hit in the first half of the year by exploding energy prices, which was reflected in muted performance by retail banking business. The worsening financial market crisis probably also exacerbated this trend. The low demand for residential construction loans corresponds to the low demand for residential real estate. As a result, investment in residential construction in Q3/2008 was still slightly below that for the final quarter of 2007.

In contrast to previous years, insolvencies in all debtor segments fell in the period from January to October 2008. The number of corporate insolvencies declined by 5.5% year-on-year to 24,679. Consumer insolvencies decreased significantly by 8.3% to 82,106. Other insolvencies saw a drop of 7.3%. Overall, this led to a reduction in the total number of insolvencies of 7.6%, to 130,187. Total expected insolvency losses fell by €0.7 billion in the same period to €25.2 billion. In the case of corporate insolvencies, the reduction continued the trend seen in the past year, although the pace of the reduction decreased year-on-year as expected. At least during the first half of 2008, the improvement was probably due to the relatively good economic situation. The number of consumer insolvencies declined year-on-year for the first time since the introduction of the new *Insolvenzordnung* (German Insolvency Regulation) in 1999; in the period up to October 2008, the figure was down approximately 8% compared with the prior year.

#### Significant events at Postbank in 2008

On January 9, 2008, Postbank launched its first *Jumbo Hypothekendarlehen* with a volume of €1.5 billion. Despite the difficult market environment, the issue was a resounding success. The mortgage bond was placed with a wide range of investors in Germany and abroad at very attractive conditions for Postbank. Another *Jumbo Hypothekendarlehen* with a volume of €1 billion was issued in May 2008. Issuing *Pfandbriefe* puts our strong refinancing structure on an even broader base. As a firmly entrenched player in the covered bond market, Postbank intends to make regular use of the ensuing opportunities in the future.

The squeeze-out of the minority shareholders of BHW Holding was entered in the commercial register on February 12, 2008, upon which all shares belonging to minority shareholders became the property of Postbank. They received a cash payment of €15.11 per no-par value share. Some former minority shareholders have instituted proceedings at the Berlin Regional Court with the aim of reviewing the appropriateness of the cash settlement.

On February 18, 2008, Klaus Zumwinkel resigned his position as Chairman of the Supervisory Board of Postbank. He played a decisive part in making Postbank the leading retail bank in Germany. During his time in office as Chairman of the Supervisory Board, he and the Management Board of Postbank made decisive contributions

to setting a course that will lead the Bank to further sustainable growth in the future. Frank Appel was appointed by the court as a member of Postbank's Supervisory Board on February 19, 2008, elected Chairman of the Supervisory Board at a meeting of the Supervisory Board on March 3, 2008 and finally elected by the Annual General Meeting on May 8, 2008.

On April 14, 2008, PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt am Main, was founded by Deutsche Postbank Financial Services GmbH, Frankfurt am Main, (PFS). The company's shares are held by PFS. On July 16, 2008, Postbank contributed its sub-pools of assets 2–24 to PB Spezial-invest and thus holds all investment shares.

The Annual General Meeting of Deutsche Postbank AG was held in Cologne on May 8, 2008. All agenda items were approved by the shareholders and passed with a majority of over 92% in each case. The dividend of €1.25 per share – unchanged as against the previous year – was distributed on the following day, May 9, 2008.

Klaus Schlede left the Supervisory Board of Deutsche Postbank AG as of May 8, 2008. The Annual General Meeting on May 8, 2008 elected John Allan to succeed him as a member of the Supervisory Board.

Jörg Asmussen resigned from his seat on the Supervisory Board of Deutsche Postbank AG on May 27, 2008 in order to avoid a conflict of interest with his new position as State Secretary in the Federal Ministry of Finance. Axel Nawrath was appointed by the court to succeed him as Supervisory Board member on June 27, 2008.

Effective as of June 30, 2008, Deutsche Postbank AG transferred the payment transaction activities to its subsidiary Betriebs-Center für Banken AG, Frankfurt am Main.

Horst Küpker was appointed a member of the Management Board with responsibility for the Financial Markets division effective July 1, 2008. He replaces Loukas Rizos, who left Postbank of his own volition and by mutual agreement as of June 30, 2008.

On July 21, 2008, BHW Bank AG, Hamelin, was merged into Postbank retroactively as of January 2, 2008. To this end, BHW Bank was initially merged by way of an accrual into Bianca II Vermögensverwaltungs GmbH & Co KG, Hamelin. Due to the withdrawal of PB Sechste Beteiligungen GmbH, Bonn, from Bianca II, the entire assets passed on to Postbank as the sole limited partner and thus overall successor. In Q1 2008, the securities accounts business of BHW Bank was split off and transferred to Postbank (split-off for incorporation in accordance with section 123 (2) no. 1 of the *Umwandlungsgesetz* (UmwG; German Transformation of Companies Act)).

On September 12, 2008, it was announced that Deutsche Bank AG is to acquire a minority interest of 29.75% in Deutsche Postbank AG from Deutsche Post AG. The transaction is expected to close in the first quarter of 2009. In addition, Deutsche Bank AG and Deutsche Post AG agreed options that will allow a further increase in Deutsche Bank's stake at a later date.

In the course of the announcement of the transaction, Deutsche Bank AG and Deutsche Postbank AG resolved to cooperate in their customer business. The final details are expected to be agreed and published in the first quarter of 2009.

Against the background of his appointment to the steering committee in accordance with the *Finanzmarktstabilisierungsfondsgesetz* (Act on the Special Fund for Financial Market Stabilization), Axel Nawrath resigned from his seat on the Supervisory Board with immediate effect on October 24, 2008. On November 19, 2008, the local court of Bonn appointed Henry Cordes to succeed him as a member of the Supervisory Board.

Postbank implemented a capital increase with the approval of the Supervisory Board. 54.8 million new shares were issued, resulting in gross proceeds of approximately €1 billion. Between November 13 and 26, 2008, shareholders were entitled to acquire one new share for every three old shares held, at an issue price of €18.25. In line with a contractual agreement, Deutsche Post AG acquired a total of 99.3% or 54.4 million new shares from the issue. On completion of the capital increase, its interest in Deutsche Postbank AG's share capital was approximately 62.3%. In this context, it was announced that the Board of Management is planning to recommend to shareholders at the Annual General Meeting in April 2009 that no dividend be paid for fiscal year 2008, in order to further strengthen the bank's capital base.

In the fourth quarter of 2008, the Supervisory Board resolved to streamline the Group's management structure. As a result, the size of the Management Board was reduced from ten to eight members.

Under Michael Meyer's supervision, Product Marketing and Mobile Sales are being bundled in the new Retail board department which will be headed by Michael Meyer. Guido Lohmann left the Postbank Group effective November 30, 2008.

A new position – that of Chief Risk Officer – was created in the Lending board department. It was filled on November 25, 2008 by Ralf Kauther, who has the rank of an Executive Manager.

In addition, responsibilities for service and settlement functions throughout the Group were bundled and transferred to Dirk Berensmann as Chief Operating Officer (COO). In the course of the reorganization, Mario Daberkow resigned from Postbank's Management Board by mutual consent. He will continue to drive forward Postbank's partner strategy for European transaction banking, where he has played a decisive role in past years, as Chairman of the Management Board of BCB Betriebs-Center für Banken AG. In addition, he will be responsible for Postbank's Banking Organization as Executive Manager and managing director.

**Significant events after the reporting date**

On January 14, 2009, Deutsche Bank AG and Deutsche Post AG announced an amendment to the structure of the Postbank investment agreement. Under this amendment, the agreement will be implemented in three stages. In the first step, Deutsche Bank will acquire 22.9% of Deutsche Postbank AG. An additional 27.4% or so of the shares will be transferred to Deutsche Bank AG under the terms of a mandatory exchangeable bond after a period of three

years. Furthermore, the parties have call and put options for 26.4 million shares.

Marc Hess has been a full member of Deutsche Postbank AG's Management Board since January 1, 2009; in this capacity he is responsible as before for the Finance board department, as Chief Financial Officer.

**Postbank's investment focuses in 2008**

Postbank's investments in 2008 focused on the implementation of statutory requirements such as the flat tax, a program to introduce advanced risk models and a project for implementation of an optimized liquidity risk management system based on the Basel "Sound Practice" model.

Moreover, we implemented our new branch concept at additional locations as part of our "Next Step" strategic program. In our customer business, we invested in optimizing the processes handling consumer loans, for example. In the Transaction Banking and Services areas, further investments were also made in a number of IT systems, such as the extension of the Payment Solution platform and the decommissioning and provision of IT infrastructure components.

**Organization and management**

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

Deutsche Postbank AG ("Postbank") offers financial services to private and corporate customers, with Germany as its primary focus.

**Share capital, voting rights, and transfer of shares**

Postbank's share capital amounted to €547,000,000 as of December 31, 2008 and is composed of 218,000,000 no-par value registered shares. Each share conveys the same statutory rights and obligations and grants the holder one vote at the Annual General Meeting. No shareholder or group of shareholders is entitled to special rights, in particular those conveying powers of control.

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

**Equity interests in excess of 10%**

The German Federal Government holds an 80% equity interest in KfW Bankengruppe, which in turn holds an equity interest of around 30.5% in Deutsche Post AG, which has an interest in Postbank of around 62.3%. The free float traded on the stock exchanges therefore amounts to around 37.3% of Postbank's share capital. According to the disclosures received by us in accordance with section 21(1a) of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) as of December 31, 2008, the Company is not aware of any other shareholders that directly or indirectly hold more than 10% of the share capital.

#### Powers of the Management Board to issue or repurchase shares

The Management Board is authorized, with the approval of the Supervisory Board, to increase the Bank's share capital by up to €41,000,000 up to March 24, 2009 by issuing new, no-par value non-voting registered shares (preference shares) against non-cash contributions (Authorized Capital I). Shareholders' pre-emptive subscription rights are disapplied. Authorized capital is commonly used as an acquisition currency by German companies. The utilization of Authorized Capital I enables the Company to make acquisitions flexibly and without using the capital markets.

The Management Board, with the approval of the Supervisory Board, fully utilized Authorized Capital II, which was established in accordance with the Articles of Association, and increased the share capital by a total of €137,000,000 by issuing no-par value registered shares against cash contributions. Shareholders were granted pre-emptive subscription rights.

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

On May 8, 2008, the Annual General Meeting of Postbank renewed the Management Board's global authorization to purchase own shares. Accordingly, the Management Board is authorized to purchase own shares up to a total of 10% of the share capital.

First, the Company is thus authorized to purchase and sell own shares for the purpose of securities trading in accordance with section 71(1) no. 7 of the *Aktengesetz* (AktG – German Stock Corporation Act) up to November 7, 2009. The holdings of shares to be purchased for this purpose may not exceed 5 percent of the Company's share capital at the end of any given day. In addition, shares purchased on the basis of this authorization together with other shares of the Company that the Company has already purchased and still holds may not account for more than 10 percent of the share capital at any time.

Second, the Company is authorized in accordance with section 71(1) no. 8 of the AktG to purchase own shares amounting to up to a total of 10 percent of the share capital existing at the date the resolution is adopted, up to November 7, 2009. This figure includes shares that the Company has already purchased and still holds. The Management Board may only utilize shares purchased on the basis of the authorization for purposes other than sale via the stock exchange or via an offer to all shareholders if the purposes concerned are specified in the authorization. The approval of the Supervisory Board is required in each case. The details are provided in the motions resolved by the Annual General Meeting on agenda items 7 and 8 of the Annual General Meeting on May 8, 2008, which are also available on the Company's website.

It is common practice among listed German stock corporations for the Annual General Meeting to reissue the authorization to purchase own shares every year. The Management Board and the Supervisory Board will propose to the Annual General Meeting on April 22, 2009 that this authorization be renewed.

#### Appointment and dismissal of Management Board members

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

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

#### Amendments to the Articles of Association

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

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

Deutsche Postbank AG has entered into a cooperation agreement with Deutsche Post AG in the area of financial services in the Deutsche Post AG sales network. This agreement may be terminated by either party giving three years' notice to the end of the year, but at the earliest as of December 31, 2012. If Deutsche Post AG intends to relinquish its majority shareholding in Deutsche Postbank AG via a sale or as a result of a corporate action, it may demand that the agreement be amended. If a corresponding amendment does not come about within a reasonable time, Deutsche Post AG may terminate the cooperation agreement in writing giving two years' notice to the end of the calendar month. Should Deutsche Post AG terminate the cooperation agreement, this could impact Deutsche Postbank AG's branch sales, which are of fundamental importance to the Company's business activities.

Furthermore, Deutsche Postbank AG has entered into sales agreements with Talanx Aktiengesellschaft and its subsidiaries PBV Lebensversicherung AG (formally BHW Lebensversicherung AG), Postbank Versicherung Aktiengesellschaft, and PB Lebensversicherung Aktiengesellschaft. These agreements cover the brokerage and sale

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

**Compensation agreement in the case of a takeover bid**

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

**Remuneration of the Management Board and the Supervisory Board**

**Remuneration of the Management Board**

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

The Executive Committee of the Supervisory Board discusses the appropriateness of the remuneration of the members of the Management Board of Deutsche Postbank AG, taking into account the Company's performance, the sector, and the prospects for the future. Remuneration is reviewed on a regular basis. The level of remuneration for members of the Management Board is determined on the basis of the size and activity of the Company, its economic and financial situation, and the tasks of the Board members in question. Remuneration is calculated so that it is competitive in the national and international job market and therefore offers an incentive for dedicated and successful work. It therefore complies with the requirements of section 87 of the *Aktengesetz* (AktG – German Stock Corporation Act).

The level of remuneration is performance-linked; overall remuneration consists of a fixed and a performance-related component.

The fixed component (basic salary), other compensation, and pension commitments are not performance-linked. The fixed component is paid as a monthly salary in twelve equal installments.

The standard performance-related (variable) component consists of the annual bonus. The size of the bonus is capped on the basis of individual agreements.

To date, no long-term incentive plan or similar form of remuneration has been established for members of the Management Board. Deutsche Postbank AG has neither launched a stock option program, nor does it currently intend to do so.

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

**Remuneration of the Supervisory Board**

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

The fixed component amounts to €15,000, while the variable component amounts to €300 for each €0.03 by which the consolidated net profit per share for the respective fiscal year exceeds the amount of €2.00. Members of the Supervisory Board will be entitled to performance-related remuneration with a long-term incentive effect for fiscal year 2008 amounting to €300 for each 1% by which the consolidated net profit per share for fiscal year 2010 exceeds the consolidated net profit per share for fiscal year 2007. This remuneration is payable following the end of the 2011 Annual General Meeting.

For further information on and explanations of the remuneration of the Management Board and Supervisory Board, please see the Corporate Governance Report or the notes to the annual financial statements.

**Employees**

At the end of 2008, Postbank AG employed 4,839 full-time equivalents; following the transfer of payment operations to BCB, there were about 1,260 fewer employees than as of December 31, 2007. Postbank AG has a total of about 7,300 civil servants, most of whom are engaged in subsidiaries. At the end of 2008, Postbank AG employed 1,936 civil servants (FTEs), which corresponds to a share of 40%. Around 25% of employees have part-time employment contracts.

Despite the significant increase in pay for civil servants in accordance with federal law regulations, we were able to hold our staff costs stable as compared with the previous year.

In 2009, we will focus primarily on maintaining stable staff costs as against 2008 and avoiding adverse non-recurring effects. The goal is to meet the increasing demands with existing staff.

## I Net Assets, Financial Position, and Results of Operations

### Income statement

Fiscal year 2008 was dominated by extreme market turbulence resulting from the financial market crisis. The situation on the capital markets escalated in the second half of the year in particular, following the collapse of U.S. investment bank Lehman Brothers. These developments had a major impact on the Postbank's income statement. A loss after tax of €1,179 million was recognized for full-year 2008 (previous year: profit after tax of €237 million). The fourth quarter was most severely impacted of all, mainly due to one-off charges that we took as part of the liquidation of capital market risks and portfolios – such as the complete liquidation of our equity holdings – that we announced. These measures sharpen the Bank's risk profile, making it less vulnerable to extreme market developments in the future.

In contrast, Postbank's customer business recorded a positive performance overall especially in Retail Banking, despite the continuing tough competition and the difficult economic environment during the second half of the year in particular. New business was encouraging in all key product areas, allowing us to further cement our good market position. Our "Next Step" strategic action program is taking effect, and its implementation is being driven forward in all divisions.

Although developments on the capital markets significantly affected Postbank's income statement in the second half of the year in particular, the Company recorded a clear positive trend in its operating earnings lines. Core income figures – net interest income and net fee and commission income – were up year-on-year. Administrative expenses increased due to extraordinary factors at the end of the year; adjusted for these effects, expenses would have remained more or less constant. As a result of the turmoil on the markets, writedowns occurred on securities and equity investments. This was the deciding factor behind the clear loss for the year. Allowances for losses on loans and advances were higher than in the previous year due to additional negative effects resulting from the financial market crisis. Taking account of the sharp increase in customer business volumes in relation to the rise in allowances for losses on loans and advances, however, on the whole a relative decline in these allowances was recorded.

The loss before tax in 2008 was €1,057 million (profit before tax of €263 million in the comparable prior-year period).

### Individual items

#### Net interest income

Despite the challenge posed by a yield curve that remained mainly flat – or that was at times inverted – in 2008, net interest income in 2008 increased by €52 million year-on-year to €2,333 million (previous year: €2,281 million). The positive volume trend in loans and advances to other banks was the main driver for a clear increase in interest income. By contrast, current income from equities and other non-fixed-income securities declined as expected due to the portfolio reduction in 2008 and lower special fund payouts year-on-year. The higher interest expense, in particular from liabilities, reflects the volume-based strategy in our savings business, among other things. We continued to offer our customers attractive conditions in 2008 by continuously increasing the average interest earned, thus strengthening our good position in the competition for savings deposits. We were able to significantly increase the savings volume. In spite of this, volume performance remains below our expectations due to the continuing highly competitive environment. Overall, Postbank profited in the current capital market environment from its strong customer deposit base and its successful *Pfandbrief* issues in the year under review. As a result, the substantial increases in capital market interest rates triggered by the financial market crisis resulted in only a moderate increase in our interest expense during refinancing.

The positive trend in net interest income also benefited from a number of one-time and end-of-year effects. For example, short-term interest rate trends in particular had a positive impact on the interest expense for our short-term refinancing and on gains and losses from faster repricing of short-term liabilities than of the respective assets.

#### Net fee and commission income

Net fee and commission income amounted to €538 million in fiscal year 2008, up by €10 million on the previous year. The increase in net fee and commission income generated by our card and savings account business – and, given our greater focus on the sale of financial services – was accompanied by increased expenses on brokerage commissions. The increase in net fee and commission income from the banking business mirrors our efforts to provide intensive support for our core customers, which we intend to strengthen further as part of our "Next Step" strategic program.

### Net income from financial operations

Net income from financial operations declined by €62 million year-on-year and amounted to €31 million. Income from financial instruments includes unrealized measurement gains from interest rate derivatives amounting to €375 million (previous year: €134 million) that were recognized as part of portfolio measurement (marking-to-market model). Measurement losses from financial derivatives amounted to €332 million (previous year: €132 million). The difficult market environment in 2008 was responsible for the decline in income, causing income from capital market transactions in equities and bonds to turn out €35 million lower. Moreover, substantially higher hedging costs for currency investments impacted the item foreign exchange gain/loss to an extent of –€35 million (previous year: –€5 million).

### Administrative expenses

Administrative expenses in the year under review were up 7%, to €2,340 million (previous year: €2,187 million). This increase is essentially attributable to extraordinary negative effects, such as a payment to BCB Bank AG for services rendered, impairment losses on property and provisions for instruments that we can use if necessary to increase staff turnover. Adjusted for these effects, administrative expenses more or less match the previous year's level. The cost developments benefited from the effects of the efficiency initiatives that we have implemented over the past years: full synergy potential from the integration of BHW has now been realized and integration expenses are no longer being incurred, while we also have a pronounced cost culture. Postbank again proved that it can continuously increase volumes in its customer business while maintaining sustained strict cost discipline.

### Net measurement gains/losses

Remeasurement gains and losses on securities declined by €422 million in the reporting year 2008, to –€1,133 million as a result of trends prevailing on the capital market. The extent of this increase is essentially due to writedowns on our structured credit substitution business, totaling €796 million. In addition, this includes writedowns totaling €88 million on our exposure to Lehman Brothers, which was granted creditor protection. Interest rate movements – which took on crash-like forms at times in the course of the year – also significantly limited the opportunities for generating positive earnings contributions from our portfolios. In addition, the prices of our interest-bearing, non-structured investment securities were hit by a sharp widening of spreads – even prime-rated bonds such as government bonds and *Pfandbriefe*. The distortions in the financial markets also led to a significant rise in the correlation with risks from equity holdings. This is one of the reasons why we decided to liquidate our entire equity holdings, primarily in Q4/2008, as part of the moves announced to reduce capital market risks. This was part of the action plan for the strategic optimization of our earnings quality and the risk profile presented in the Q3/2008 report.

Net measurement gains/losses in our lending business, at –€265 million in the year under review, were €75 million or 39% above previous year figures. This includes allowances for losses on loans and advances to Lehman Brothers (€29 million). Adjusted for this effect, our allowance for loans and advances would have been about 25% higher year-on-year. The reason for this increase is a

considerable expansion in total credit extended to customers, which grew substantially in the same period. Unlike many other banks, however, Postbank remained unaffected by larger specific valuation allowances, which we regard as confirmation of our conservative lending policy. Given the clear slowdown in the economy, we recognized purely precautionary collective specific valuation allowances on our mortgage lending portfolio in the second half of 2008.

### Writedowns and adjustments of equity investments and investments in affiliated companies and securities treated as fixed assets

Against the backdrop of the capital market crisis and the resulting potential impacts on the income situation of Postbank's subsidiaries, the carrying amounts of investment assets were reviewed and €687 million in writedowns were made (previous year: €0 million). Moreover, writedowns and provisions for anticipated losses on fixed-income securities amounted to approx. €136 million (previous year: €13 million).

### Other income

Net other income and expenses amounted to €620 million, following €363 million in the previous year. This increase is essentially attributable to the income earned on the disposal of payment transactions to BCB AG. Postbank generated €197 million in income on the sale. In addition, Postbank generated €22 million in income on the sale of the consumer credit business of BHW Bank AG, which was merged with Postbank effective as of January 2, 2008.

### Extraordinary expenses on account of the merger of BHW Bank AG

BHW Bank AG was merged with Postbank effective as of January 2, 2008. Expenses amounting to €13 million were incurred as a result of this merger.

### Loss/profit before tax

Loss before tax amounted to €1.057 million in fiscal year 2008, after a profit of €263 million in the previous year.

### Income taxes

Income taxes amounted to €113 million (previous year: €25 million), with €73 million being attributable to the audit findings and the resulting actual agreement reached.

### Loss/profit for the period

The loss for the period amounted to €1,170 million, following a profit of €237 million in the previous year.

## Changes in the balance sheet structure

### Total assets

Total assets rose from €161.3 billion at the end of 2007 to €193.5 billion as of December 31, 2008. On the assets side, this was mainly due to the significant increase in loans and advances to other banks, loans and advances to customers and an increase in investment securities. On the liabilities side, increases were recorded particularly in deposits from other banks, deposits from customers and securitized

liabilities. Now that Postbank has reduced its historical deposit surplus, it has a balanced balance sheet structure in the customer business.

#### Loans and advances to customers

Loans and advances to customers increased significantly by 12.8% as against the end of 2007 to €69.2 billion (previous year: €61.4 billion). The growth driver in the retail business – as in the previous year – was the mortgage lending business. Volumes in the installment loan business, which we expanded in accordance with strict risk criteria, also increased encouragingly. In addition, we increased the volumes of our commercial financing business, particularly in our domestic German market and other selected European countries.

#### Investments in affiliated companies

Effective as of April 14, 2008, PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen was established and the subpools of assets 2–24 previously recognized by Postbank in the liquidity reserve were contributed to the company. These subpools of assets are measured at the strict principle of lower of cost or market in the interest of maintaining measurement continuity.

#### Money and capital market investments

Money and capital market investments – loans and advances to other banks and bonds – increased year-on-year by a total of €24.0 billion or 30.8%, to €101.9 billion (previous year: €77.9 billion).

Investment securities rose by 29.7% or €15.5 billion, to €67.6 billion. Given the increasing turbulence on the capital markets, we invested at the beginning of 2008 in ECB-eligible securities after refinancing on the interbank market. In the process, we selectively added to our portfolio of German government bonds and, among other things, prime-rated *Pfandbriefe* due to their function as a „safe haven.“ In view of the ongoing crisis on the financial markets, we strengthened our liquidity position, which had further improved as a result of these measures, by means of significant holdings of prime-rated securities over the course of the year. In addition, in the second half of the year we began to hedge and partially reduce investment security holdings in a targeted manner. A key step in this regard was the complete liquidation of our equity holdings in the fourth quarter of 2008. The increase in investment securities in the fourth quarter of 2008 is essentially due to the positive market trends of portfolios owing to the massive decline in interest rates.

Loans and advances to other banks increased by a total of €8.5 billion, to €34.4 billion. This increase is primarily due to an increase in term deposits by €4.9 billion, in loans by €4.0 billion and in prorated interest on swap transactions by €2.6 billion. In contrast, the volume of securities repurchase agreements declined by € 3.7 billion.

#### Due to customers

On the liabilities side, amounts due to customers increased by €14.1 billion, to €100.2 billion. In contrast to the overall market trend, the classic savings deposits did very well on the market and rose by €0.4 billion, to reach €35.0 billion. In the year under review, securities lending agreements were entered into for the first time with PB Spezial-Investmentaktiengesellschaft; the volume of these amounted to €4.2 billion. Moreover, for technical closing date reasons, acceptance of

call money was up by €2.3 billion, to €4.6 billion. In the case of other liabilities subject to agreed maturities, owing to the attractive terms and conditions for the products 'Kapital plus' and 'Kapital plus direkt' we recorded an increase of about €4.2 billion.

#### Money and capital market liabilities

Money and capital market liabilities – deposits from other banks and securitized liabilities – increased in line with assets from €63.1 billion to €80.8 billion.

Deposits from other banks were expanded by €10.6 billion to €66.3 billion in connection with the above-mentioned increase in our holdings of highly liquid, low-risk investment securities – a precautionary measure taken to additionally strengthen our liquidity position. This move was primarily implemented using repo and open market transactions. We used the *Pfandbrief* license we were granted in December 2007 to refinance our customer business during the course of 2008 by issuing two *Jumbo Hypotheken-Pfandbriefe* with a total volume of €2.5 billion.

Securitized liabilities rose by a total of €7.2 billion to €14.6 billion.

#### Equity

Equity amounted to €2,154 million as of December 31, 2008, compared with €2,505 million at the end of 2007.

Issued capital and the share premium were strengthened significantly by the capital increase implemented in Q4/2008 by almost €1 billion. A total of 54.8 million shares were issued, increasing the issued capital from €410 million to €547 million and the share premium by €863 million to €2,022 million.

Owing to the financial market crisis and the resulting impairment charges and writedowns on equity investments, in fiscal year 2008 Postbank reported a loss for the period amounting to €1,170 million. Due to the participation in loss by individual creditors under silent participations as well as parts the holders of registered profit participation rights, the net loss for the year was reduced by €37 million within the scope of the appropriation proposal. In addition, Postbank has reversed retained earnings amounting to €680 million and reduced the share premium by €453 million, to report a net loss of zero in the process.

#### Relationships with affiliated companies

The Management Board issues a dependent company report that concluded with the following declaration: "... that, based on the circumstances at the time the transactions in question were entered into, Deutsche Postbank AG received appropriate consideration for the services provided, as defined within this report, in all cases. No measures were either taken or omitted on the instructions of or in the interests of Deutsche Postbank AG or its affiliated companies."

## I Risk Report

### Effects of the financial market crisis

Effects of the financial market crisis on the risk situation and risk management

In fiscal year 2008, the intensity of the crisis on the global financial markets increased significantly, resulting in substantial challenges for banks' risk management systems. The extreme volatility on the money and capital markets clearly affected earnings at Deutsche Postbank AG (Postbank), significantly impacting its regulatory capital ratios and economic risk-bearing capacity.

The Company reacted to the historically unprecedented market turbulence by adapting and enhancing its existing risk management systems and organization. A key field of activity in this regard is the stricter management of near-capital market financial instruments. Liquidity management has also been further developed. The pool of securities eligible for central bank refinancing was again increased significantly, in order to guarantee the ability to act at short notice even in the case of unforeseen events. The existing stress tests were supplemented by additional extreme scenarios.

The risk management organization was further enhanced: Postbank created the function of a Chief Risk Officer in the Lending division, thus bundling the risk functions within a single board department. As part of the reorganization of the Financial Markets division, an independent Liquidity Management unit was also established, which is responsible for central liquidity management. Against the backdrop of the crisis on the financial markets, the overall framework for risk allocation was analyzed in-depth using a number of scenarios in a specific project; this led to realignments in a number of areas.

In this context, management has taken strategic action to further sharpen Postbank's risk profile in the future and to emphasize its

customer business to an even greater extent going forward. To achieve this, capital market risks and portfolios will successively be reduced further. Within the scope of this plan of action the Bank already liquidated its equity portfolios in the fourth quarter.

The following sections describe the effects of the financial market crisis on the Postbank's risk position and risk management, and the countermeasures taken by the Company.

### Organization of risk managements

Taking risks in order to generate earnings is a core function of Postbank's business activities. One of Postbank's core competencies is to take on normal banking risks within a defined framework, while at the same time maximizing the potential return arising from them.

Deutsche Postbank AG, the parent institution of the Postbank Group, is responsible for setting the parameters of risk management strategies, methods, and processes within the Postbank Group. To this end, the Postbank Group has established a risk management organization as the basis for risk- and earnings-oriented overall bank management. The risk management system aims to accept normal banking risk within a defined framework strictly reflecting the Bank's risk-bearing capacity, so as to leverage the resulting opportunities for generating returns.

The Group Management Board is responsible for risk strategy, the risk-bearing capacity concept, the appropriate organization of risk management, monitoring the risk content of all transactions, and risk control. In conjunction with the Risk Committees, the Group Management Board has defined the underlying strategies for activities on the financial markets and the other business sectors of the Group. The following graphic illustrates the composition of the Committees and their areas of responsibility:

Composition and tasks of the Risk Committees			
	Credit Risk Committee	Market Risk Committee	Operational Risk Committee
Members of the Management Board/ Executive Managers	<ul style="list-style-type: none"> <li>  Lending</li> <li>  Financial Markets</li> <li>  Product Marketing</li> <li>  Services</li> <li>  Chief Risk Officer</li> </ul>	<ul style="list-style-type: none"> <li>  Financial Markets</li> <li>  Lending</li> <li>  Product Marketing</li> <li>  Finance</li> <li>  Chief Risk Officer</li> </ul>	<ul style="list-style-type: none"> <li>  IT/Operations</li> <li>  Resources</li> <li>  Services</li> <li>  Branch Sales</li> <li>  Chief Risk Officer</li> </ul>
Tasks	<ul style="list-style-type: none"> <li>  Allocate credit risk limits</li> <li>  Define limit system</li> <li>  Resolve amendments to risk classification procedures</li> <li>  Define standard risk costs</li> </ul>	<ul style="list-style-type: none"> <li>  Allocate market and liquidity risk limits</li> <li>  Manage strategic focus of the banking book</li> <li>  Discuss the Bank's earnings and risk positions</li> </ul>	<ul style="list-style-type: none"> <li>  Define operational risk strategy</li> <li>  Define minimum requirements for Group units</li> <li>  Define operational risk parameters</li> </ul>

Management Report

Balance Sheet

Income Statement

Notes

Auditors' Report

In accordance with the requirements of 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. In addition to an overarching risk strategy, Postbank's Management Board has resolved specific sub-risk strategies for market, credit, liquidity, and operational risks.

The nature and extent of the risks taken, as well as the strategy for managing such risks, depends on the individual business divisions, whose actions are prescribed within the scope of the business strategy. Postbank's areas of activity comprise the Retail Banking, Corporate Banking, Transaction Banking, and Financial Markets divisions.

Thanks to our broadly diversified customer portfolio, the concentration risk in the portfolio of Postbank tends to be low. As part of credit risk monitoring, we have established processes, reporting paths, and escalation mechanisms that enable monitoring of counterparty and issuer risk and categorization of exposure by the various sectors, customer groups, and single borrowers.

Responsibility for risk management at an operational level is spread across several units at Postbank, primarily the Financial Markets division, the Domestic/Foreign Credit Management departments, the London branch and the credit functions within Retail Banking.

Risk Controlling is the independent risk monitoring unit. At an organizational level, this department reports to the Chief Risk Officer within the Lending division. Risk Controlling is responsible for methods and models used for risk identification, measurement, and limitation. The Risk Controlling department is responsible for risk controlling at an operational level and for reporting at Group level.

The Internal Audit unit is a key element of the 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.

In the fourth quarter of 2008, Postbank introduced the position of Chief Risk Officer (CRO) with the aim of strengthening risk management and bundling responsibilities within risk monitoring and management. In future, the Chief Risk Officer will be responsible for risk monitoring and management functions in the back office division. In line with this reorganization, Risk Controlling and the Lending Policy departments have been assigned to the CRO who is a voting member of the Risk Committees (i.e., Market Risk Committee, Credit Risk Committee, and Operational Risk Committee).

Furthermore, the Financial Markets division was reorganized in fiscal year 2008. In addition to the Treasury and Capital Markets departments, the Liquidity Management and Credit Treasury departments were restructured. The Treasury department manages interest rate risk, equity risk, currency risk, and spread risk arising from government bonds, covered bonds, and financials in the banking book. For the trading book, these risks are managed by the Capital Markets division. The Liquidity Management department is responsible for the central management of liquidity risk, focusing on ensuring liquidity maturity transformation and continuous solvency. The Credit Treasury department is responsible for performing active portfolio management to control the other credit spread risk.

In fiscal year 2008, Postbank extended its internal reporting system to include further information on the monitoring and limiting of liquidity risk.

The methods, systems, and processes discussed in this Report are subject to continuous review and enhancement in order to meet market, business and regulatory requirements. In particular, a program was established as planned in the year under review for the introduction of advanced risk models for market risk, credit risk, and operational risk. The aim is to increase convergence between internal risk management and regulatory capital requirements, as well as to optimize the risk management systems and processes. Following regulatory approval, the plan is to also use the results for all the above-mentioned risk types for regulatory capital requirements in accordance with the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation).

Key information on risk exposure is discussed regularly with the Supervisory Board on the basis of a standardized reporting form.

#### Risk types

Postbank distinguishes between the following risk types:

##### I Market risk

Potential losses from financial transactions that may be triggered by changes in interest rates, spreads, volatility, commodity prices, foreign exchange rates, and equity prices.

##### I Credit risk

Potential losses that may be caused by a deterioration in the creditworthiness of, or default by, a counterparty (e.g., as a result of insolvency).

##### I Liquidity risk

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

Liquidity maturity transformation (LMT) risk describes the risk of a loss occurring due to a change in our own refinancing curve (spread risk) resulting from an imbalance in the liquidity maturity structure within a given period for a certain confidence level.

##### I Operational risk

The risk of loss resulting from inadequate or failed internal processes and systems, people, or external events. This also includes legal risk.

##### I Investment risk

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

##### I Real estate risk

Real estate risk relates to the real estate holdings of Postbank and comprises the risk of loss of rental income, writedowns to the going concern value, and losses on sales.

## I Business risk

The risk of a decline in earnings due to unexpected changes in business volumes and/or margins and corresponding costs. This concept also includes model risk, which arises from modeling customer products with unknown capital and interest rate commitment periods (primarily savings and checking account products), as well as strategic and reputational risk.

### Risk capital and risk limiting

The Postbank Group's risk-bearing capacity is assessed from the perspective of investor protection and serves as the foundation for the system used to limit material risks. The total funds available to cover risks are known as the risk cover amount. Postbank's risk-bearing capacity concept fulfills the regulatory requirements and provides input parameters for management.

The Postbank Group considers itself as having adequate risk-bearing capacity, assuming that the probability of it servicing its prior-ranking liabilities is in line with its target rating. The concept for determining the risk cover amount is based on the consolidated balance sheet under IFRSs. The risk cover amount available for covering all risks consists of recognized capital less goodwill, subordinated debt, the revaluation reserve, the other fair value of financial instruments, and expected gains in the planning period.

In order to ensure Postbank's long-term risk-bearing capacity, the Postbank Group's Management Board only allocates a portion of the risk cover amount for risk taking. This amount is known as risk capital and represents a limit for the Postbank Group's overall risk. Risk capital is determined and allocated to the risk categories on at least a quarterly basis by the Group Management Board. The Risk Committees then allocate the funds further.

Postbank possesses sufficient liquidity reserves to cover the risk of illiquidity. In addition, Postbank maintains a collateral portfolio consisting of ECB-eligible securities for potential stress situations. At present, the liquidity maturity transformation risk is implicitly limited via the risk capital made available to meet business risks. Separate limitation of liquidity maturity transformation risk is currently being planned.

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

As regards the percentage-based distribution of the risk cover amount of the Postbank Group in fiscal year 2008 (calculated as of December 31, 2008) and the utilization of risk capital as of December 31, 2008 in relation to market and credit risk, reference is made to the Risk Report of the Postbank Group.

The unexpected loss is quantified in order to calculate the utilization of the risk capital. The Postbank Group uses uniform parameters

to measure individual risks that have been classified as significant. These parameters are oriented on the value at risk (VaR) approach, i.e., on the loss (less the expected gain/loss) that will not be exceeded for a 99.93 % level of probability within the given period (holding period: usually one year). This confidence level is derived from the target A-grade rating.

Operational limits are established for the market risk and credit risk backed by risk capital that is directly manageable in the day-to-day business. Market risk for both the core business and for own-account transactions is managed by allocating limits for the relevant portfolios. For loans to banks, companies, and sovereigns (central and regional governments and local authorities), credit risk is managed by investing in a target portfolio that has been optimized to reflect risk and earnings aspects, in addition to risk limitation at portfolio level. Operational limits are not used to manage the remaining risk types, but rather the risk capital attributed to the risk types is deducted from the risk cover amount. Here too Postbank calculates the adequacy of the deductible amount on an ongoing basis.

As long as the limits assigned to the individual risk types are not exceeded at Group level and the aggregated limits and deductible amounts are lower than the risk cover amount, risk-bearing capacity is assured. The regulatory capital requirements (in accordance with the *Kreditwesengesetz* (KWG – German Banking Act), the *Solvabilitätsverordnung* (SolV – 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.

Risks are only assumed within limits that are in line with the Bank's risk-bearing capacity. This aims to ensure that risks that could jeopardize the Bank's existence are avoided. The financial market crisis created a very tense risk position in 2008. Market turbulence increased noticeably especially after U.S. investment bank Lehman Brothers Holdings Inc. applied for creditor protection in mid-September. In the fourth quarter, credit spreads in all asset classes widened again substantially in line with the escalating crisis of confidence in the financial sector, with trading in isolated market segments coming to a complete halt. The equity markets have also reacted to the heightening financial market crisis and increasingly gloomy economic prospects with significant price declines. The decline in fair values associated with the escalating crisis of confidence in the financial sector led to a corresponding decrease in risk cover components dependent on the capital market. At the same time, the VaR values rose significantly against the backdrop of the substantial increase in volatility in the course of the year, so that additional risk capital became necessary despite the measures taken to reduce the Bank's capital market portfolios in the second half of 2008 in particular. The Postbank Group's risk-bearing capacity was assured at all times, even within the scope of the financial market crisis.

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

### Risk reporting

Postbank's risk reporting system provides an in-depth view of risk-bearing capacity and risk utilization. Risk-bearing capacity is assessed Group-wide on a quarterly basis and presented in a separate report. Risk utilization for the individual risk types is presented in a large number of regular and specialized reports. Depending on the importance of the respective risk type, reports are prepared on a daily, weekly, monthly, or quarterly basis. Reports are usually addressed to the Group Management Board and/or the responsible members of the Risk Committees, as well as the operating units. In addition, the Supervisory Board receives summaries of these reports. Recipients are thus kept informed of changes in relevant parameters in a timely and comprehensive manner. The Risk Controlling department is responsible for the methodology and content of risk reporting.

In addition to regular management reports, rules have been established for an ad hoc early warning reporting system that differentiates between different types of risk.

### Regulatory requirements

#### Capital requirements

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

As of the reporting date of December 31, 2008, Postbank calculated the regulatory capital requirements for the following portfolios (grouped by asset class in accordance with the SolvV) on the basis of internal ratings:

- | Sovereigns: states
- | Institutions: banks
- | Corporates: domestic corporate customers, foreign corporate customers, domestic commercial lending, foreign commercial lending, purchased corporate loans
- | Retail business: Postbank mortgage loans, installment loans, overdraft facilities for self-employed individuals and business customers, purchased loans
- | Equity interests, if not excepted by section 338(4) SolvV
- | Securitization
- | Other non-loan assets

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

Postbank has used the standardized approach to credit risk since January 1, 2008 for the portfolios not calculated in accordance with the IRB approach. These primarily relate to the following:

- | Overdrafts and collection activities in the retail banking business
- | Business from discontinued operations
- | Exposures to the Federal Republic of Germany, German regional governments, local authorities, and development banks and agencies not engaged in competitive activities.

In the case of securitization exposures, the IRB approach or the standardized approach to credit risk is applied on the basis of the underlying transactions. Capital requirements for securitizations are generally calculated on the basis of the ratings-based approach using external ratings, or via the supervisory formula approach. Postbank calculates capital requirements for equity investments held in the banking book that are not required to be consolidated from a supervisory perspective on a portfolio-specific basis, using internally assessed default probabilities. Risk weighting of the other equity investments and of the non-credit assets is performed using supervisory risk weightings.

For June 30, 2009 (Step 1) and December 31, 2010 (Step 2), Postbank is aiming to obtain approval to calculate capital requirements for counterparty risk using internal estimates of expected loss rates also in the case of non-retail portfolios based on the advanced IRB approach.

Postbank uses the regulatory standardized approach to calculate capital requirements for market risk. As from the second quarter of 2010, Postbank plans to introduce an internal market risk model for measuring and managing market risk, and, once approval has been granted, to use this for calculating regulatory capital requirements as well.

Postbank uses the standardized approach for calculating capital requirements for operational risk. This is the basis for the planned implementation of the advanced measurement approach (AMA). To this end, Postbank developed its own quantification model in 2007 that is now being internally validated and successively enhanced. The goal is to apply for approval to the Bundesanstalt für Finanzdienstleistungsaufsicht and Deutsche Bundesbank at the beginning of 2010 and, once approval has been granted, to use the internal model for calculating external capital requirements as well.

With regard to the disclosure requirements pursuant to sections 319 to 337 of the SolvV in conjunction with section 26a of the KWG, Postbank published its first Disclosure Reports pursuant to the SolvV on its website on March 5, 2008 and August 25, 2008.

#### Liquidity requirements

Deutsche Postbank AG meets the regulatory liquidity requirements pursuant to section 11 of the KWG in conjunction with the *Liquiditätsverordnung* (LiqV – German Liquidity Regulation), which entered into force on January 1, 2007. Deutsche Postbank AG calculates its liquidity figures on the basis of the regulatory standardized method pursuant to sections 2 to 8 of the LiqV.

Minimum Requirements for Risk Management (MaRisk)

The *Mindestanforderungen an das Risikomanagement* (MaRisk – Minimum Requirements for Risk Management), which took effect as of January 1, 2007, replace the previous *Mindestanforderungen an das Kreditgeschäft* (MaK – Minimum Requirements for Credit Transactions), the *Mindestanforderungen an das Betreiben von Handelsgeschäften* (MaH – Minimum Requirements for the Trading Activities of Credit Institutions), and the *Mindestanforderungen an die Ausgestaltung der Internen Revision* (MaIR – Minimum Standards for Auditing Departments of Credit Institutions). The MaRisk extends these regulations to include in particular the issues of interest rate risk in the banking book, as well as liquidity and operational risk. The primary purpose of MaRisk in terms of its content is to establish adequate management and control processes based on a bank's overall risk profile. In addition, MaRisk resulted in the regulatory fulfillment of the qualitative Pillar II requirements in accordance with Basel II.

Postbank fulfills the requirements for managing bank-specific risks and ensuring risk-bearing capacity at an operational level as codified in the MaRisk.

**Monitoring and managing market risk**

Definition of risk

Market risk denotes the potential risk that may lead to losses in financial transactions due to changes in interest rates, spreads, volatilities, commodity prices, exchange rates, and equity prices. Changes in value are derived from daily marking to market, independently of their measurement for financial accounting purposes.

Organization and risk strategy

The responsibility for performing centralized risk management tasks at Postbank lies with the Management Board. The Management Board has delegated market risk management to the Market Risk Committee (MRC), which is monitored by the Supervisory Board.

Postbank has established clear rules with regard to responsibility for market risk management. Operational market risk management is performed centrally by Postbank's Financial Markets division.

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

Postbank has laid down the basis for dealing with market risk, among other things, in its overarching risk strategy. The risk capital made available for taking on market risk limits the scope of the market risk that can be taken on to a level that is reasonable and desirable for Postbank from an earnings perspective. Unwanted market risk is hedged or reduced where it makes economic sense to do so and where this is possible given the tight market conditions resulting from the financial market crisis. When market risk is intentionally taken or retained, this is done with the goal of generating income. Postbank thus enters into interest, equity, currency, spread, and volatility risk in its banking and trading books as an additional source of income.

Risk management and control

Postbank makes use of a combination of risk, earnings, and other parameters to manage its market risk. Changes in the value of mar-

ket risk are derived from daily marking to market, independently of their measurement for financial accounting purposes. In addition, the increasingly inactive status of certain market segments made it necessary to institute a special process for regularly reviewing whether the market data available still enable adequate valuations to be made. As a result, prices derived from valuation models are used for specific portfolios. The management of market risk positions from an earnings perspective focuses both on specific periods and on the present value. All market risk is measured on a value at risk basis. Risks from potential changes in spread have been fully integrated in risk measurement. Sensitivity indicators and gap structures are included as further management parameters. In addition, market risk positions are subjected to regular scenario analyses and stress tests, which analyze the impact of unusual market movements on present values and on the income statement and balance sheet items.

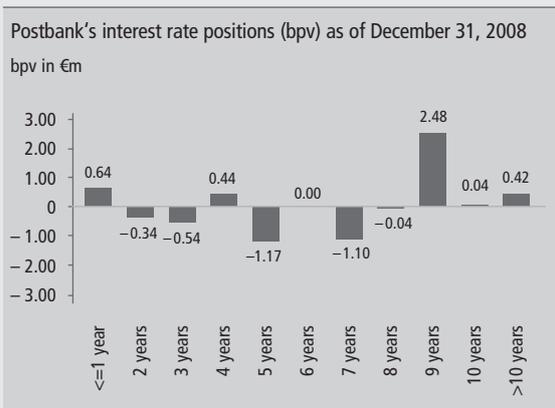
In light of the financial market crisis, Postbank set up a special project to analyze in-depth the overall framework for risk allocation using a number of scenarios and made realignments in a number of areas. In this context, it actively reduced its risk positions in the interest rate and equities areas.

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

*Management of interest rate risk*

Interest rate risk – a significant component of market risk – is the term used to denote the changes in the fair value of interest-sensitive financial instruments resulting from a change in market rates of interest. Interest rate risks arise where there are differences in the amounts and interest rates of the interest-sensitive assets and liabilities for individual maturity buckets. Assumptions are made in order to quantify the interest rate risk for customer transactions involving significant implicit options. What is of particular importance to Postbank in this context are deposits subject to variable interest rates, to which the moving averages model is applied, as well as the customer loan business. Special modeling rules and deposit base definitions form the basis for a modern risk management concept. When measuring interest rate risk, option models are used to account for early loan repayment rights, where these are material. 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.

The following chart presents Postbank's open interest rate positions as of December 31, 2008 in the form of a basis point value (bpv) graph. Positions with a negative value represent an asset-side interest rate risk, which means that there is a surplus of assets. In the same way, positive values indicate a surplus of liabilities.



#### Monitoring market risk using value at risk

Postbank uses the value at risk concept to quantify and monitor the market risk it assumes. Value at risk (VaR) is generally calculated using the variance-covariance method. Risk capital allocation is based on a historical observation period of 250 trading days, a holding period of 90 trading days, and a confidence level of 99.93%. Operational management, however, is based on a confidence level of 99% and a holding period of 10 days (banking book) or 1 day (trading books). The risk factors taken into account in the VaR include yield curves, equity prices, commodity prices, foreign exchange rates, and volatilities, along with risks arising from changes in credit spreads. Correlation effects between the risk factors are derived from historical data.

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

#### Limiting risk

In the Postbank Group, market risk is monitored using a system of risk limits based on the value at risk methodology. The aggregate limits are set by the Group Management Board and allocated by the Market Risk Committee to the individual operating units as sublimits. These are dynamic outcome-based limits; any losses incurred reduce the limit, while gains replenish it, at a maximum, to the originally defined level. The extreme losses in fair value that occurred in the course of the financial market crisis, coupled with the sharp rises in VaR figures in individual portfolios, led to limits being exceeded temporarily. These limit exceedances were escalated in all cases in line with the defined procedures and remedied by Board decisions following an analysis of the action options. Risk measurement and monitoring are end-of-day for the whole Bank; additional intraday monitoring is carried out for the trading portfolios.

#### Backtesting

The methods used to compute VaR are regularly tested for reliability. The predictive accuracy of the calculated VaR is tested by comparing it with the gains and losses arising from actual changes in fair value, but for the same portfolio (clean backtesting). Evaluation uses the

"traffic light" color code model published by the Bank for International Settlements (BIS). The Management Board is informed of the backtesting results in the monthly reports. Particularly in the second half of the year, a dramatic increase in the volatility of the market risk factors led in individual subportfolios to a substantial increase in cases in which the actual fair value fluctuation was greater than the computed VaR. As a result, general VaR premiums were introduced for the portfolios affected in the fourth quarter; these led to a tangible improvement in the backtesting results. However, the backtesting performed in 2008 reveals results for the superordinate levels that, in total, are still within the statistically expected ranges, thus confirming the fundamental appropriateness of the VaR methodology applied.

#### Stress testing

In addition to the VaR calculations, scenario analyses are performed at regular intervals to permit the separate analysis of extreme market movements. These analyses quantify the effects of extraordinary events and extreme market conditions (worst-case scenarios) on Postbank's asset positions. The analyses also examine the effects on fair value and hence the effects on the balance sheet and income statement items. The effects of the scenarios are compared with the limits allocated for each risk. The Group Management Board, the members of the Market Risk Committee, and the Supervisory Board are kept regularly informed of the results of the scenario analyses. The scenario analyses performed in the year under review indicated that Postbank's risk-bearing capacity would have been assured even if the tense market situation continued to worsen.

#### Appropriate market terms

In addition to monitoring market risk, Postbank also checks all trades when they are entered into to ensure that market prices have been applied (market conformity verification). This is supervised by internal units that are independent of the trading functions.

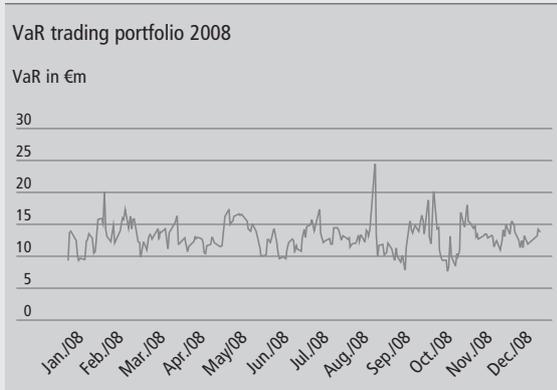
#### Risk indicators

The following value at risk figures for the trading book were calculated for Postbank for the period from January 1 to December 31, 2008 and January 1 to December 31, 2007 (confidence level of 99%, holding period of 10 days):

Value at risk trading portfolio	2008 €m	2007 €m
VaR at year-end	13.4	6.8
Minimum VaR	7.6	2.5
Maximum VaR	23.6	15.1
Annual average VaR	12.3	6.5

In line with Postbank's business strategy, the level of market risk is largely determined in the banking book by the interest rate risk (including spread risk). In addition, equity price risk and volatility risk is assumed in order to diversify risk in the banking book and generate short-term price gains in the trading portfolio. Currency risk is rather of lesser significance. Due to the extreme market situation, Postbank had liquidated the equity portfolio in Postbank's banking book at the end of the year.

The following chart illustrates the development of value at risk for our trading portfolio over the course of 2008:

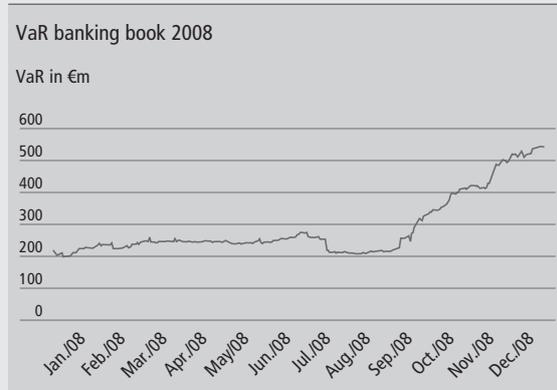


In the course of 2008, the pronounced volatility in the trading book was used flexibly during positioning on the interest rate and equities markets. Due to the clear increase in volatility, the VaR in the trading book fluctuated and was higher than in 2007, although at a moderate level overall.

The value at risk for the banking book (confidence level 99%, holding period 10 days), which accounts for by far the largest portion of market risk, amounted to €513 million as of December 31, 2008 (for comparative purposes: December 31, 2007: €116 million).

Value at risk banking book	2008 €m	2007 €m
VaR at year-end	513.0	115.6
Minimum VaR	116.1	55.1
Maximum VaR	514.0	136.1
Annual average VaR	235.1	87.9

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



The clear increase in the value at risk is due primarily to the sharp rise in volatility across all asset classes in the course of the crisis on the financial markets – and especially after U.S. investment bank Lehman Brothers Holdings Inc. applied for creditor protection in mid-September. This effect clearly overshadowed the reduction in highly volatile capital market portfolios performed during the course of the year.

**Risk reporting**

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

- I The daily report serves to inform the Group Management Board and the position managers about the positions entered into, limit utilization, and the economic profit/loss of the positions before the start of each trading day.
- I The weekly report is addressed to the position managers and summarizes the significant changes in the market and in the positions. The daily and weekly reports are regularly discussed with the position managers and provide the basis for operational management
- I The monthly report provides a comprehensive overview of the change in market risk within the reporting period and is addressed to the Group Management Board. In addition to current results and risk indicators, this report also contains the results of stress testing and backtesting, which are carried out on a regular basis. Information is also provided on the interest rate risk in the banking book in the event of a specified interest rate shock along with additional interest rate scenarios; the figures are broken down by portfolio and currency.
- I The monthly MRC report addressed to the Market Risk Committee presents risk indicators in an aggregated form (VaR, interest rate sensitivities, stress test results), and present value or periodical results by management unit and indicates their impact on the income statement.
- I The quarterly risk report to the Supervisory Board summarizes the key risk indicators. It also presents the results of the sensitivity and stress test analyses.

## Monitoring and managing credit risk

### Definition of risk

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

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

### Organization and risk strategy

The responsibility for performing centralized risk management tasks at the Postbank Group lies with the Management Board. The Management Board has delegated the management of the credit risk to the Credit Risk Committee (CRC), which is monitored by the Loan and Equity Investments Committee of the Supervisory Board.

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

As another strategic risk management measure, Postbank bases the aggregate composition of its loan portfolio for corporate customers, banks, and sovereigns (central and regional governments and local authorities) on a target portfolio. This portfolio has been constructed to reflect a balanced risk/return profile. The current portfolio of receivables is compared quarterly with the target portfolio. Any deviations identified are used on an ongoing basis in the management of the loan portfolio. In the case of corporate finance, an individual profitability analysis is additionally performed on the basis of the return on equity, the ratio of the risk-adjusted net margin to the equity tied up. Due to its high degree of risk diversification, the retail business is not part of the target portfolio, but is managed instead using the expected net margin less the expected risk.

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

## Risk management and control

### Managing individual risks

#### Credit approval procedures

Postbank's credit guidelines contain detailed targets for all lending transactions. Credit approvals are subject to an established system of competencies, which act as a framework within which decision-making individuals or bodies are authorized to enter into lending transactions. Responsibility for the approval of loans is dependent on the loan size and, for corporate customers and transactions in the Financial Markets division, additionally on the credit rating of the specific borrower or debtor. An important feature of the credit approval procedure is the separation between market (sales/trading), back office divisions and risk management in accordance with the regulatory parameters (MaRisk). A permissible exception according to banking regulatory law from the strict separation of functions is the standardized credit approval process in business not relevant for risk purposes, which Postbank defines as private residential construction finance up to €1 million, other retail credit products as well as loans for up to €750,000 in the Corporate Banking division, to which simplified and standardized processes are applied.

#### Scoring and rating

Postbank makes use of internal rating systems authorized for use of the IRB approach under Basel II. In addition to meeting the methodological and procedural/organizational requirements, these rating systems have proven their suitability in relation to the classification of existing portfolios and new business. Regardless of the size and type of the loan, individual rating or scoring is performed regularly during the credit approval process.

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. At the same time, the recovery rates in the case of default are estimated either individually (for mortgage loans) or globally (in the case of the small-scale uncollateralized retail business). For retail checking products, Postbank uses an internal behavior scoring system that individually assesses default risk on the basis of historical account management data and additional external information.

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

All internal ratings and scorings are presented using a uniform master scale, which assigns each rating or scoring result to a rating class on the master scale, as well as the default probability determined for that class. Postbank uses the terminology of the Standard & Poor's rating agency here. The rating and scoring methods are validated as part of Postbank's annual model validation process and during ongoing monitoring. The model validation is based on standard core

analyses comprising the following aspects: stability of the model formula/the estimated parameters and the distributions, as well as the accuracy of the rating model, and the predictive power of the models.

In the context of implementing Basel II, Postbank has adapted the processes for designing, implementing, and monitoring the rating systems to adhere to the requirements for the use of internal rating systems. These include, in particular, regular reviews of the system's performance and the correct use of the rating systems, calibration and validation of the rating systems, and incorporation of the results of the monitoring activities into the reporting system. All rating systems must be authorized by Postbank's Management Board. The Management Board receives regular management reports on the effectiveness of the rating systems as well as their results.

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

*Risk/return key performance indicators*

When calculating Postbank's loan losses expected, the average standard risk costs are factored into the advance calculation on an individual loan basis. This system allows all lending transactions to be evaluated during the advance calculation. The standard risk costs are priced in as a premium for the expected loss and are included in the profitability calculation in the form of a return on equity (RoE) ratio. 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*

The risks assumed by banks in day-to-day operations can be mitigated using hedging instruments or netting processes.

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.

The decision as to whether to approve and apply a hedging instrument for credit risk mitigation is made by Postbank on the basis of its business strategy and credit risk strategy. The hedging instruments principally used by Postbank consist of physical collateral such as mortgage liens to secure real estate financing, guarantees and credit derivatives, and financial collateral and other physical collateral.

The back office division is responsible for collateral management, which comprises the recognition, verification and regular measurement, as well as the administration of the collateral offset. The exposure management systems provide electronic support for

collateral management. The amounts recognized for collateral are reviewed at fixed intervals, depending on the type of collateral; 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 sovereigns (central and regional governments and local authorities), other public authorities, banking institutions, 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. Real estate collateral is appraised conservatively, with adequate consideration given to the potential risk of a loss in value. Depending on the underlying risk, collateral is monitored at varying intervals and with varying intensity. In the event that a debtor becomes insolvent on a long-term basis, the collateral is realized.

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

For collateral taking the form of real estate liens in the private mortgage lending business, Postbank has developed a market volatility concept for monitoring the value of residential property. The system is based on statistical analyses of market indices and ad hoc analyses in the event of unusual changes in value and is used to verify the value of collateral annually.

*Credit monitoring and problem loan procedures*

For non-standardized loans, credit risks are monitored by means of credit assessments carried out at least once annually and whenever events occur that could affect the creditworthiness of a borrower. The risk level and concentration of risk are capped by limiting a borrower's individual loan or total exposure. State-of-the-art computer systems are used to capture and control risks. The controls are carried out by the operational lending units in the back office in accordance with banking regulatory requirements and, in the case of trading transactions, by Risk Controlling in addition.

In the area of individual lending to corporate customers and mortgage lending in excess of €500,000 per borrower or borrowing entity, Postbank has implemented a credit monitoring process in

accordance with banking regulatory requirements. The process enables higher-risk loans to be identified using qualitative and quantitative risk indicators (e.g. sector information, management accounting data, customer and account data, and rating changes), which are defined for the individual product. The use of risk indicators to enable the early identification of an increasing risk of default enables Postbank to take risk mitigation measures in a timely manner, to develop and implement loan restructuring plans with the borrower if necessary, or to arrange for settlement.

At 14-day intervals, Postbank uses research information to perform creditworthiness assessments in particular in the financial service providers, corporates and structured financing segments in order to identify negative trends in their creditworthiness at a very early stage and to develop alternative strategies. These reviews are supported by a software application that estimates default probabilities on the basis of a large variety of market data.

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

#### *Managing credit risk at portfolio level* *Portfolio management*

In addition to monitoring individual risks, the Postbank Group calculates the credit value at risk (CVaR) for all Group exposures subject to credit risk. The credit value at risk is the potential negative change in the present value of the total loan portfolio resulting from actual or potential losses based on credit risk that will not be exceeded within an interval of time of one year with a 99.93 % probability. In contrast, the expected loss indicated in the portfolio structure table is the expected value of losses arising from credit risks of the Postbank portfolio over a one-year horizon. Under Postbank's Group-wide risk-bearing capacity concept, CVaR, as a measure of the unexpected loss from credit risk, must be backed by risk capital.

In contrast, the expected loss of a loan portfolio is the average default amount expected within a one-year period; this is calculated as the product of the default probability, the size of exposure, and the loss rate in the event of default. The expected loss does not contribute to the Bank's overall risk, but is factored into margin calculations via the standard risk costs.

CVaR is measured using a credit risk model that allows the consistent capture of all credit risks. CVaR is calculated on the basis of

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

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

The updated portfolio and market data are used to compute the CVaR of the Group loan portfolio every quarter. For individual products/business divisions with special risk structures, the CVaR is calculated daily. The CVaR in the Group loan portfolio is lower than the sum of the individual CVaRs for the business divisions because of diversification effects. The utilization of the CVaR limits made available to individual profit centers by the Credit Risk Committee and that of the aggregate credit risk limit is monitored on an ongoing basis.

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

#### *Portfolio structure*

The most important parameters for describing the credit risks for the various profit centers as of December 31, 2008 (calculated on November 30, 2008) as compared to the end of 2007 are shown in the following table. Since the CVaR including portfolio effects is not calculated at the level of Deutsche Postbank AG, the portfolio structure is presented at Group level in the table.

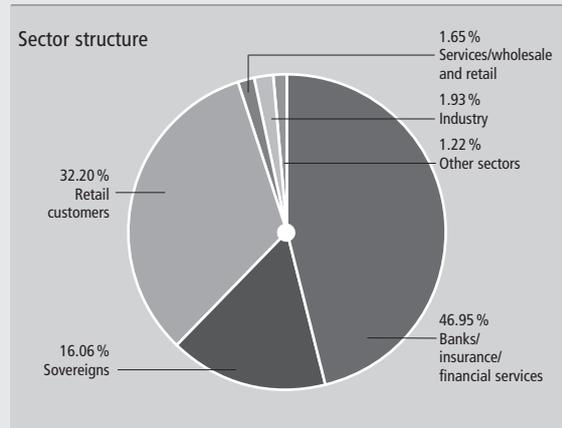
Credit risk	Volume		Expected loss		Credit VaR *	
	2008 €m	2007 €m	2008 €m	2007 €m	2008 €m	2007 €m
Corporate Banking	25,860	18,670	77	55	205	181
Retail Banking	46,067	42,380	213	173	199	133
Financial Markets	142,903	112,494	210	109	848	606
Other (banks/ local authorities)	6,056	7,828	4	4	108	121
BHW	41,622	41,965	66	73	63	57
Total (incl. port- folio effect)	262,508	223,337	570	414	877	661

\* confidence level 99,93%

The increase in the overall loan portfolio from €223,337 million by 17.5% to €262,508 million is accompanied by a 37.7% increase in the expected loss and a 32.7% increase in the unexpected loss. The disproportionate increase in the expected loss and unexpected loss is the result of rating deteriorations brought on by the capital market crisis and an additional increase in concentration risk. A further year-on-year decline in Group loans to banks and local authorities and an increase in loans to retail and corporate customers and in the Financial Markets portfolios can be observed. In view of the planned growth in loan volumes, the expected loss and CVaR are expected to increase correspondingly in the current fiscal year as well. In contrast, the Financial Markets portfolios are scheduled to be reduced.

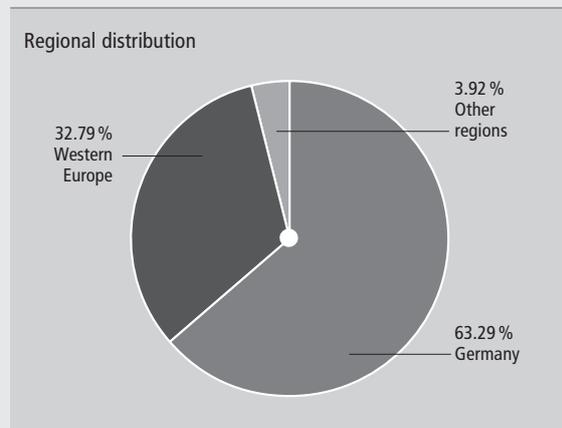
*Sector structure of the loan portfolio*

The sector distribution of the credit-risk bearing instruments, measured in terms of volume, has a balanced structure and continues to present a stable picture. The following table illustrates the concentration of risk by sector and borrower group, broken down into risk category: The loan portfolio consists mainly of loans to retail customers with a focus on domestic private mortgage lending. It also includes loan exposures in the Corporate Banking division, predominantly in the German business customers segment, and in domestic and international commercial real estate finance. The broadly diversified holdings of investment securities are dominated by a portfolio of mainly German and European government bonds as well as bonds issued by banks (including covered bonds and *Pfandbriefe*), insurers and other financial service providers. A target portfolio has been defined as part of the credit risk strategy that has been optimized in terms of diversification and serves to manage investments in the non-retail area.



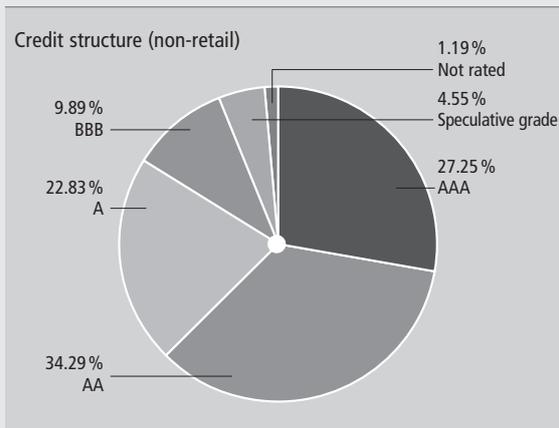
*Regional distribution of the loan portfolio*

Postbank has established country-specific limits for credit allocation in order to manage country risk. The levels of country limits are substantially determined by internal and external ratings, and by the economic strength of the particular country measured by gross domestic product. A central database keeps track of the limits established for each country and their current utilization, as well as the economic data used in allocating countries to risk categories. In the course of the financial market crisis, various country limits have been blocked to new business. The regional distribution of the credit volume indicates a concentration on the domestic German market in line with Postbank's strategy.



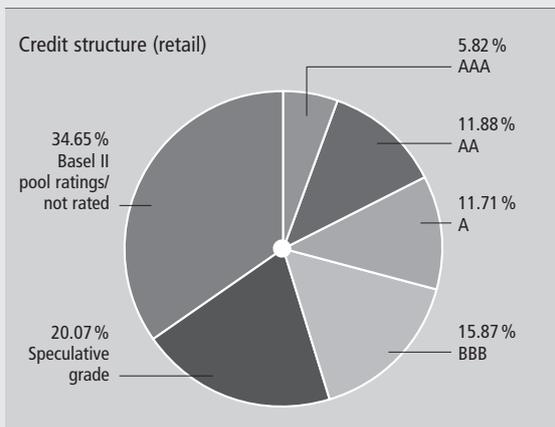
*Credit structure of the loan portfolio*

The breakdown of rating categories in the loan portfolio demonstrates Postbank's conservative orientation. The following chart shows the rating structure of the loan portfolio for non-retail business. Good, investment-grade rating categories predominate.



Compared with the 2007 year-end, portfolios were created predominantly in the highest rating categories (AAA and AA). The current rating distribution for loans and advances to banks, corporates, and sovereigns is in excess of the target rating distribution in line with the credit risk strategy.

Postbank's retail business shows a very favorable credit structure, as shown in the following chart. 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 pool ratings are established by segment and are measured individually according to the relevant Basel II parameters. The proportion of portfolios covered by these pool ratings is declining gradually since each new transaction is rated on an individual basis.



#### Securitization

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

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

#### Investor

In the course of credit substitution transactions, Postbank has invested in structured credit products (SCPs), among other things. Specifically, these relate to asset-backed securities (ABSs), collateralized debt obligations (CDOs), collateralized loan obligations (CLOs), residential mortgage-backed securities (RMBSs), and commercial mortgage-backed securities (CMBSs). Securitization exposures are generally rated by at least one recognized rating agency (Standard & Poor's, Moody's, or FitchRatings) and generally have a rating of BBB- or higher at the time of acquisition. There is no internal rating model for these exposures.

#### Originator

In addition to acting as an investor, Postbank is also on the market as an originator. The synthetic securitization transactions involving the securitization of residential mortgage loans in Germany not only reduced regulatory capital requirements but also diversified risk. As of the reporting date, Postbank had the PB Domicile 2006-1 transaction in its portfolio. In the current fiscal year, Postbank also structured the PB Consumer 2008-1 originator securitization as a traditional securitization; no significant transfer of risks had taken place as of the reporting date, however.

#### Risk reporting

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

- I The credit risk report, which is submitted quarterly to the Group Management Board and the Loan and Equity Investments Committee of the Supervisory Board, provides information on the development of the Group's current loan portfolio and on the default history at the level of individual transactions. In addition to presenting loan portfolio and credit risk indicators, the report includes details of the largest exposures aggregated by individual borrowers and the largest non-performing loans, as well as the utilization of risk limits.
- I The credit monitoring report is prepared quarterly at the same time as the credit risk report and contains additional detailed information at business division and product level regarding the management of credit risk by the operating units. The credit monitoring report is approved by the Credit Risk Committee.
- I The credit matrix provides detailed information on credit risk at portfolio level (CVaR, rating distributions, sector distributions, concentration risks, limit utilization, target/actual portfolios), some of which is also included in the credit risk report and the credit monitoring report in an aggregated form. The Credit Risk Committee also approves the credit matrix on a quarterly basis.
- I To monitor the performance of the risk classification procedures at the level of individual loans (rating and scoring models), model monitoring reports are prepared by business division on a monthly to quarterly basis. The aim of these reports is to analyze and document the performance of the rating and scoring models using a brief validation process. Compliance with the model, i.e., its proper application, is also examined.

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

Environmental risks

Postbank also takes into account environmental risk when making credit decisions. The Postbank Group and its employees are aware of their social responsibility both in their lending policy and in individual credit decisions.

Postbank understands that identifying and quantifying environmental risk must form part of its standard risk assessment and management procedures in its domestic and foreign business. With regard to our customers, we believe that fulfilling current environmental standards and acting responsibly towards the environment are key factors for assessing corporate governance.

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

Monitoring and managing liquidity risk

Definition of risk

Postbank distinguishes between two types of risk in liquidity risk management: illiquidity risk and liquidity maturity transformation risk. Illiquidity risk is defined as the risk of being unable to meet its current or future payment obligations, either in the full amount due, or as they fall due. Liquidity maturity transformation risk describes the risk of a loss occurring due to a change in our own refinancing curve (spread risk) resulting from an imbalance in the liquidity maturity structure within a given period.

Organization and risk strategy

The responsibility for performing centralized risk management tasks within Postbank lies with the Management Board. The Management Board has delegated liquidity risk management to the Market Risk Committee (MRC), which is monitored by the Supervisory Board.

Postbank has established clear rules with regard to responsibility for liquidity risk management. Operational liquidity risk management is performed centrally by the Financial Markets division. The escalating financial market crisis and the related challenge of timely and flexible risk management have led us to intensify our reconciliation processes even further. In the event of a liquidity shock, the Liquidity Crisis Committee has clear responsibility and authority over all Postbank units responsible for portfolios.

Risk Controlling functions as an independent monitoring unit. Risk Controlling is responsible for operational limit monitoring and reporting, in addition to the methods and models used for risk identification, measurement, and limitation.

Postbank has laid down the basis for dealing with liquidity risk, among other things, in its overarching risk strategy.

The goal of liquidity management is to ensure that Postbank is solvent at all times – not only under normal conditions, but also in stress situations. Due to its strategic focus as a retail bank, Postbank enjoys a strong refinancing base in its customer business

and is therefore relatively independent of the money and capital markets. Liquidity risks are only taken within approved limits. To guard against unexpected cash outflows, an extensive portfolio consisting of unencumbered ECB-eligible securities is held that can be used to obtain liquidity rapidly. The size of this portfolio was again increased significantly in view of the considerable uncertainty among retail customers in particular and the extremely tight situation on the money market due to the financial market crisis. To ensure the additional diversification of its refinancing activities, Postbank has a *Pfandbrief* license allowing it to issue public-sector and standard mortgage bonds (*Öffentliche Pfandbriefe* and *Hypothekentpfandbriefe*). Under this license, two *Jumbo Pfandbriefe* were issued in the year under review.

The project set up at the end of 2007 to successively enhance liquidity risk management is proceeding according to plan and will be completed at the end of 2009.

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

Risk management and control

In the year under review, the Financial Markets division was reorganized. The Liquidity Management department is responsible for management of liquidity risk, focusing on ensuring liquidity maturity transformation and continuous solvency.

Risk Controlling assesses Postbank’s liquidity status each business day on the basis of funding matrices and cash flow forecasts, and risk management is performed on the basis of the liquidity status. Risk management focuses above all on ensuring solvency at all times, even in stress situations. To ensure this, the Bank’s liquidity positions are subject to stress tests at least once a month. Severe market developments have meant that the scenarios examined in this context had to be supplemented with additional worst-case scenarios in the year under review in order to take better account of the potential cumulation of adverse liquidity effects. These simulated calculations reflect external changes in a variety of market factors, anxious reactions of customers, and structural changes in funding resources.

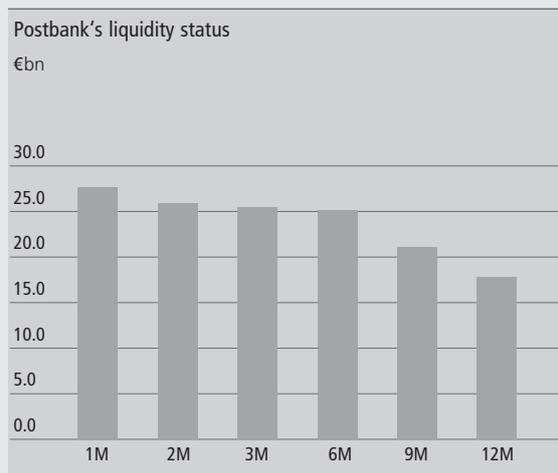
Despite the substantially tougher market conditions engendered by the financial market crisis, Postbank’s liquidity position remains solid, thanks in particular to customer deposits, which are stable overall, and the Bank’s extensive portfolio of ECB-eligible securities.

The following overview reflects Postbank’s liquidity status as of December 31, 2008 on a cumulative basis, showing expected cash inflows/outflows and available liquidity sources in accordance with the principles of internal liquidity management within a one-year horizon.

The expected values for cash outflows from liabilities with no fixed capital commitment, such as savings and checking accounts, the probability of utilization of irrevocable loan commitments, and the

quality of the available fungible assets for ensuring liquidity are based in part on observed historical data and in part on assumptions that are subjected to regular validation.

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



#### Risk reporting

Postbank regularly uses a variety of instruments to report liquidity risk. The tense market situation, however, has led us to enhance these instruments and, in some cases, supplement them with ad hoc analyses for individual key items:

- I The Group Management Board, the members of the Market Risk Committee and the relevant liquidity management units are informed daily on the liquidity status, including limit utilizations.
- I The Liquidity Management unit uses a separate monthly report to inform the Market Risk Committee of the market situation and of Postbank's liquidity status and refinancing activities.
- I The Group Management Board receives monthly liquidity status overviews, including the established scenario analyses and stress tests.
- I Monthly information on liquidity ratios in accordance with the LiqV is sent to the Group Management Board as part of the Management Board information system.

#### Monitoring and managing operational risk

##### Definition of risk

Postbank defines operational risk in accordance with section 269 of the SolvV as the risk of loss resulting from inadequate or failed internal processes and systems, people, or external events. This definition also covers legal risk.

To date, Postbank has used the standardized approach to calculate the weightings required for operational risk. An internal audit confirmed that the requirements under the SolvV qualifying the Bank

to apply the standardized approach were met; the Bundesanstalt für Finanzdienstleistungsaufsicht and Deutsche Bundesbank were notified of this.

In the year under review, the Group Management Board resolved to introduce an advanced measurement approach (AMA). Implementation work started in the second half of 2008. Additional preparations will be made in 2009. The goal is to apply for approval to the Bundesanstalt für Finanzdienstleistungsaufsicht and Deutsche Bundesbank at the beginning of 2010 and, once approval has been granted, to use the internal model for calculating external capital requirements as well. External data are sourced from the DakOR data consortium. In addition, Postbank joined the international data consortium ORX in 2008. The first exchange of loss data will occur at the beginning of 2009.

#### Organization and risk strategy

Postbank's Management Board is responsible for the management, control, and monitoring of operational risk. The Operational Risk Committee (ORC) commissioned by the Management Board is in charge of establishing Group-wide principles. Day-to-day management of operational risk is the responsibility of the individual units within the Group.

Strategic parameters for managing operational risk are part of the overall strategy. The objective is to use suitable measures to limit operational risk to a minimum. The operational risk strategy comprises Group-wide fundamental principles; these relate, for example, to active security such as process transparency, unambiguous rules regarding authorizations and powers, and appropriate security guidelines, as well as to passive security in the form of adequate financial cover. These principles comprise standards that were defined by the ORC and must be observed by all organizational units, as well as principles that are the responsibility of the individual business divisions.

Operational risk is integrated into the Postbank Group's risk-bearing capacity concept. The weighting computed for operational risk is incorporated into the risk limitation process by deducting it from the available risk cover amount. At present, risk capital is not sub-located to the individual profit centers.

All operational risk management and monitoring activities are coordinated by the Market/Operational Risk department at Postbank headquarters to ensure a uniform approach throughout the Bank.

Postbank uses the following operational risk control methods:

- I Structured capture of internal losses of €1,000 or more,
- I Definition of risk indicators as an early warning instrument,
- I Half-yearly self-assessment to evaluate the internal control system.

Postbank headquarters is also responsible for the regular training of local risk managers and upgrading the software solutions deployed. The "Manual for Operational Risk Control in the Postbank Group" describes both the methods used and the primary responsibilities of

those involved in the risk control process. Postbank's Legal Affairs department is primarily responsible for identifying and managing legal risk.

**Risk management and control**

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

For each division or subsidiary, a two-tiered organizational structure with decentralized OpRisk managers has been established to supplement the central risk control process and support the respective managers in risk prevention.

Following the integration of all material business units in the Postbank Group into the controlling process in the period up to 2007, the focus of work in 2008 – in addition to preparatory work to introduce an advanced measurement approach (AMA) – was on further improving the quality of the data and of reporting.

Postbank uses the standardized approach for calculating the weighting required for operational risk. The weightings for operational risk are calculated for internal purposes – in contrast to the regulatory provisions – each quarter and the result is compared with the amount reserved for operational risk in the capital allocation process.

The following table shows the partial weightings broken down by business segment.

Business segment in accordance with the SolvV	Weighting for operational risk	
	2008 €m	2007 €m
Corporate finance	–	–
Trading and sales	28	22
Retail banking	253	243
Corporate banking	33	32
Payment transactions and processing	1	1
Agency services	1	1
Asset management	0	0
Retail brokerage	9	10
<b>Total for Postbank AG</b>	<b>325</b>	<b>308</b>

The Bank's internal quantification model for calculating operational value at risk (OpVaR) was successively upgraded to validate the weightings. It will be supplemented in 2009 by additional components required for regulatory reasons as part of the qualification process for the advanced measurement approach.

**Risk reporting**

Postbank reports regularly on operational risk and loss at management level.

- I The members of the Operational Risk Committee (ORC) are informed on a monthly basis of losses incurred and of selected indicators that have exceeded the defined tolerance threshold.

- I The Group Management Board receives a current summary of the losses recorded each month.

- I Additionally, the ORC is informed on a semi-annual basis of the results of the self-assessment.

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

ORC members receive ad hoc reports without delay in the case of material losses that exceed a predefined level.

**Monitoring and managing investment and real estate risk**

**Definition of risk**

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

Investments are defined as all equity interests recognized in the single-entity financial statements of Postbank under "equity investments" and "investments in affiliated companies."

Real estate risk relates to Postbank's real estate holdings and comprises the risk of loss of rental income, writedowns to the going concern value, and losses on sales.

**Organization and risk strategy**

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

The ongoing monitoring and control of risks from equity investments within the Bank is performed by various central Group units. Investment management coordinates the supervision of the business activities of subsidiaries and other investees in keeping with the investment strategy, in particular by providing support for the executive bodies. Postbank exercises influence on the business and risk policies of its equity investments in particular through shareholder and supervisory bodies, where it is usually represented by members of the Management Board.

As of the reporting date of December 31, 2008, Deutsche Postbank AG held a total of 65 direct and a large number of indirect equity investments. In fiscal 2008, the number of investments in affiliated companies/equity investments increased moderately over the previous year.

Postbank sees these holdings predominantly as strategic investments that reflect the Postbank Group's product and service areas, and as a source of internal services for the Postbank Group. A number of these equity investments are managed as Postbank units. Several central functions such as internal audit, accounting, controlling, legal affairs, and personnel, are performed by the responsible organizational units at Postbank in some instances. The relevant lending departments of Deutsche Postbank AG monitor risk arising from equity investments that have a near-credit or credit-substituting nature.

Postbank currently has no shareholdings in other companies in the sense of a private equity or an investment strategy.

Postbank has established procedures to ensure the adequate management and monitoring of key investment risks at Group level. Risk Controlling regularly monitors the limits of materiality defined for risks within the equity investment portfolio and keeps the Management Board and the Risk Committees informed of this.

The properties in the Treasury portfolio are primarily those used by Postbank itself.

#### Risk management and control

Material risks (particularly market, credit, and liquidity risk) associated with strategic subsidiaries and equity investments are integrated in the operational and strategic Group-wide risk management and risk monitoring systems. The operational risk and business risk associated with the majority interests are included in Postbank's corresponding management and monitoring system. The residual investment risk is deducted from the available risk capital.

Ongoing liaison between the companies and the appropriate specialist areas of the Bank also contributes to the timely identification of business and risk developments. To this end, equity investments are allocated to the relevant board departments.

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

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

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.

#### Risk reporting

In the context of the management and monitoring systems, regular reports are also prepared on the risk relating to the strategic equity investments and subsidiaries included in these systems. In addition, the Postbank Group uses a variety of regular reporting instruments for investment risk:

- I The key earnings figures of all subsidiaries included in the consolidated financial statements are reported to Postbank's Management Board on a quarterly basis.
- I As a shareholder, Deutsche Postbank AG is also continuously informed about the development of the risk situation at the respective subsidiaries at the meetings of their executive bodies (Supervisory Board, Administrative Board, Shareholders' Meetings, etc.).

#### Monitoring and managing business risk

##### Definition of risk

Business risk refers to unexpected declines in earnings that arise when expenses cannot be reduced in line with a decline in income (excess fixed costs) or when expenses increase unexpectedly. Such declines in earnings can be caused by both internal and external factors, such as unfavorable economic changes or political decisions leading to a change in customer behavior. The following types of risk are covered by business risk:

- I **Model risk**  
The risk from unexpected declines in volume or falling margins that cannot be fully covered by modeling customer products with unknown capital commitments and variable interest rates.
- I **Residual business risk**  
Other unexpected volume or margin declines not covered by model risk.
- I **Strategic risk**  
The risk that earnings targets will not be achieved because of the insufficient focus of Postbank on the relevant business environment (which may have changed abruptly). Strategic risk may therefore result from an inadequate strategic decision-making process, from unforeseeable discontinuities on the market, or from the inadequate implementation of the chosen strategy. In the area of strategic risk, Postbank further distinguishes between internal risk, which arises from inadequate strategic procedures, and external risk, which is caused by unexpected market developments.
- I **Reputational risk**  
The risk that the Bank will lose its good reputation in the eyes of its business partners and customers due to inappropriate actions on the part of individuals or groups.

Organization and risk strategy

The Group Management Board is responsible for managing business risk as a component of the Group risk strategy. In the event of strategic risk, it has a duty to take appropriate measures to counteract undesirable developments as they occur. The approval of the Supervisory Board may also be required, depending on the scope of the strategic decision.

Risk Controlling calculates business risk on a quarterly basis at the least; the results are taken into account in the risk-bearing capacity report as a deductible item from risk capital. The risk capital requirements for model risk are measured monthly and are reported to the Group Management and the Market Risk Committee.

Risk management and control

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

While model risk exists primarily for savings and checking account products in Retail Banking, it also occurs in Corporate Banking. Risks from modeling customer transactions with undetermined cash flows result in particular from the definition of theoretical scenarios for customer products with unknown interest rate and capital commitments (primarily savings and checking accounts, overdrafts) in order to manage interest rate and liquidity risk. The cash flows for customer products bearing variable rates of interest are modeled in the theoretical scenario in line with the commonly used standard moving averages method. Assuming that a stable volume of customer deposits is available in the long term, the mix of moving averages aims to model portfolios of money and capital market transactions that appropriately reflect the repricing and capital commitment behavior of these customer products. Over time, volume and margin fluctuations can occur as a result of changes in the interest rate adjustment policy – or as a result of a lack of opportunities for such adjustments – which could endanger the ability to generate stable net interest income in the long term and impair the liquidity situation.

The remaining business risks are not separately quantified in the risk-bearing capacity concept, but rather backed by risk capital in the aggregate. Market and competition analyses are continually prepared in order to identify potential risks and to develop appropriate countermeasures as part of an early warning system.

Risk reporting

Postbank uses a variety of regular reporting instruments for business risks:

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

- | The Management Board is informed of the development of model risk in the monthly risk report.
- | The monthly Market Risk Committee report informs the MRC of specific business risks arising from model risk.
- | The change in volume of the customer products with unknown interest rate and capital commitments is monitored via daily reports.
- | At Postbank, there are several forms of strategic risk reporting. For example, the Management Board receives regular reports on the results of the market and competition analyses, quarterly reviews of business performance, and the monthly and quarterly Management Board information system reports. Additionally, strategic risk and developments are presented and discussed in depth during the planning process.

Internal 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.

As part of the Bank's business monitoring system, Internal Audit audits all areas of Postbank as a matter of principle at least once every three years in accordance with the MaRisk. Areas that are exposed to a particular risk are audited annually. Internal Audit's responsibilities also extend, in a scaled-down form, to the subsidiaries of Postbank and the branches acquired from Deutsche Post AG. Its activities in the subsidiaries range from control and advisory functions to full-scale Internal Audit procedures.

As a matter of principle, Internal Audit also reviews the appropriateness of the internal rating systems, including adherence to the minimum requirements for use of the rating systems.

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

Regularity audits and system examinations are conducted regularly as part of the annual program. Internal Audit also carries out special examinations under particular circumstances, and performs audit and consulting activities for the introduction and implementation of important 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. Given the implementation of advanced risk models, the Bank expanded its audit plans for this area in fiscal 2008 significantly.

#### Presentation of risk position

Uncertainty as to future developments has increased radically as a result of the ongoing crisis on the financial markets and the resulting extreme volatility on the money and capital markets, as well as the clear slowdown in the economy in large parts of the world. This represents an extreme challenge for risk management at banks. Economic risk-bearing capacity and regulatory capital ratios will remain under pressure throughout the sector.

In fiscal year 2008, Postbank further expanded the structures, instruments, and processes for risk management and control in the relevant risk classes, and will continue to drive these activities forward in 2009. The methods and procedures used comply with the current statutory and regulatory requirements.

Given the historical pace of the slowdown and the fact that it is not yet clear whether the stimulus programs being introduced around the world and the concerted action by the central banks will be effective, it is difficult to assess how risks will develop in the future.

The turbulence clearly affected Postbank's capital market portfolios and hence its earnings situation in fiscal year 2008. Postbank's relatively conservative risk profile, with its focus on a well-diversified retail portfolio, was unable to prevent a significant impact being felt in the areas of both credit and market risk in 2008. Given the tight market environment, significant risk potential remains despite the measures already taken to reduce its capital market portfolios and risks.

The risks emanating from Postbank's portfolio of structured credit products are being analyzed systematically and intensively for potential defaults and monitored and managed on an ongoing basis using a dedicated project structure. The entire portfolio is regularly tested for impairment. Due to the ongoing turbulence on the capital markets and the substantial deterioration in the economic outlook, we are expecting further negative developments in the course of the year.

The recessionary trends in the customer loan business and the associated decline in the real estate markets may lead to a rise in default rates. This applies in particular to commercial real estate finance in several foreign markets, where the market environment must be expected to remain challenging. However, to date, only extremely isolated signs of potential delinquencies are visible in our portfolio. The relevant holdings are being monitored closely, allowing risk mitigation measures to be taken at an early stage if necessary.

The Retail Banking loan portfolios are generally well collateralized and also exhibit a high degree of granularity. At present, no anomalies are discernible overall from a credit risk perspective, despite the clear deterioration in the economic climate in Germany. However, potential effects on borrowers cannot be ruled out as the recession continues and deepens.

Following the liquidation of the equity portfolios in fiscal year 2008, the market risk exposure is primarily concentrated in the areas

of interest rate and credit spread risk, with the focus being on counterparties with strong credit ratings.

Postbank's liquidity situation is sound thanks to its comparatively stable refinancing base of customer deposits. In view of the massive crisis of confidence and the fact that the absorptive capacity of the capital markets is still relatively limited, Postbank is also taking advantage of the extensive refinancing opportunities offered by the central bank.

No risks that could impair Postbank's continued existence are currently discernible from the relevant risk types mentioned above.

#### Proceedings pending

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

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

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

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

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

Our Company has been assigned to the mandatory compensation scheme of the Bundesverband deutscher Banken (Association of German Banks). In connection with a current, major case of damage, special contributions to the compensation scheme cannot be excluded.

## I Report on Expected Developments

### Global economy

The global economy is in a strong downturn at the beginning of 2009. There is great uncertainty as to how long and how bad this will be, since there has been no such conjunction of a recession and a severe financial market crisis since the end of the Second World War. The current majority view is that the global economy will stabilize by around the middle of the year as a result of slashing key interest rates by the central banks, the large number of governmental stimulus packages, and the support provided by lower oil prices. Nevertheless, the International Monetary Fund (IMF) only predicts an increase in global economic output of 0.5 % for 2009. This would be recession level for the global economy.

2009 will be a very difficult year for the U.S.A.. Unemployment has already skyrocketed, the downward trend in real estate prices is continuing, and companies are having major problems obtaining loans due to the financial market crisis. This is why it is to be expected that investments will drop significantly and consumer spending will also be lower year-on-year. In contrast, foreign trade is likely to have a positive impact in the form of falling imports. In addition, the planned government economic measures should have a limited stimulating effect. Nevertheless, the U.S.A. will presumably not be able to avoid a fall in GDP in 2009. We are predicting a reduction in economic output of 1.1 %.

Although Japan is less directly affected by the financial market crisis than other countries, the economy is likely to be hit hard by the global slowdown again in 2009 due to its heavy dependence on exports. This means that exports are not expected to have any further positive effects and companies are likely to continue to scale back their investments. As a result, Japan also faces a fall in GDP in 2009. The Chinese economy is expected to continue to

grow in 2009, although according to IMF predictions GDP growth will not reach the same level as in previous years. In particular, weak global economic performance is likely to dampen export growth. In contrast, domestic demand is expected to profit from the extensive infrastructure program resolved by the government.

The economic downturn in the euro zone is set to continue in 2009. However, the ECB's sharp interest rate cuts, lower oil prices, the weaker euro, and state measures to support the economy will gradually have an effect over the course of the year. This might allow the economy to stabilize and to pick up towards the middle of the year. However, there is a significant risk that the recession will last longer. In particular, investments are likely to decline in 2009, as companies are expected to act very carefully due to the extremely unsettled environment. Foreign trade is also expected to have a negative impact due to weak global demand. In contrast, consumer spending should see moderate growth despite increasing unemployment, as real household incomes will increase due to the clear drop in inflation. However, euro zone GDP is expected to fall in 2009, the first time since the monetary union was founded. We are expecting a 1.6 % decline year-on-year.

### Economic outlook for Germany

The German economy will in all likelihood also continue to decline. German exports are expected to fall due to weak global investments before picking up slightly in line with the stabilization of the global economy forecast for the course of the year. Nevertheless, foreign trade is likely to have a negative impact on GDP for the entire year. In addition, we expect companies to scale back investments. In turn, this is likely to lead to a negative trend on the labor market, which has been quite robust until now. However, consumer spending is likely to buck the general downturn, despite climbing unemployment. The inflation rate will drop significantly as a result of lower energy and commodity prices. This usually has a positive impact on consumer confidence, meaning that consumer spending should show moderate growth in 2009. Nevertheless, we believe that German GDP will fall by 1.9 % in 2009.

### Markets

We estimate that the markets in the first half of 2009 will still be dominated by the global financial crisis and fears of a prolonged recession. This means that spreads – especially on the bond markets – will remain at their current very high levels for some time yet. At the same time, volatility on the financial markets will remain high. We believe that the trend towards a gradual, step-by-step normalization on the money markets will continue in 2009 once the governmental measures start to take effect.

The U.S. Federal Reserve is expected to leave its key interest rate at a very low level due to the extreme weakness of the U.S. economy. The weak economy and ongoing declining inflation have given the ECB room to cut interest rates further, from 2.5 % to 2 % at the beginning of the year. The ECB key interest rate should then remain at this level for the rest of the year. The cuts in key interest rates, coupled with a slight reduction in the distortions on the money markets at the beginning of 2009, have led to a sharp decline in money market rates, which are likely to remain at this moderate level for the rest of the year. In contrast, capital market rates, which are

currently very low due to the recession and the financial market crisis, should show a moderate rise. We therefore expect a trend towards a steepening of the yield curve in the euro zone.

#### Sector outlook

The majority of German banks are likely to have recorded significantly weaker earnings in 2008 than in the previous year. Many institutions are expected to record substantial losses. The effects of the global financial market crisis as well as the decline in many cases of net fee and commission income and net trading income have probably impacted earnings considerably. Under the influence of these negative effects lower or even no dividends are to be expected at numerous banks.

Net trading income and net income from investment securities are expected to continue to perform poorly, at least in the coming months, due to the ongoing adverse conditions in the capital markets. However, the volume of writedowns required as a result of the financial crisis is expected to be lower than in 2008. The spillover of the financial market crisis to the real economy is expected to considerably increase the need for loan loss allowances – especially at institutions with a strong focus on specific segments in the business customer and SME business, as well as on unsecured personal loans. Because of the structure of its loan book, Postbank is likely to be affected to a lesser extent. There is no prospect of a speedy recovery for investment banking in 2009. M&A and the new issues business show little signs of a renaissance. As a result, long-term earnings at many institutions will likely remain below the levels of recent years.

The bailout packages put together by governments and central banks are making an important contribution to stabilizing the financial sector. The goal is to prevent the collapse of "systemically significant" institutions. In many cases, however, governments are only providing support in return for a consideration, which may take the form of a direct stake in the financial institution concerned. This then allows governments to exert a direct influence on the banks' business strategy. This indicates intensified regulation of the finance sector in the future. The magnitude of these measures should suffice to safeguard the financial system from further negative effects with potentially grave consequences for the flow of money and the development of the real economy. Over the next few weeks and months, the bailout packages should ease tension on the interbank market significantly, so that banks can increasingly resume the task of providing liquidity themselves. This would ensure that the process of granting loans to corporates, non-banks and private households does not suffer any long-term damage.

We believe that the individual segments of the credit business will again perform differently in 2009. The continuing recession is expected to depress the demand for loans from corporates in the first half of the year in particular. No clear upturn in machinery and equipment investment can be expected before the end of 2009 at the earliest. In contrast, the volume of consumer loans could stabilize in 2009, as consumer spending is hardly likely to drop any lower than in 2008. We feel that residential construction loans offer good opportunities for a moderate upturn, both for new business and for existing portfolios as recently prices for new

residential buildings have finally picked up somewhat after years of stagnating or falling prices. At the same time, falling interest rates are likely to boost demand for residential construction loans. However, higher refinancing costs for the institutions because of the spreads, especially for *Pfandbrief* issues, are an offsetting factor.

#### Postbank's investment focuses in 2009

Postbank will focus its investments in 2009 on implementing statutory requirements. Our main priority is to continue the development of the program we started in 2008 to introduce advanced risk models, to finish the liquidity management project, to ensure SEPA compliance for our payments platform, and to implement the *Grundsätze zum Datenzugriff und zur Prüfbarkeit digitaler Unterlagen* (GDPdU – Principles Of Data Access and Auditability of Digital Documents) and the flat tax.

#### Postbank's financial targets

Difficult conditions on the capital markets are expected to persist in 2009 and the economy also appears likely to cool down further. However, it is also to be expected that the measures to stabilize the financial system and to revive the economy being forced through at high speed by the governments will have an effect. Nevertheless, the banking system is likely to face further challenges. As a result, the level of income generated by many institutions is likely to remain below that seen in recent years.

In this environment, we will focus our business model even more strongly on our retail, business, and corporate customers. Given our ongoing strong operating performance – with stable revenue streams from our customer business and a sound refinancing base – we believe that we continue to be in a good position. As part of our "Next Step" strategic program, we will consistently enhance our customer business and support the measures we take in this area with clear, sustained stimuli at overall bank level. We will maintain our current strategy of clearly cutting back on capital market risks and portfolios. The goal in the medium term is to strengthen the customer business earnings lines – net interest income and net fee and commission income. We will further increase our cost management measures despite the sustained successes that we have already achieved in this area.

It is to be expected that the tight situation on the markets and the economic downturn will continue to have a negative impact on our results of operations in the current fiscal year. Depending on macroeconomic developments, an increase in allowances for losses on loans and advances also appears likely. Assuming that there is no further macroeconomic deterioration over and above what is currently expected, we believe that the total impact will be significantly lower than in 2008.

On account of the measures outlined above – provided that no further macroeconomic deterioration occurs beyond the level currently anticipated – we expect Postbank's operating results to improve in 2009 and 2010. This will be achieved by continual income growth in tandem with strict cost management.

**Responsibility statement**

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of Deutsche Postbank AG, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Bonn, February 13, 2009  
Deutsche Postbank Aktiengesellschaft

The Management Board



Wolfgang Klein



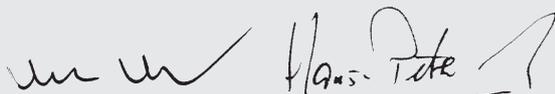
Dirk Berensmann

Marc Hess



Stefan Jütte

Horst Kúpker



Michael Meyer

Hans-Peter Schmid



Ralf Steinyer

# Balance Sheet as of December 31, 2008 – Deutsche Postbank AG, Bonn

## Assets

	Previous year				Previous year	
	€	€m	€	€	€	€m
<b>1. Cash reserve</b>						
a) Cash balance			909,725,923.78			1,032
b) Balances with central banks of which: with the Deutsche Bundesbank	2,172,130,355.73	2,170	2,173,617,086.44			2,172
c) Balances with postal giro and savings banks				--	<u>3,083,343,010.22</u>	
<b>2. Loans and advances to other banks</b>						
a) Payable on demand			2,856,240,270.20			1,673
b) Other loans and advances			31,505,347,162.41		<u>34,361,587,432.61</u>	24,182
<b>3. Loans and advances to customers</b>					<u>69,224,897,166.78</u>	61,387
of which: secured by mortgage charges	27,863,061,514.19	25,730				
public-sector loans	2,182,187,926.55	3,543				
<b>4. Bonds and other fixed-income securities</b>						
a) Money market securities				--		
aa) Public-sector issuers of which: eligible as collateral with the Deutsche Bundesbank	--	0	--			0
ab) Other issuers of which: eligible as collateral with the Deutsche Bundesbank	2,925,112,982.00	1,292	6,867,257,630.17	6,867,257,630.17		5,730
b) Bonds						
ba) Public-sector issuers of which: eligible as collateral with the Deutsche Bundesbank	21,931,713,471.00	13,127	22,094,662,959.40			13,411
bb) Other issuers of which: eligible as collateral with the Deutsche Bundesbank	33,600,475,442.00	26,507	38,376,499,919.75	60,471,162,879.15		32,879
c) Own bonds Principal amount	251,939,052.00	73		245,438,329.37	<u>67,583,858,838.69</u>	71
<b>5. Equities and other non-fixed-income securities</b>					<u>973,709,597.53</u>	10,260
<b>6. Equity investments</b>					<u>16,881,751.54</u>	17
of which:						
in other banks	1,171,593.72	1				
in financial services providers	--	0				
<b>7. Investments in affiliated companies</b>					<u>13,688,594,633.28</u>	4,288
of which:						
in other banks	552,332,765.28	712				
in financial services providers	5,000,000.00	5				
<b>8. Trust assets</b>					<u>1,085,039,370.40</u>	1,174
of which: trustee loans	1,010,612,982.20	1,103				
<b>9. Intangible assets</b>					<u>39,592,445.66</u>	17
<b>10. Property and equipment</b>					<u>603,335,436.51</u>	639
<b>11. Other assets</b>					<u>1,394,734,711.60</u>	1,365
<b>12. Prepaid expenses</b>					<u>1,442,089,768.74</u>	965
<b>Total assets</b>					193,497,664,163.56	161,262

					Equity and Liabilities	
					Previous year	
					€	€m
					€	€
<b>1. Deposits from other banks</b>						
a) Payable on demand				2,975,199,061.03		4,202
b) With an agreed maturity or withdrawal notice				63,292,074,606.40	<u>66,267,273,667.43</u>	51,498
<b>2. Due to customers</b>						
a) Savings deposits						
aa) With an agreed withdrawal notice of three months			34,662,550,591.76			34,419
ab) With an agreed withdrawal notice of more than three months			361,460,419.15	35,024,011,010.91		228
b) Other amounts due						
ba) Payable on demand			31,260,413,984.42			24,718
bb) With an agreed maturity or withdrawal notice			33,926,381,348.87	65,186,795,333.29	<u>100,210,806,344.20</u>	26,746
<b>3. Securitized liabilities</b>						
a) Bonds issued				11,832,010,880.78		
b) Other securitized liabilities of which:				2,726,902,708.91	<u>14,558,913,589.69</u>	7,407
money market securities	2,726,902,708.91	prev. yr. €m 763				
<b>4. Trust liabilities</b>					<u>1,085,039,370.40</u>	1,174
of which: trustee loans	1,010,612,982.20	prev. yr. €m 1,103				
<b>5. Other liabilities</b>					<u>564,077,997.05</u>	805
<b>6. Deferred income</b>					<u>1,188,938,620.49</u>	600
<b>7. Provisions</b>						
a) Provisions for pensions and other employee benefits				576,544,127.48		562
b) Provisions for taxes				135,879,217.07		34
c) Other provisions				592,398,404.23	<u>1,304,821,748.78</u>	271
<b>8. Subordinated debt</b>					<u>3,776,691,033.58</u>	3,712
<b>9. Profit participation certificates outstanding</b>					<u>1,222,134,201.45</u>	1,216
of which:						
due within two years	48,008,134.65	prev. yr. €m 0				
<b>10. Fund for general banking risks</b>					<u>1,165,000,000.00</u>	1,165
<b>11. Equity</b>						
a) Share capital				547,000,000.00		410
b) Capital contributions by typical silent partners				38,025,435.12		51
c) Share premium				1,568,942,155.37		1,159
d) Other retained earnings				0.00		648
e) Net loss/profit				0.00		237
					<u>2,153,967,590.49</u>	
<b>Total equity and liabilities</b>					193,497,664,163.56	161,262
					€	€
					€	€m
<b>1. Contingent liabilities</b>						
a) Contingent liabilities on endorsed bills settled with customers				--		
b) Liabilities from guarantees and indemnity agreements*				<u>4,694,285,194.18</u>		3,462
c) Liability from the provision of collateral for third-party liabilities				--	<u>4,694,285,194.18</u>	
<b>2. Other commitments</b>						
a) Repurchase obligations from non-genuine securities repurchase agreements				--		-
b) Placement and underwriting obligations				--		-
c) Irrevocable loan commitments				<u>20,446,265,740.76</u>	<u>20,446,265,740.76</u>	20,283

\*Commitments under letters of comfort are disclosed under point C.I. in the Notes

Management Report

Balance Sheet

Income Statement

Notes

Auditors' Report

# Income Statement – Deutsche Postbank AG, Bonn, for the Period from January 1, 2008 to December 31, 2008

Comparative figures from January 1, 2007 to December 31, 2007

## Expenses

	€	€	€	€	Previous year €m
1. Interest expense				<u>6,110,965,788.17</u>	4,575
2. Fee and commission expense				<u>326,148,383.22</u>	239
3. General administrative expenses					
a) Personnel expenses					
aa) Wages and salaries		515,893,875.90			500
ab) Social security contributions, pensions and other employee benefits of which: for pensions		223,272,360.60	739,166,236.50		202
b) Other administrative expenses	176,744,026.57	prev. yr. €m 154	1,561,213,291.39	<u>2,300,379,527.89</u>	1,455
4. Depreciation, amortization and writedowns of intangible assets and property and equipment				<u>39,334,393.81</u>	30
5. Other operating expenses				<u>52,823,685.96</u>	53
6. Writedowns and adjustments to loans and advances and certain securities, and additions to provisions for credit risks				<u>1,397,662,910.71</u>	901
7. Writedowns and adjustments of equity investments and investments in affiliated companies, and securities treated as fixed assets				<u>822,768,827.20</u>	13
8. Expenses from loss absorption				<u>4,640,818.60</u>	31
9. Extraordinary expenses				<u>12,600,000.00</u>	0
10. Taxes on income				<u>113,014,118.82</u>	25
11. Other taxes not reported under item 5				<u>4,642,774.70</u>	8
12. Profit transferred due to profit pooling, a profit and loss transfer agreement or a partial profit and loss transfer agreement				<u>0.00</u>	4
13. Net loss/profit for the period				<u>0.00</u>	237
<b>Total expenses</b>				<u>11,184,981,229.08</u>	8,273

	€	€	Income Previous year €m
<b>1. Interest income from</b>			
a) Lending and money market transactions	5,338,160,558.11		4,091
b) Fixed-income and book entry securities	2,440,479,623.51	<u>7,778,640,181.62</u>	1,777
<b>2. Current income from</b>			
a) Equities and other non-fixed-income securities	28,963,276.20		738
b) Equity investments	137,680.23		0
c) Investments in affiliated companies	378,540,361.35	<u>407,641,317.78</u>	11
<b>3. Income from profit pooling, profit and loss transfer agreements or partial profit and loss transfer agreements</b>		<u>257,404,436.83</u>	243
<b>4. Fee and commission income</b>		<u>863,687,065.75</u>	767
<b>5. Net income from financial operations</b>		<u>30,861,694.42</u>	93
<b>6. Income from reversals of writedowns of equity investments, investments in affiliated companies, and securities treated as fixed assets</b>		<u>26,150.70</u>	129
<b>7. Other operating income</b>		<u>676,522,406.84</u>	424
<b>8. Loss for the period</b>		<u>1,170,197,975.14</u>	0
<b>Total income</b>		11,184,981,229.08	8,273

	€	Previous year €m
<b>1. Loss/profit for the period</b>	<u>-1,170,197,975.14</u>	<u>237</u>
<b>2. Withdrawal from the share premium</b>	<u>453,095,532.49</u>	–
<b>3. Withdrawal from retained earnings</b>	<u>-717,102,442.65</u>	<u>237</u>
a) from legal reserves	–	–
b) from reserves for treasury shares	–	–
c) from reserves provided for under the Articles of Association	–	–
d) from other retained earnings	<u>680,452,221.00</u>	–
	<u>680,452,221.00</u>	<u>237</u>
<b>4. Withdrawal from profit participation certificates outstanding</b>	<u>23,449,819.15</u>	–
<b>5. Withdrawal from contributions by silent partners</b>	<u>13,200,402.50</u>	–
<b>6. Addition to retained earnings</b>		
a) to legal reserves	–	–
b) to reserves for treasury shares	–	–
c) to reserves provided for under the Articles of Association	–	–
d) to other retained earnings	–	–
<b>7. Net loss/profit</b>	<u>0.00</u>	<u>237</u>

# Notes to the Annual Financial Statements of Deutsche Postbank AG for Fiscal Year 2008

## A. General information on the structure of the annual financial statements and accounting policies

### I. General information

The annual financial statements of Deutsche Postbank AG (Postbank) have been prepared in accordance with the *Handelsgesetzbuch* (HGB – German Commercial Code) and the *Aktiengesetz* (AktG – German Stock Corporation Act), as well as the *Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute* (Rech-KredV – German Bank Accounting Regulation); they cover the period from January 1 to December 31, 2008.

#### Merger-related transfer of BHW Bank AG, Hamelin

On July 21, 2008, BHW Bank, Hamelin was merged into Postbank retroactively as of January 2, 2008:

	€m
Cash reserve	9,387
Loans and advances to other banks	174,338
Loans and advances to customers	1.359,721
Bonds and other fixed-income securities	317,436
Equities	10,219
Trust assets	13,020
Other assets	5,648
Deposits from other banks	161,563
Due to customers	1.338,369
Securitized liabilities	111,483
Trust liabilities	13,020
Provisions	40,248
Subordinated debt	51,000
Profit participation certificates outstanding	30,000
Other liabilities	144,086

Loans and advances to other banks include €24.2 million of provision for general bank risks in accordance with section 340f of the HGB.

Owing to the size of BHW Bank AG, the previous-year figures are comparable with those of the year under review in spite of the merger.

### II. Accounting policies

#### Current assets

The cash reserve, loans and advances to other banks and customers, other loans and advances and other assets were carried at their principal amounts. Premiums/discounts were amortized ratably. Purchased loans and advances were recognized at cost. The registered securities and promissory note loans included in loans and advances to other banks and customers are measured at their principal amounts plus deferred interest in accordance with section 340e(2) sentence 1 of the HGB. The differences between the principal amounts and cost were included in prepaid expenses and deferred income and reversed to profit or loss.

All discernible individual risks in the lending business as well as country risks were adequately reflected by recognizing valuation allowances and provisions. General valuation allowances are recognized in the amount permitted by tax law for potential risks from loans and advances. A fund for general banking risks has also been set up in accordance with section 340g of the HGB.

Bonds and other fixed-income securities as well as equities and other non-fixed-income securities classified as current assets are recognized at historical cost, taking into account the strict principle of lower of cost or market and the requirement to reverse writedowns (section 340e(1) sentence 2 in conjunction with sections 253(3) sentence 1 and 280 of the HGB). Microhedges were recognized where securities are hedged by forward or option contracts with matching amounts, currencies, or maturities. Measurement gains and losses were not recognized.

Where entered into for trading purposes, derivative products are measured at current market prices. Provisions were recognized for measurement losses. Measurement gains were not recognized.

Postbank's department for money markets and foreign exchange and treasury swaps measures the portfolio in its money market trading books. The interest futures, options on interest futures and money market products within the money market cash, money market derivatives and money market portfolio trading portfolios and the AWS derivatives trading portfolio are measured at market prices. The resulting measurement losses are eliminated against measurement gains in the portfolio. Any fractional amounts are recognized in income.

The risk-adjusted marking-to-market procedure is used for the money market portfolios and the swap trading portfolio. The marking-to-market gain or loss calculated for each of these portfolios is reduced by the value at risk (VaR) determined in accordance with regulatory requirements (ten-day holding period, 99% confidence level, one-year historical observation period). This ensures that anticipated gains from portfolios entailing risks are not reported in net income from financial operations. This risk-adjusted marking-to-market recognized in income is reflected by an adjustment item in the balance sheet that is reported under other assets.

In 2008, the securities markets saw a significant expansion in bid-ask spreads in the course of the financial market crisis. The massive

decline in liquidity on the market resulted in a substantial decrease in the trading volume. Accordingly, the present values for these securities with an investment grade rating were no longer calculated using indicative prices but with the aid of a valuation technique. This valuation technique is a discounted cash flow method. The expected losses are initially determined on the basis of the cumulative default probabilities for each rating class and for each maturity that are observable on the market using current external ratings and then subtracted from the bonds' contractual cash flows. The default-based cash flows computed in this way are discounted using a risk-adjusted yield curve comprising a risk-free (basic) interest rate and a spread premium for the bonds' illiquidity that takes the risk exposure into account. In the process, changes in the market that had occurred in the mean time were accounted for appropriately.

#### Fixed assets

In accordance with section 340e(1) in conjunction with section 253(2) sentence 3 of the HGB, securities measured as fixed assets were measured using the less strict principle of lower of cost or market value. The differences between cost and settlement amount (premiums/discounts) were amortized ratably. The assets are carried in separate accounts to securities classified as current assets.

Asset-backed securities are allocated to fixed assets in parts. The synthetic CDOs contained in these constitute structured products in accordance with IDW ERS HFA 22 and are listed separately in the balance sheet.

In accordance with section 340e (1) sentence 1 of the HGB, equity investments including investments in affiliated companies as well as operating and office equipment were measured in accordance with the provisions applicable to fixed assets.

Equity investments in PB-Spezialinvestmentaktiengesellschaft mit Teilgesellschaftsvermögen (PB Spezialinvest) are reported under investments in affiliated companies and measured as current assets in view of the continuity in measurement.

Equity investments including investments in affiliated companies denominated in foreign currency were translated into euros using the respective historical exchange rate.

#### Intangible assets

Purchased intangible assets are carried at cost and reduced by straight-line amortization in accordance with the amounts permitted by tax law.

#### Property and equipment

Property and equipment is carried at cost and reduced by depreciation over the standard useful life of the asset in line with the fiscal depreciation tables. Writedowns are charged to the extent necessary.

Low-value assets of an amount of up to €150 in cost are recognized in full as operating expenses in accordance with section 6(2) of the *Einkommensteuergesetz* (EStG – German Income Tax Act).

In accordance with section 6(2a) of the EStG, a collective item was set up for low-value assets, costing more than €150 and less than €1,000.

#### Prepaid expenses and deferred income

Close-out payments received and paid on micro swaps whose underlying contracts are still in the portfolio are fundamentally accrued and amortized ratably over the term of the underlying. The close-out payment is reversed in order to compensate the impairment loss on the underlying contract.

#### Liabilities

Liabilities were carried at their settlement amount. Premiums/discounts were amortized ratably. Zero bonds issued are recognized at their issue amount plus proportionate interest up to the balance sheet date. The proportionate interest on zero bonds is amortized in accordance with the effective interest method.

#### Securitized liabilities

Based on the *Pfandbrief* license granted in December 2007, *Pfandbrief* issues were effected in fiscal year 2008 to refinance the customer business. Two *Jumbo Hypothekpfandbrief* issues totaling €2.5 billion are worthy of mention in this regard. They have a term to maturity of five and seven years and carry interest of 4.250 % and 4.500 % per annum, respectively.

#### Provisions

Provisions for pensions were calculated in accordance with actuarial principles, taking into account the "2005 G mortality tables", and are measured at the net present value, calculated using the German entry-age normal method, and permitted under tax law for the obligations under current pension payments and future pension benefits.

Adequate tax provisions and other provisions have been recognized to cover all identifiable risks and uncertain liabilities.

#### Subordinated debt

Subordinated debt mainly comprises four issues of subordinated bonds that were acquired for €1,600 million from subsidiaries set up for this purpose. Subordinated debt is not repayable before a minimum term of five years.

#### Contingent liabilities

Liabilities from guarantees and indemnity agreements are carried under contingent liabilities at the amounts to be stated at the balance sheet date.

#### Currency translation

In accordance with section 340h(1) sentence 2 of the HGB, assets and liabilities denominated in foreign currency were translated into euros at the middle spot rate applicable at the balance sheet date. Forward contracts still open at the balance sheet date were measured at the forward rate applicable at the balance sheet date.

Gains and losses on the translation of hedged balance sheet items and corresponding executory contracts were offset by recognizing adjustment items.

In accordance with section 340h(2) sentence 2 of the HGB, the balance sheet items and executory contracts denominated in foreign currency are classified as covered separately and measured in every currency. Accordingly, all income and expenses from currency translation were

recognized in the income statement in accordance with section 340h(2) sentence 1 and 2 of the HGB. There was no income to be treated separately as the items existing at the balance sheet date were established promptly due to the high turnover rate.

### III. Information on investors and investees

Postbank was included in the consolidated financial statements of Deutsche Post AG as of December 31, 2008. The consolidated financial statements of Deutsche Post AG can be viewed in the Electronic Federal Gazette.

### IV. Principles under the KWG

In the year under review, Postbank's equity and liquidity remained in accordance with the principles laid down by the *Bundesanstalt für Finanzdienstleistungsaufsicht* (German Federal Financial Supervisory Authority) at all times (sections 10, 10a and 11 of the *Kreditwesengesetz – KWG – German Banking Act*).

Since March 31, 2007, the Postbank Group has made use of the waiver rule in accordance with section 2a of the KWG for its single institution Deutsche Postbank AG, dispensing with the need to file a single institution report in connection with section 10 of the KWG. The ratios according to the *Solvabilitätsverordnung* (SolV – Solvency Regulation) were therefore complied with at Group level only. Following the extension of the waiver rule, the report in accordance with section 13a of the KWG for the first time (as of March 31, 2008) was no longer filed for the single institution, Deutsche Postbank AG.

## B. Balance sheet and income statement disclosures

### I. Assets side of the balance sheet

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
<b>Affiliated companies</b>		
The following items include loans and advances to affiliated companies:		
Loans and advances to other banks	10,727	3,325
Loans and advances to customers	5,185	4,503
Bonds and other fixed-income securities	5,983	4,466
Other assets	347	1,004
<b>Other long-term investees and investors</b>		
The following items include loans and advances to other long-term investees and investors:		
Loans and advances to other banks	0	0
Loans and advances to customers	54	71
Bonds and other fixed-income securities	0	0
Other assets	0	0
<b>Subordinated loans and advances</b>		
Subordinated loans and advances are reported in the following items:		
Loans and advances to other banks	21	21
Loans and advances to customers	0	0
Bonds and other fixed-income securities	0	0
Equities and other non-fixed-income securities	10	0

The increase in bonds and other fixed-income securities results primarily from money market securities acquired from BHW Bausparkasse AG as well as long-term bonds.

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
<b>Loans and advances to other banks</b>		
Used as cover, with an agreed maturity or withdrawal notice	343	105
of which: less than four years	0	0
of which: four years or more	343	105

#### Securities repurchase agreements

Reverse repos totaling €7,604 million were carried as loans and advances to other banks.

Securities repurchased under agreements to resell are not reported in the balance sheet; interest of €507.5 million arising from such transactions was recognized as interest income.

Repos totaling €14,800 million were recognized as deposits from other banks. Interest of €528.7 million arising from such transactions was recognized as interest expense.

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Loans and advances to customers		
Used as cover, with an agreed maturity or withdrawal notice	15,599	17,207
of which: less than four years	48	49
of which: four years or more	15,551	17,158
Secured by mortgage charges	27,863	25,730
of which: used as cover	13,422	13,231
Public sector loans	2,182	3,543
of which: used as cover	2,176	3,542

The key change in loans and advances to customers in the year under review relates to the issue of new residential construction loans in the amount of €3.9 billion. In addition, receivables amounting to €1.5 billion and €0.7 billion were acquired from the Aareal Bank and from the Coreal Bank, respectively. Furthermore, receivables increased due to a rise in global commercial financing measures amounting to €3.0 billion. This increase is primarily due to new domestic commercial financing deals issued, amounting to €2.5 billion, as well as new international commercial financing deals issued, amounting to €1.9 billion, with a total of €1.3 billion being redeemed.

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Bonds and other fixed-income securities		
<b>This item includes negotiable securities totaling:</b>	<b>67,584</b>	<b>52,091</b>
Money market securities		
Public-sector issuers		
listed money market securities	0	0
unlisted money market securities	0	0
Other issuers		
listed money market securities	6,867	5,730
unlisted money market securities	0	0
Bonds		
Public-sector issuers		
listed bonds	21,260	13,307
unlisted bonds	835	104
Other issuers		
listed bonds	37,663	31,913
unlisted bonds	714	966
Securities not measured at the lower of cost or market	486	7,138
Own bonds		
listed own bonds	89	70
unlisted own bonds	156	1

Fixed assets include 23 securities with a carrying amount of €486 million (previous year: €7,138 million), for which writedowns amounting to €180 million (previous year: €413 million) would have been charged if they had been measured at their quoted prices at the balance sheet date. Of these, 14 were asset-backed securities (carrying amount €289 million, fair value €173 million) issued in a country outside Europe and three were asset-backed securities (carrying amount €68 million, fair value €59 million) issued in the European Union. In addition, the Bank holds six asset-

backed securities (carrying amount €130 million, fair value €75 million) that were issued on the Channel island Jersey C.I. Of these changes in value, a total of €88.6 million was recognized as a provision for anticipated losses for the credit derivatives embedded in these instruments.

The changes in the value of the interest-bearing securities are due to interest rate and credit spreads and are not expected to be permanent. A provision for anticipated losses amounting to €56.2 million was established for the credit default swaps separated from the synthetic collateralized debt obligations in accordance with IDW ERS HFA 22. Further provisions amounting to €51.7 million apply to CIRC (credit investment related conduit) carried on the balance sheet as loans and advances to other banks.

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Equities and other non-fixed-income securities		
<b>This item includes negotiable securities totaling:</b>	<b>283</b>	<b>712</b>
of which: listed securities	283	689
of which: unlisted securities	0	23
Securities not measured at the lower of cost or market	0	0

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Equity investments		
<b>This item includes negotiable investments totaling:</b>	<b>7</b>	<b>6</b>
of which: listed	7	6
of which: unlisted	0	0
Investments in affiliated companies		
<b>This item includes negotiable investments totaling:</b>	<b>13,334</b>	<b>4,147</b>
of which: listed	0	1,753
of which: unlisted	13,334	2,394

## Statement of changes in assets

	Historical cost	Additions	Disposals	Changes in exchange rates/deferred interest	Cumulative depreciation, amortization and writedowns	Residual value	Depreciation, amortization and writedowns in fiscal year 2008
	Jan. 1, 2008					Dec. 31, 2008	
	€m	€m	€m	€m	€m	€m	€m
Bonds and other fixed-income securities	7,502	45	-833	103	-92	6,725	-79
Equity investments	17	4	0		-4	17	-4
Investments in affiliated companies	4,288	10,244	-160		-683	13,689	-683
Property and equipment	1,002	4	-4		-399	603	
Intangible assets	26	26			-13	39	-3
<b>Total</b>	<b>12,835</b>	<b>10,323</b>	<b>-997</b>	<b>103</b>	<b>-1,191</b>	<b>21,073</b>	<b>-805</b>

Effective July 15, 2008, the special funds 2-23 and TGV 24 100 were incorporated into the previously established PB Spezialinvest in the amount of €9.8 billion and reported under investments in affiliated companies. Without exception, the subpools of assets are the special funds previously held by Postbank in equities and other non-interest-income securities.

In addition, the additions to investments in affiliated companies include the capital increases of PB (USA) Holdings Inc. (€107,373 thousand) and Betriebs-Center für Banken AG (BCB) (€213,100 thousand).

Further additions within the scope of a portfolio acquisition relate to the limited partnership shares of Ariadne Portfolio GmbH & Co. KG (€20,805 thousand), shares of Ariadne Verwaltungs GmbH (€25 thousand) as well as shares of Iphigenie Verwaltungs GmbH (€25 thousand). Effective as of August 1, 2008, Ariadne Portfolio GmbH & Co. KG, Bonn was renamed DSL Bank Portfolio GmbH & CO KG, Bonn, and on July 31, 2008 Ariadne Verwaltungs GmbH, Wiesbaden, was renamed DSL Bank Portfolio Verwaltungs GmbH, Bonn. Following the entry in the commercial register on October 15, 2009, these companies were renamed DSL Portfolio GmbH & Co. KG and DSL Portfolio Verwaltungs GmbH, respectively.

Moreover, the remaining 1.6% of shares held by the minority shareholders of BHW Holding AG (€39,360 thousand) was allocated to investments in affiliated companies. Accordingly Deutsche Postbank AG holds 100% of the shares of BHW Holding.

The disposal of investments in affiliated companies relates to the merger of BHW Bank AG (€160,100 thousand) following the spin-off of its fund custody business (€25,600 thousand) to Postbank.

Writedowns and adjustments of investments in affiliated companies relate to PB (USA) Holdings, Inc. (€111,227 thousand), Postbank Finanzberatung AG (€59,722 thousand), BHW Holding AG (€196,569 thousand), Postbank Immobilien und Baumanagement GmbH (€18,407 thousand) and Postbank Vertriebsakademie GmbH (€1,900 thousand). In addition, writedowns of the subpools of assets of PB Spezialinvest totaled €295,968 thousand.

Postbank's Transaction Banking covers all settlement services in connection with payment transaction services, accounts and lending.

External clients have been offered highly professional operating services in the field of payment transactions, transaction tracing and internal accounts via the subsidiary Betriebs-Center für Banken AG (BCB) as early as 2004. The clients in question include Dresdner Bank, Deutsche Bank and HypoVereinsbank. As of July 1, 2008, Postbank sold its payment transaction service to BCB. At a purchase price of €198.5 million, other operating income generated amounted to €197 million.

Property and equipment includes land and buildings amounting to €512 million used in Postbank's own operations, and operating and office equipment amounting to €13 million.

Intangible assets primarily comprise the goodwill of the London Branch and the securities accounts business taken over from BHW Bank AG in the year under review. Straight-line amortization is effected over a period of 15 years.

	Dec. 31, 2008	Dec. 31, 2007
	€m	€m
<b>Other assets</b>		
This item primarily includes the following:		
Adjustment item portfolio measurement	672	297
Receivables arising from non-bank business	350	1,004
Adjustment item from foreign currency translation	147	0
Claims to tax reimbursement	112	33
Variation margin	55	1
Claims to reimbursement against PB Lebensversicherung AG (Talanx)	52	17
Collection documents	2	7
Claims to reimbursement against the German government	0	0

Postbank's other assets mainly include receivables from Postbank Filialvertrieb AG amounting to €223 million, from PB Firmenkunden AG amounting to €49 million and an unrealized measurement gain on proprietary trading portfolios (marking to market) amounting to €672 million.

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
<b>Prepaid expenses</b>		
This item includes:		
Close-out payments on micro swaps	1,057	510
Prepaid premiums on loans and advances	147	214
Prepaid issue costs/discounts	75	71
Investment allowances	49	47

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
<b>Remaining maturities</b>		
<b>Other loans and advances to other banks</b>	<b>31,505</b>	<b>24,182</b>
less than 3 months	20,881	17,860
3 months to 1 year	3,761	1,996
1 to 5 years	3,140	3,585
more than 5 years	3,723	741
<b>Loans and advances to customer</b>	<b>69,225</b>	<b>61,387</b>
less than 3 months	13,950	9,235
3 months to 1 year	4,809	6,598
1 to 5 years	19,610	18,727
more than 5 years	28,726	24,640
without fixed maturity	2,130	2,187

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
<b>Bonds and other fixed-income securities</b>		
Amounts due in the following year	13,271	10,883

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
<b>Foreign currency assets</b>		
Total amount of assets denominated in foreign currency	22,050	17,608

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
<b>Trust assets</b>		
This item includes:	1,085	1,174
Loans and advances to customers	1,024	1,123
Loans and advances to other banks	61	51

The traditional focus is on financing measures aimed at enhancing infrastructure in rural areas, and specifically on promoting full-time and part-time agricultural enterprises. In eastern Germany, Postbank provides finance within the framework of government subsidy programs for the re-establishment and restructuring of agricultural enterprises by granting loans and subsidies as well as subsidized interest rates and guarantees.

## II. Liabilities side of the balance sheet

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
<b>Affiliated companies</b>		
The following items include amounts due to affiliated companies in unsecuritized form:		
Deposits from other banks	4,932	1,320
Due to customers	491	158
Other liabilities	126	139

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
<b>Other long-term investees and investors</b>		
Deposits from other banks	0	0
Due to customers	0	0
Other liabilities	0	0

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
<b>Other liabilities</b>		
This item is primarily composed of:		
Tax liabilities	197	145
Liabilities arising from non-bank business	164	139
Adjustment item from currency translation	0	340

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
<b>Deferred income</b>		
This item includes:		
Close-out payments on micro swaps	903	449
Discount accruals arising on loans and advances	80	58
Upfront payments on trading swaps	77	5
Par structure bonds acquired at par	65	15
Issue costs/premium accruals on bonds issued	20	22
Installment loans interest and charges	0	0

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
<b>Provisions</b>		
Other provisions include:		
Employee-related provisions	109	93
Provisions for anticipated losses on derivatives	352	63
Provisions for restructuring measures	21	35

### Subordinated debt

Information on all borrowings that exceed 10 % of total subordinated debt:

ISIN	Currency	Amount	Interest rate	Due
DE0001397081	€	500,000,000	variable	Nov. 4, 2015
XF0002431707	€	500,027,000	6.005 %	Dec. 23, 2034
XF0002432002	€	500,076,000	5.991 %	June 29, 2037

The terms and conditions of the subordinated debt do not comply in full with the requirements of section 10(5a) of the KWG due to the short maturities; an extraordinary right of termination has not been granted to the creditor.

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Expenses (including proportionate interest and premiums) incurred by subordinated debt amounted to:	215	186

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
<b>Remaining maturities</b>		
Deposits from other banks with an agreed maturity or withdrawal notice	63,292	51,497
less than 3 months	41,635	34,285
3 months to 1 year	15,495	10,463
1 to 5 years	1,878	3,197
more than 5 years	4,284	3,552

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
<b>Savings deposits with an agreed maturity</b>	361	228
less than 3 months	170	5
3 months to 1 year	53	59
1 to 5 years	138	164
more than 5 years	0	0

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
<b>Other amounts due to customers with an agreed maturity or withdrawal notice</b>	33,926	26,746
less than 3 months	6,626	6,136
3 months to 1 year	10,176	5,305
1 to 5 years	3,708	3,728
more than 5 years	13,416	11,577

#### Securitized liabilities

<b>Bonds issued</b>		
Amounts due in following year	5,160	1,252

No assets have been transferred as collateral for the liabilities.

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
<b>Foreign currency liabilities</b>		
Total amount of liabilities denominated in foreign currency	22,595	17,741

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
<b>Open market transactions</b>		
Securities with repurchase agreements were pledged as collateral to the Land Central Bank collateral pool as part of open market transactions	21,715	14,661

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
<b>Trust liabilities</b>	1,085	1,174
This item includes:		
Trust funds (transmitted loans)	513	551
Special-purpose funds	447	415
Deposits from other banks	68	152
Special fund of the state of Mecklenburg-Western Pomerania	45	45
Retired farmers' pension fund	12	11

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
<b>Profit participation certificates outstanding</b>	1,222	1,216
This item includes:		
Bearer profit participation certificates outstanding	575	560
Registered profit participation certificates outstanding	647	656

For historical reasons – including the Postbank / DSL Bank merger, and the takeover of BHW – participation certificates of Deutsche Postbank AG were outstanding subject to various triggers for payout commitments and loss participation. For reasons of equal treatment the creditors were offered a contractual amendment – where an adjustment was necessary – providing for a uniform payout commitment for all profit participation rights linked to the unappropriated surplus of Deutsche Postbank AG. This offer was accepted by the majority of creditors affected by the net loss for the year when the annual financial statements were prepared in 2009. The Bank is under an obligation to treat those certificate holders who participated in the net loss for the year on a priority basis in the following three years before paying out other retained earnings, and to replenish the contribution reduced by such loss participation.

### Equity

Postbank's share capital amounts to €547 million and is composed of 218,800,000 no-par value registered shares.

In accordance with the Articles of Association, the Management Board is authorized, with the consent of the Supervisory Board, to increase the Bank's share capital by up to a total of €41,000,000 up to March 24, 2009 by issuing new, non-voting no-par value registered shares (preference shares) against non-cash contributions (Authorized Capital I). Shareholders' pre-emptive subscription rights are disapplied.

On October 27, 2008, the Management Board resolved, with the consent of the Supervisory Board on the same day, to exercise its authority regarding Authorized Capital II and issue 54,800,000 new registered no-par-value shares with a notional value of €2.50 each (New Shares) subject to a grant of pre-emptive subscription rights (with the exception of a fractional amount of 133,334 New Shares for which pre-emptive subscription rights were disapplied).

The Annual General Meeting of Postbank on May 8, 2008 renewed the Management Board's global authorization to purchase own shares. Accordingly, the Management Board is authorized to purchase own shares up to a total of 10% of the share capital.

Changes in equity in 2008	Issued capital	Contributions by typical silent partners	Share premium	Retained earnings	Unappropriated surplus	Equity
	€m	€m	€m	€m	€m	€m
Balance at Jan. 1, 2008	410	51	1,159	648	237	2,505
Dividend payment					-205	-205
Appropriation to issued capital	137					137
Appropriation to share premium			863			863
Appropriation to retained earnings				32	-32	0
Withdrawal from share premium			-453		453	0
Withdrawal from retained earnings				-680	680	0
Withdrawal from profit participation certificates outstanding					24	24
Withdrawal from contributions by typical silent partners		-13			13	0
Net loss					-1,170	-1,170
Balance at Dec. 31, 2008	547	38	1,569	0	0	2,154

Owing to the financial market crisis and the resulting impairment charges on securities portfolios as well as writedowns on equity investments, in fiscal year 2008 Postbank reported a loss for the period amounting to €1,170 million. Due to the participation in loss by the creditors under silent participations as well as parts of the holders of profit participation rights, the loss for the period was reduced by €37 million within the scope of the appropriation. In addition, Postbank reverses retained earnings amounting to €680 million and reduces the share premium by €453 million, to report a net loss of zero in the process.

In accordance with section 10(4a) sentence 1 in conjunction with (4c) of the KWG, no unrealized reserves will be allocated to regulatory capital requirements following the adoption of the annual financial statements.

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Contributions by typical silent partners	38	51

Based on the principal amount of their contributions, the typical silent partners receive a share of profits for every fiscal year in which an unappropriated surplus is generated in the amount of the percentage which Postbank uses to calculate the dividend payment on its share capital, including disclosed reserves. The percentage is limited in each case by minimum and maximum rates. In the event of a net loss for the period, such net loss is to be deducted from the contributions of typical silent partners in the ratio of its carrying amount to the Bank's total liable equity reported in the balance sheet that participates in such loss. At the same time, the silent partners do not receive any consideration on their contributions. For fiscal year 2008, the silent

partners participated in the net loss for the period in accordance with the contractual terms and conditions. Three of the silent partnerships were prematurely discontinued on January 23, 2009 based on an agreement entered into with the companies in question. The contractual terms and conditions applicable to the silent partners provide for the latter to be given preferred treatment within the following three years; accordingly, the contributions reduced by the loss absorption is to be replenished before the allocation of the reserves.

### III. Income Statement

Writedowns and adjustments to loans and advances and certain securities as well as additions to provisions for credit risks primarily comprise writedowns on structured credit products (SCP holdings) amounting to approx. €796 million, writedowns on investment funds amounting to €29 million and losses on disposals of equities and investment funds amounting to €162 million.

Within the scope of the merger of BHW Bank AG into Postbank, a provision for general bank risks in accordance with section 340(f) of the HGB amounting to €24.2 million was transferred to Postbank. This provision for general bank risks was amortized and recognized in income.

Other operating expenses include expenses for a capital increase amounting to €14 million, court and litigation costs amounting to €10 million and remuneration paid to the *Bundesanstalt für Post und Telekommunikation* (Federal Posts and Telecommunications Agency) amounting to €10 million.

Writedowns and adjustments of equity investments and investments in affiliated companies and securities treated as fixed assets primarily comprise writedowns on carrying amounts of investment assets of BHW Holding amounting to €197 million, PB Spezial-Investmentgesellschaft mit Teilgesellschaftsvermögen amounting to €296 million, PB Capital Corporation amounting to €111 million, Postbank Finanzberatung amounting to €60 million and Postbank Immobilien und Baumanagement GmbH amounting to €18 million. In addition, writedowns amounting to €136 million were made on fixed-income securities.

The merger of BHW Bank AG into Postbank results in a merger loss amounting to €12.6 million reported in extraordinary expenses.

Taxes on income amount to €113 million, of which a total of €73 million is attributable to the findings of the tax audit for the periods from 1998 to 2000 and 2001 to 2004 and the resulting actual agreement reached.

Other operating income includes €538 million in income from the reimbursement of personnel and non-personnel expenses. In fiscal year 2008, Postbank's payment transactions were transferred to BCB. This spin-off resulted in income from the disposal of assets amounting to €197 million. This item also includes income from rental and lease agreements amounting to €45 million and income from the reversal of provisions amounting to €19 million.

	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Germany	2,819	2,851
Others	82	55
Europe	82	55
Total	2,901	2,906

The total amount includes the following income statement line items: net interest income, net fee and commission income and net income from financial operations.

### IV. Contingent liabilities

Postbank reported a guarantee of €596 million issued to PB Capital Corp. (PB Capital) under contingent liabilities. This consists primarily of rental guarantees for office space, guarantees for CP programs and guarantees for swaps and derivatives. This item also includes a guarantee of €1,690 million issued to PBI. This mainly covers exposures in the form of risk subparticipation agreements that exceed PBI's large exposure limits, among other things.

#### C. Other disclosures

##### I. Other financial obligations

In accordance with Article 4 section 16 of the *Gesetz zur Neuordnung des Postwesens und der Telekommunikation* (PTNeuOG – German Posts and Telecommunications Reorganization Act), Postbank has paid 33 % of the gross compensation of its active civil servants and the notional gross compensation of its civil servants on leave of absence to a pension fund set up for this purpose, starting in the year 2000. Other obligations for pension fund payments above and beyond this are not borne by Postbank but by the federal government.

For information regarding potential risks from the (special) contributions to the mandatory compensation scheme of the *Bundesverband deutscher Banken* (Association of German Banks), please refer to the explanations in the management report.

The present value of lease obligations amounts to €86 million.

##### Letters of comfort

Postbank ensures that, with the exception of political risk, its subsidiaries Deutsche Postbank International S.A., Luxembourg, PB Capital Corp., Delaware, U.S.A., and BHW Bausparkasse AG, Hamelin, are able to discharge their obligations.

Postbank has issued subordinated letters of comfort in relation to the issue of subordinated bonds by Deutsche Postbank Funding LLC I, II, III and IV, all four of which are domiciled in Delaware, U.S.A..

### Additional funding obligation

In accordance with the provisions of that Company's Articles of Association, the investment in Liquiditäts-Konsortialbank GmbH, Frankfurt am Main, results in a pro rata additional funding obligation of up to €5.4 million. Deutsche Postbank AG is also liable pro rata for the fulfillment of the additional funding obligations of other shareholders belonging to the Bundesverband deutscher Banken e.V. (Association of German Banks), Berlin.

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* (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).

## II. Employees (average full-time equivalents)

	Total 2008	Total 2007
<b>Employees</b>		
Full-time	2,831	2,936
Part-time	270	281
<b>Civil servants</b>		
Full-time	1,924	2,268
Part-time	496	637
<b>Subtotal</b>	<b>5,521</b>	<b>6,122</b>
<b>Trainees</b>		
Vocational trainees	265	244
Management trainees	0	0
AIS students	15	15
	280	259
<b>Total employees</b>	<b>5,801</b>	<b>6,381</b>

## III. Remuneration of the Management Board

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

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

The level of remuneration for members of the Management Board is determined on the basis of the size and activity of the Company, its economic and financial situation, and the tasks of the board member in question. Remuneration is calculated so that it is competitive with regard to national and international standards and hence offers an incentive for dedicated and successful work. It therefore complies with the requirements of section 87 of the *Aktengesetz* (AktG – German Stock Corporation Act).

The level of remuneration is linked to performance; overall remuneration consists of a fixed and a performance-related component.

The fixed component (base pay) and other compensation are not linked to performance. The fixed component is paid as a monthly salary in 12 equal installments.

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

The annual bonus awarded to the Chairman of the Management Board is determined by the Executive Committee of the Supervisory Board on the basis of the Company's business development after due assessment of the circumstances.

The annual bonuses awarded to the other members of the Management Board are paid according to the achievement of quantitative and/or qualitative targets. These targets form part of a target agreement established at the start of each fiscal year. 50 % of them are corporate targets for Deutsche Postbank AG and are dependent on the earnings KPIs of the Company (corporate performance bonus). The remaining 50 % relate to individual quantitative and/or qualitative targets of the respective board members (personal performance bonus). The size of the bonuses is based on the degree to which predetermined target values are reached or exceeded.

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

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

Otherwise, in order to create an incentive, the ratio of potential variable remuneration to fixed remuneration is calculated so that variable remuneration can exceed fixed remuneration.

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

The ten active members of the Management Board received remuneration totaling € 16,174.3 thousand (previous year: €10,529.0 thousand) in fiscal year 2008. Of this amount, €4,309.3 thousand related to fixed components (previous year: €4,469.8 thousand), and €11,865.0 thousand to bonuses (previous year: €6,059.2 thousand).

The performance-related component includes payment of a one-time premium (special bonus) to board members in connection with the acquisition of an investment in the Company in the amount of €11,515.0 thousand; the premium was promised in May 2008. Performance-related remuneration for fiscal year 2007 in the amount of €350.0 thousand is also included.

Not including these payments, overall remuneration for the ten board members active in fiscal year 2008 amounted to €4,309.3 (previous year: €10,529.0 thousand).

An annual bonus (corporate and personal performance bonus) will not be paid for fiscal year 2008.

The fixed component includes "other compensation" worth €175.3 thousand (previous year: € 189.8 thousand) in total. This additional remuneration relates primarily to the use of management cars, the reimbursement of travel costs, and contributions to insurance schemes. In principle, other compensation is available to all members of the Management Board equally; the amount varies depending on different personal circumstances.

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

#### Management Board remuneration in 2008

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

<sup>1</sup> Includes payment of a one-time premium (special bonus) to board members in connection with the acquisition of an investment in the Company in the amount of €11,515.0 thousand. Performance-related remuneration for fiscal year 2007 in the amount of €350.0 thousand is also included. Not including these payments, overall remuneration for the ten board members active in fiscal year 2008 amounted to €4,309.3 thousand (previous year: €10,529.0 thousand). An annual bonus (corporate and personal performance bonus) will not be paid for fiscal year 2008.

#### Management Board remuneration in 2007

	Fixed remuneration component		Performance related component	Total
	Fixed component	Other compensation	Annual bonus	Special bonus
	€ thousand	€ thousand	€ thousand	€ thousand
Wolfgang Klein (Chairman since July 1, 2007)	687.5	45.7	797.7	1,530.9
Dr. Wulf von Schimmelmann (Chairman until June 30, 2007)	555.0	14.6	825.0	1,394.6
Dirk Berensmann	500.0	23.9	742.3	1,266.2
Mario Daberkow	250.0	14.5	339.4	603.9
Henning R. Engmann (until March 31, 2007)	125.0	7.8	200.0	332.8
Stefan J�tte	512.5	14.2	761.1	1,287.8
Guido Lohmann (since July 1, 2007)	125.0	9.8	161.5	296.3
Michael Meyer (since July 1, 2007)	175.0	6.9	219.9	401.8
Loukas Rizos	550.0	19.5	1,067.3	1,636.8
Hans-Peter Schmid	400.0	16.5	464.0	880.5
Ralf Stemmer	400.0	16.4	481.0	897.4
<b>Total</b>	<b>4,280.0</b>	<b>189.8</b>	<b>6,059.2</b>	<b>10,529.0</b>

#### IV. Pension commitments

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

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

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

The size of the pension depends on the length of service and the amount of pensionable remuneration. Only the fixed component of remuneration (base pay) is pensionable. The basic rule is that pension benefits of 50 % relating to the percentage of final salary accrue to members of the Management Board after five years of service. Benefits accrue at a constant rate of 2 % for each eligible year of service. The maximum level of pension benefits (60 %) relating to the percentage of final salary is generally reached after ten years of service. The arrangements in the case of Management Board member Stefan J tte are different, however. The pension benefits for Stefan J tte amount to a maximum of 50 % of pensionable income. The Chairman of the Management Board has already reached the maximum of 60 % of his pension benefits.

The pension commitments further include rules for the payment of a transitional allowance for board members who leave the Company upon reaching the age limit or for reasons of disability. The benefit period is two years.

If Dirk Berensmann, Hans-Peter Schmid, or Ralf Stemmer leave the Management Board before the end of their contractual term due to termination of contract by Postbank, the pension benefits shall be calculated as if they had fulfilled their contract as planned, unless Postbank terminates the employment relationship for good cause.

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

In May 2007, the Executive Committee of Deutsche Postbank AG's Supervisory Board resolved to restructure the pension arrangements for members of the Management Board appointed after March 31, 2007 from the previous final salary-based pension system to a defined contribution plan. The pension commitments of the members of the Management Board appointed after that date, Guido Lohmann, Michael Meyer, and Horst Küpker, are therefore based on the following basic system: A benefit contribution is granted for each eligible year of service. This benefit contribution is credited to a virtual pension account and bears 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. The current interest rate is 6%. When the insured event occurs, the amount of the pension is determined by distributing the pension assets accumulated in the pension account across the expected benefit period of the pension in accordance with actuarial principles. There is no waiting period and entitlements from pension commitments are vested immediately. Pensions are adjusted by 1% p.a.

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

Pension commitments for individual members of the Management Board

	Percentage of final salary as of Dec. 31, 2008	Maximum percentage of final salary -	Service cost for pension obligations
	%	%	€thousand
Wolfgang Klein (Chairman)	60.00	60.00	180,264
Dirk Berensmann	58.00	60.00	162,226
Stefan Jütte	29.39	50.00	218,926
Hans-Peter Schmid	0	60.00	234,188
Ralf Stemmer	0	60.00	54,085

Hans-Peter Schmid and Ralf Stemmer have not yet completed their respective waiting periods. As of the end of fiscal year 2008, they

therefore have no entitlement to an old-age pension under these arrangements. Ralf Stemmer's previous pension arrangements will take effect before the expiry of the waiting period.

	Contribution amount for 2008	Pension account balance as of Dec. 31, 2008	Service cost for pension obligations
	€ thousand	€ thousand	€ thousand
Horst Küpker (since July 1, 2008)	184,597	190,135	90,027
Michael Meyer	87,500	337,755	70,729

The remuneration paid to former members of the Management Board and their dependants amounted to €16.42 million (previous year: €4.95 million).

The defined benefit obligation (DBO) for current pensions, calculated in line with international accounting principles, totals €43.30 million.

#### Other

In the year under review, the members of the Management Board have received no benefits from third parties that were either promised or granted in view of their position as a member of the Management Board.

Apart from the benefits specified above, no member of the Management Board has been promised any further benefits upon termination of employment.

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

The remuneration of a full member of the Supervisory Board without membership in a committee is as follows: The fixed component amounts to €15,000, while the variable annual component amounts to €300 for each €0.03 by which the consolidated net profit per share for the respective fiscal year exceeds the amount of €2.00. Members of the Supervisory Board will be entitled to performance-related remuneration with a long-term incentive effect amounting to €300 for each 1% by which the consolidated net profit per share for fiscal year 2010 exceeds the consolidated net profit per share for fiscal year 2007. This remuneration is payable following the end of the 2011 Annual General Meeting.

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 incurred in the exercise of their office. Any value-added tax on the Supervisory Board remuneration and on any out-of-pocket expenses is reimbursed. In addition, each member of the Supervisory Board attending a meeting receives an attendance allowance of €250 for each meeting of the full Supervisory Board or of one of the committees.

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

Persons who are members of the Supervisory Board for only part of a fiscal year receive the corresponding remuneration ratably. The total remuneration paid to members of the Supervisory Board for fiscal year 2008 amounted to €526 thousand (previous year: €996 thousand). As concerns earnings-related remuneration, the Supervisory Board only received the fixed remuneration. In fiscal year 2008, the Supervisory Board received reimbursement of out-of-pocket expenses amounting to €17.5 thousand.

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

	Fixed remuneration	Variable remuneration (annually)	Variable remuneration (long-term)	Attendance allowance	Total	Entitlement to remuneration with long-term incentive effect*
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Frank Appel	45.5	–	–	2.5	48.0	45.5
Michael Sommer	45.0	–	–	1.8	46.8	45.0
John Allan	9.8	–	–	0.5	10.3	9.8
Wilfried Anhäuser	22.5	–	–	2.5	25.0	22.5
Jörg Asmussen	6.1	–	–	0.3	6.4	6.1
Marietta Auer	22.5	–	–	2.5	25.0	22.5
Rolf Bauermeister	15.0	–	–	1.3	16.3	15.0
Wilfried Boysen	15.0	–	–	1.3	16.3	15.0
Henry Cordes	1.8	–	–	0.3	2.1	1.8
Edgar Ernst	30.0	–	–	3.5	33.5	30.0
Annette Harms	15.0	–	–	1.3	16.3	15.0
Peter Hoch	37.5	–	–	3.5	41.0	37.5
Elmar Kallfelz	25.1	–	–	3.0	28.1	25.1
Ralf Krüger	37.5	–	–	3.5	41.0	37.5
Axel Nawrath	4.9	–	–	0.0	4.9	4.9
Hans-Dieter Petram	19.9	–	–	1.3	21.2	19.9
Bernd Pfaffenbach	15.0	–	–	1.3	16.3	15.0
Klaus Schlede	7.9	–	–	0.8	8.7	7.9
Thorsten Schulte	27.4	–	–	2.0	29.4	27.4
Eric Stadler	15.0	–	–	1.3	16.3	15.0
Gerd Tausendfreund	22.5	–	–	2.5	25.0	22.5
Renate Treis	22.5	–	–	2.5	25.0	22.5
Elmo von Schorlemer	15.0	–	–	1.3	16.3	15.0
Klaus Zumwinkel	7.0	–	–	0.0	7.0	7.0
Total	485.4	–	–	40.8	526.2	485.4

\*The basis for the measurement of the entitlement to remuneration with long-term incentive effect is the provision which must be recognized.

Peter Hoch received remuneration of €25 thousand for his work on the Supervisory Board of the BHW Group.

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

#### Shareholdings of the members of the Management Board and Supervisory Board

In fiscal year 2008, 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.

At the balance sheet date, loans of €70.4 thousand (previous year: €931 thousand) had been granted to members of the Management Board and members of the Supervisory Board. In fiscal year 2008, loans amounting to €528.38 thousand at the balance sheet date were granted to Management Board members who retired in 2008. No other contingent liabilities had been entered into.

#### D&O insurance

The members of the Management Board and of the Supervisory Board are covered by D&O insurance in line with international standards. In accordance with the requirements of the Corporate Governance Code, individual Management Board members are required to contribute own funds to costs if a claim is made. This contribution is between approximately 10 % and 40 % of the fixed annual salary.

#### Forward contracts

The volume of unsettled derivatives subject to settlement risk, and currency, interest and/or market risk from open and, in the case of counterparty risk, from closed positions, amounted to €681 billion as of December 31, 2008 (previous year: €528 billion).

The following table (Table 1) lists the current derivatives contracts broken down by their risk structure. In line with normal international practice the notional amounts are reported. This figure is a reference amount used to calculate mutually agreed cash settlement payments and does not represent recognizable receivables or liabilities.

Tables 2, 3 and 4 on the following page break down this information further in line with various criteria. In addition to providing information on maturity classes by risk category, they offer a breakdown by counterparty. Derivatives held for trading are shown separately.

The notional amounts represent the gross volume of all calls and puts. The fair value of the individual contracts is determined using recognized measurement models; netting arrangements are not applied.

	Notional amounts		Derivatives – broken down by volume			
	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Positive fair values		Negative fair values	
	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m
<b>Interest rate risk</b>						
<b>OTC products</b>						
Interest rate swaps	624,878	483,655	14,753	5,259	-16,698	-5,257
FRAs	12,028	5,895	18	0	-11	-2
Interest rate options						
Long calls	0	50	0	0	0	0
Short puts	10	10	0	0	0	0
Caps, floors	167	778	1	2	-1	-2
Other interest rate forwards		0				
<b>Exchange-traded products</b>						
Interest rate futures (Bund, Bobl, Schatz)	8,291	9,868	0	0	0	0
Interest rate options (Bund, Bobl, Schatz)	0	490	0	0	0	0
<b>Subtotal</b>	<b>645,374</b>	<b>500,746</b>	<b>14,772</b>	<b>5,261</b>	<b>-16,710</b>	<b>-5,261</b>
<b>Currency risk</b>						
<b>OTC products</b>						
Currency forwards/swaps	31,564	22,763	892	216	-837	-300
Cross-currency swaps	1,385	1,439	175	14	-34	-244
Currency options						
Long calls	192	286	7	4	-	-
Short puts	149	181	0	0	-5	-4
Other currency forwards		0				
<b>Exchange-traded products</b>						
Currency futures	0	0	0	0	0	0
Currency options	0	0	0	0	0	0
<b>Subtotal</b>	<b>33,290</b>	<b>24,669</b>	<b>1,074</b>	<b>234</b>	<b>-876</b>	<b>-548</b>
<b>Equity and other price risk</b>						
<b>OTC products</b>						
Equity forwards						
Equity/index options						
Long calls	40	85	0	8	0	0
Short puts	47	82	0	0	-1	-9
Other equity/index contracts						
<b>Exchange-traded products</b>						
Equity/index futures	5	117	0	0	0	0
Equity/index options	25	259	1	2	0	-1
<b>Subtotal</b>	<b>117</b>	<b>543</b>	<b>1</b>	<b>10</b>	<b>-1</b>	<b>-10</b>
<b>Credit derivatives</b>						
Calls	517	515	30	2	-5	0
Puts	1,524	1,442	4	4	-199	-36
<b>Subtotal</b>	<b>2,041</b>	<b>1,957</b>	<b>34</b>	<b>6</b>	<b>-204</b>	<b>-36</b>
<b>Total</b>	<b>680,822</b>	<b>527,915</b>	<b>15,881</b>	<b>5,511</b>	<b>-17,791</b>	<b>-5,855</b>

Derivatives – broken down by residual maturities								
Notional amounts in €m	Interest rate risk		Currency risk		Equity and other price risk		Credit derivatives	
	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Remaining maturities								
less than 3 months	48,020	64,223	29,236	17,896	51	328	191	7
3 months to 1 year	66,701	51,556	3,284	5,478	0	51	413	73
1 to 5 years	171,727	114,877	436	970	66	164	659	1,058
more than 5 years	358,926	270,090	334	325	0	0	779	819
<b>Total</b>	<b>645,374</b>	<b>500,746</b>	<b>33,290</b>	<b>24,669</b>	<b>117</b>	<b>543</b>	<b>2,042</b>	<b>1,957</b>

Derivatives – broken down by counterparties							
Notional amounts in €m	Notional amounts		Positive fair values		Negative fair values		
	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	
Counterparties							
Banks in OECD countries	678,000	525,862	15,765	5,485	-17,627	-5,804	
Banks in non-OECD countries	795	0	21	0	-101	0	
Other counterparties	2,027	2,053	95	26	-63	-51	
<b>Total</b>	<b>680,822</b>	<b>527,915</b>	<b>15,881</b>	<b>5,511</b>	<b>-17,791</b>	<b>-5,855</b>	

Derivatives – held for trading						
Notional amounts in €m	Notional amounts		Positive fair values		Negative fair values	
	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Interest rate contracts	580,248	457,520	14,333	4,928	-13,850	-4,622
Currency contracts	18,950	16,055	527	174	-459	-239
Equity contracts	30	370	1	2	0	-1
Credit derivate contracts	0	0	0	0	0	0
<b>Total</b>	<b>599,228</b>	<b>473,945</b>	<b>14,861</b>	<b>5,104</b>	<b>-14,309</b>	<b>-4,862</b>

## VI. Equity investments and investments in affiliated companies

	Equity interest %	Dec. 31, 2008 Equity € thousand	Dec. 31, 2008 Net profit/loss € thousand
<b>Investments in affiliated companies</b>			
Betriebs-Center für Banken AG, Frankfurt am Main	100.0	232,612	9,406 <sup>2</sup>
Betriebs-Center für Banken Processing GmbH, Frankfurt am Main	100.0	1,313	2,529 <sup>2</sup>
BHW Holding AG, Berlin/Hamelin	100.0	728,231	-211,446 <sup>2</sup>
CREDA Objektanlage- und -verwaltungsgesellschaft mbH, Bonn	100.0	1,000	0 <sup>1,2</sup>
Deutsche Postbank Financial Services GmbH, Frankfurt am Main	100.0	5,000	0 <sup>1,2</sup>
Deutsche Postbank Funding LLC I, Wilmington, Delaware, USA	100.0	9	16 <sup>4</sup>
Deutsche Postbank Funding LLC II, Wilmington, Delaware, USA	100.0	0	18 <sup>4</sup>
Deutsche Postbank Funding LLC III, Wilmington, Delaware, USA	100.0	23	9 <sup>4</sup>
Deutsche Postbank Funding LLC IV, Wilmington, Delaware, USA	100.0	47	23 <sup>4</sup>
Deutsche Postbank Funding Trust I, Wilmington, Delaware, USA	100.0	1	0 <sup>4</sup>
Deutsche Postbank Funding Trust II, Wilmington, Delaware, USA	100.0	1	0 <sup>4</sup>
Deutsche Postbank Funding Trust III, Wilmington, Delaware, USA	100.0	1	0 <sup>4</sup>
Deutsche Postbank Funding Trust IV, Wilmington, Delaware, USA	100.0	54	3 <sup>4</sup>
Deutsche Postbank International S.A., Munsbach, Luxembourg	100.0	671,386	65,961 <sup>3</sup>
Deutsche Postbank Privat Investment Kapitalanlagegesellschaft mbH, Bonn	100.0	10,226	0 <sup>1,2</sup>
DSF Deutsche System Finanzplan Gesellschaft für Finanzdienstvermittlung mbH, Bonn	100.0	30	0 <sup>3</sup>
DSL Holding AG i.A., Bonn	100.0	54,695	-376 <sup>2</sup>
DSL Portfolio GmbH & Co. KG, Bonn	100.0	0	0 <sup>3</sup>
DSL Portfolio Verwaltungs GmbH, Bonn	100.0	24	-1 <sup>3</sup>
DVD Gesellschaft für DV-gestützte Dienstleistungen mbH & Co. KG, Cologne	51.0	2,506	2,112 <sup>3</sup>
easyhyp GmbH, Hamelin	100.0	213	188 <sup>3</sup>
easytrade services GmbH, Leipzig	100.0	25	0 <sup>1,2</sup>
Iphigenie Verwaltungs GmbH, Bonn	100.0	23	-1 <sup>2</sup>
PB Factoring GmbH, Bonn	100.0	11,546	0 <sup>1</sup>
PB Firmenkunden AG, Bonn	100.0	1,100	0 <sup>1</sup>
PB Sechste Beteiligungen GmbH, Frankfurt am Main	100.0	25	-3 <sup>3</sup>
PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt am Main (TGV 2-24)	100.0	9,567,871	365,972 <sup>2</sup>
PB (USA) Holdings Inc., Wilmington, Delaware	100.0	308,976	-166,727 <sup>4</sup>
Postbank Beteiligungen GmbH, Bonn	100.0	25	0 <sup>1,2</sup>
Postbank Filialvertrieb AG, Bonn	100.0	55	0 <sup>1,2</sup>
Postbank Finanzberatung AG, Hamelin	23.3	18,755	3,078 <sup>2</sup>
Postbank Immobilien und Baumanagement GmbH, Bonn	100.0	18,874	0 <sup>1,2</sup>
Postbank Leasing GmbH, Bonn	100.0	500	0 <sup>1,2</sup>
Postbank P.O.S. Transact GmbH, Eschborn	100.0	7,364	4,883 <sup>3</sup>
Postbank Systems AG, Bonn	100.0	51,573	0 <sup>1,2</sup>
Postbank Vertriebsakademie GmbH, Hamelin	100.0	897	408 <sup>2</sup>
RALOS Verwaltungs GmbH & Co. Vermietungs-KG, Munich	94.0	0	322 <sup>3</sup>
VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH, Bonn	75.0	12,279	2,932 <sup>2</sup>
<b>Equity investments</b>			
Starpool Finanz GmbH, Berlin	50.0	–	– <sup>5</sup>
giropay GmbH, Frankfurt am Main	33.3	-658	-233 <sup>3</sup>

<sup>1</sup> Profit and loss transfer agreement

<sup>2</sup> Provisional 2008 annual financial statements

<sup>3</sup> Annual financial statements as of December 31, 2007

<sup>4</sup> Provisional 2008 annual financial statements in acc. with IFRSs

<sup>5</sup> In accordance with sections 286 (3) sentence 1 and/or 313 (2) No. 4 of the HGB, no information on equity and the result is given since such information is of secondary significance for the presentation of the assets, liabilities, financial position and profit or loss of Deutsche Postbank AG and/or the Postbank Group

The complete list of equity investments in accordance with sections 313, 287 of the HGB is accessible in the Electronic Federal Gazette.

## Cover for bonds outstanding

	2008 €m	2007 €m
<b>Cover for mortgage bonds</b>		
Mortgage bonds requiring cover	1,168	1,423
Cover assets	2,143	2,583
Excess cover	975	1,160
<b>Cover for municipal bonds</b>		
Municipal bonds requiring cover	2,482	3,943
Cover assets	2,957	4,544
Excess cover	475	601
<b>Cover for Type C registered securities</b>		
Registered securities requiring cover	14,273	13,307
Cover assets	16,197	14,408
Excess cover	1,924	1,101
<b>Cover for bearer instruments - register D</b>		
Mortgage bonds requiring cover	3,550	0
Cover assets	5,228	0
Excess cover	1,678	0
<b>Cover for interest expenses on mortgage bonds</b>		
Interest expenses on mortgage bonds	63	72
Interest income from cover assets	87	106
Excess cover	24	34
<b>Cover for interest expenses on municipal bonds</b>		
Interest expenses on municipal bonds	113	154
Interest income from cover assets	110	199
Excess cover	-3	45
<b>Cover for interest expenses on Type C registered securities</b>		
Interest expenses on Type C registered securities	632	583
Interest income from cover assets	735	656
Excess cover	103	73
<b>Cover for interest expenses on bearer instruments</b>		
Interest expenses on mortgage bonds register D	159	0
Interest income from cover assets	245	0
Excess cover	86	0

Management Report

Balance Sheet

Income Statement

Notes

Auditors' Report

VII. Disclosures in accordance with section 28 of the  
*Pfandbriefgesetz* (PfandBG – Pfandbrief Act)

A) Section 28(1) No. 1 to No. 3 of the PfandBG

1. *Hypothekendarlehen* issues outstanding and associated cover assets

	Nominal amount	Nominal amount	Present value	Present value	Present value of risk	Present value of risk *
	IV/2008 €m	IV/2007 €m	IV/2008 €m	IV/2007 €m	IV/2008 €m	IV/2007 €m
Cover assets **	5,215.2	0.0	5,655.8	0.0	6,141.4	0.0
of which derivatives	0.0	0.0	0.0	0.0	0.0	0.0
<i>Hypothekendarlehen</i>	3,550.0	0.0	3,802.8	0.0	3,951.2	0.0
Excess cover in %	46.9	0.0	48.7	0.0	55.4	0.0

\* dynamic method

\*\*including additional cover assets in accordance with section 19(1) of the PfandBG

2. Maturity structure of *Hypothekendarlehen* issues outstanding as well as fixed-interest periods of the relevant cover assets, including additional cover assets in accordance with section 19(1) of the PfandBG, by fixed-interest periods or remaining maturity in the case of *Pfandbrief* issues

	Cover assets	Cover assets	<i>Hypothekendarlehen</i>	<i>Hypothekendarlehen</i>
	IV/2008 €m	IV/2007 €m	IV/2008 €m	IV/2007 €m
less than 1 year	107.2	0.0	550.0	0.0
from 1 to 5 years	1,475.6	0.0	1,990.0	0.0
from 5 to 10 years	2,005.2	0.0	1,010.0	0.0
more than 10 years	1,627.2	0.0	0.0	0.0
<b>Total</b>	<b>5,215.2</b>	<b>0.0</b>	<b>3,550.0</b>	<b>0.0</b>

B) Section 28(2) No. 1 a of the PfandBG

Receivables by size category used to cover *Hypothekendarlehen* issues

	Mortgage cover assets	
	IV/2008 €m	IV/2007 €m
up and including € 300,000	4,555.9	0.0
€ 300,000 to € 5 million	66.8	0.0
more than € 5 million	0.0	0.0
<b>Total</b>	<b>4,622.7</b>	<b>0.0</b>

## C) Section 28(2) No. 1 b and c of the PfandBG

Receivables used to cover *Hypothekendarlehen* issues, by region in which the mortgaged properties are located and their type of use

	Mortgage cover assets			
	Residential properties	Residential properties	Commercial properties	Commercial properties
	IV/2008 €m	IV/2007 €m	IV/2008 €m	IV/2007 €m
<b>Total</b>	<b>4,622.7</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

	Mortgage cover assets			
	Residential properties	Residential properties	Commercial properties	Commercial properties
	IV/2008 €m	IV/2007 %	IV/2008 €m	IV/2007 %
Germany	2,012.1	38.6	0.0	0.0
Apartments	2,224.6	42.7	0.0	0.0
Single-family houses	386.0	7.4	0.0	0.0
Multi-family houses	0.0	0.0	0.0	0.0
Office buildings	0.0	0.0	0.0	0.0
Trade buildings	0.0	0.0	0.0	0.0
Industrial buildings	0.0	0.0	0.0	0.0
Other commercial buildings	0.0	0.0	0.0	0.0
Buildings under construction	0.0	0.0	0.0	0.0
Construction sites	0.0	0.0	0.0	0.0
<b>Total Germany</b>	<b>4,622.7</b>	<b>88.7</b>	<b>0.0</b>	<b>0.0</b>

## D) Section 28(2) No. 2 of the PfandBG

Total amount of payment arrears on mortgage receivables, overdue at least 90 days

	IV/2008 €m	IV/2007 €m
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

## E) Substitute cover

	IV/2008 %	IV/2007 %
Percentage of substitute cover (section 19(1) of the PfandBG)	16.7	0
of which in cover assets in acc. with section 4(2) of the PfandBG	16.7	0

## F) Foreclosure and compulsory administration proceedings pending as of the balance sheet date and foreclosures effected in the year under review

	IV/2008 €m	IV/2007 €m
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

Disclosures relating to sections 28(2) ff of the HGB were required neither as of December 31, 2008 nor for the comparative period in 2007.

## I Auditors' Report

### Auditors' Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Deutsche Postbank AG, Bonn, for the fiscal year from January 1 to December 31, 2008. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law (and supplementary provisions of the Articles of Association) are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (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 annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company 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 books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and 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 annual financial statements comply with the legal requirements and supplementary provisions of the Articles of Association and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides an accurate view of the Company's position and suitably presents the opportunities and risks of future development.

Düsseldorf, February 18, 2009

PricewaterhouseCoopers  
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

(Burkhard Eckes)	(Susanne Beurschgens)
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

## VIII. Supplemental disclosures

In accordance with section 2(4) *Postumwandlungsgesetz* (PostUmwG – Postal Service Transformation Act), the federal government guarantees settlement of all liabilities existing at the time of Deutsche Postbank AG's entry in the commercial register.

The guarantee for savings deposits expired five years after the entry in the commercial register.

Deutsche Postbank AG belongs to the deposit protection fund of the Bundesverband Deutscher Banken e.V. (BdB – Association of German Banks) and the *Entschädigungseinrichtung deutscher Banken GmbH* (mandatory compensation scheme for all private deposit-taking institutions in Germany).

Auditors' fees in accordance with section 285(1) No. 17 of the HGB:

The auditors' fees in the amount of €11.4 million recognized for the year under review comprise the services provided in connection with the auditing of the annual financial statements in the amount of €3.7 million, other assurance or valuation services in the amount of €4.1 million, tax consultancy services in the amount of €0.5 million as well as other services in the amount of €3.1 million.

## IX. Declaration of compliance

The Management Board and the Supervisory Board together published the declaration of compliance with the German Corporate Governance Code for fiscal year 2008 required by section 161 of the *Aktengesetz* (German Stock Corporation Act) on November 28, 2008. The declaration of compliance can be accessed on the Internet on our homepage at [www.postbank.de](http://www.postbank.de).

## D. Members of Executive Bodies

### Management Board

The members of the Management Board are:

Wolfgang Klein, Bonn (Chairman)	
Dirk Berensmann, Unkel	
Mario Daberkow, Bonn	until November 30, 2008
Marc Hess, Bonn	since January 1, 2009
Stefan Jütte, Bonn	
Horst Küpker, Bad Honnef	since July 1, 2008
Guido Lohmann, Dülmen	until November 30, 2008
Michael Meyer, Bonn	
Loukas Rizos, Bonn	until June 30, 2008
Hans-Peter Schmid, Baldham	
Ralf Stemmer, Königswinter	

Offices held by members of the Management Board of Deutsche Postbank AG as of December 31, 2008 on supervisory boards or other supervisory bodies:

Wolfgang Klein	
Chairman	
Function	Company
Member and Chairman of the Supervisory Board (since June 30, 2008)	Betriebs-Center für Banken AG, Frankfurt am Main
Chairman of the Supervisory Board	Postbank Filialvertrieb AG, Bonn
Chairman of the Supervisory Board	Comma Soft AG, Bonn
Chairman of the Board of Directors	PB (USA) Holdings, Inc., Wilmington (Delaware, U.S.A.)
Chairman of the Board of Directors	PB Capital Corp., Wilmington (Delaware, U.S.A.)
Deputy Chairman of the Supervisory Board	Deutsche Postbank Financial Services GmbH, Frankfurt am Main
Deputy Chairman of the Supervisory Board (since April 15, 2008)	PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt am Main
Member of the Supervisory Board (since April 14, 2008)	
Member of the Management Board	Bundesverband deutscher Banken e.V., Berlin
Member of the Advisory Board	Verband der Sparda-Banken e.V., Frankfurt am Main

#### Offices relinquished during the year

Chairman of the Supervisory Board (until December 31, 2008)	BHW Holding AG, Berlin/Hamelin
Chairman of the Supervisory Board (until December 31, 2008)	BHW Bausparkasse AG, Hamelin

#### Offices relinquished in 2009

Chairman of the Supervisory Board (until January 31, 2009)	Postbank Finanzberatung AG, Hamelin
--	-------------------------------------

### Dirk Berensmann

Function	Company
Chairman of the Supervisory Board	Postbank Systems AG, Bonn
Chairman of the Advisory Board	Postbank Support GmbH, Cologne*
Chairman of the Board of Directors	Eurogiro Holding A/S, Taastrup (Denmark)
Member of the Supervisory Board	Betriebs-Center für Banken AG, Frankfurt am Main
Member of the Supervisory Board	BHW Holding AG, Berlin/Hamelin
Member of the Supervisory Board	Postbank Filialvertrieb AG, Bonn
Member of the Supervisory Board	Postbank Finanzberatung AG, Hamelin
Member of the Management Board	e-Finance Lab Frankfurt am Main, Frankfurt University

#### New offices from 2009

Member of the Supervisory Board (since January 1, 2009)	BHW Bausparkasse AG, Hamelin
---	------------------------------

\*previously einsnull IT-Support GmbH, Cologne

Mario Daberkow	Member of the Management Board until November 30, 2008
----------------	--

Function	Company
Chairman of the Advisory Board	CREDA Objektanlage- und Verwaltungsgesellschaft mbH, Bonn
Deputy Chairman of the Advisory Board	VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH, Bonn
Member of the Supervisory Board	BHW Holding AG, Berlin/Hamelin
Member of the Supervisory Board	BHW Bausparkasse AG, Hamelin
Member of the Board of Directors (since May 9, 2008)	Eurogiro NCIP A/S, Taastrup (Denmark)

## Offices relinquished during the year

Chairman of the Supervisory Board (until September 11, 2008)	Betriebs-Center für Banken Payments & Services GmbH, Munich
Chairman of the Supervisory Board (until June 29, 2008)	Betriebs-Center für Banken AG, Frankfurt am Main

Marc Hess	Member of the Management Board since January 1, 2009
-----------	--

Function	Company
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 (since April 14, 2008)	PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt am Main

## Stefan Jütte

Function	Company
Chairman of the Supervisory Board	Postbank Leasing GmbH, Bonn
Chairman of the Supervisory Board	PB Factoring GmbH, Bonn
Chairman of the Supervisory Board	PB Firmenkunden AG, Bonn
Member of the Board of Directors	Deutsche Postbank International S.A., Luxembourg
Member of the Board of Directors	PB (USA) Holdings, Inc., Wilmington, Delaware, U.S.A.
Member of the Board of Directors	PB Capital Corp., Wilmington, Delaware, U.S.A.
Member of the Supervisory Board (since November 10, 2008)	Betriebs-Center für Banken AG, Frankfurt am Main
Member of the Supervisory Board	BVVG Bodenverwertungs- und Verwaltungsgesellschaft mbH, Berlin
Member of the Supervisory Board	IVG Institutional Funds GmbH, Wiesbaden
Member of the Advisory Board	CorpusSireo Immobiliengruppe, Düsseldorf

Horst Küpker	Member of the Management Board since July 1, 2008
--------------	---

Function	Company
Member and Chairman of the Supervisory Board (since April 17, 2008)	Deutsche Postbank Privat Investment Kapitalanlagegesellschaft mbH, Bonn
Member and Chairman of the Supervisory Board (since April 4, 2008)	Deutsche Postbank Financial Services GmbH, Frankfurt am Main
Chairman of the Supervisory Board (since April 15, 2008)	PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Frankfurt am Main
Member of the Supervisory Board (since April 14, 2008)	PB Firmenkunden AG, Bonn
Member and Deputy Chairman of the Supervisory Board (since July 1, 2008)	Deutsche Postbank International S.A., Luxembourg
Member and Chairman of the Board of Directors (since May 15, 2008)	Deutsche Postbank Vermögens-Management S.A., Luxembourg
Member of the Supervisory Board (since May 1, 2008)	Postbank Finanzberatung AG, Hamelin

## Offices relinquished during the year

Chairman of the Supervisory Board (until July 21, 2008)	BHW Bank AG, Hamelin
---	----------------------

Guido Lohmann	Member of the Management Board until November 30, 2008
---------------	--

Function	Company
Offices relinquished during the year	
Chairman of the Supervisory Board (until November 30, 2008)	BHW Immobilien GmbH, Hamelin
Member of the Supervisory Board (until November 30, 2008)	Postbank Vertriebsakademie GmbH, Hamelin

## Michael Meyer

Function	Company
Chairman of the Supervisory Board (since January 1, 2009)	BHW Bausparkasse AG, Hamelin
Member of the Supervisory Board (until December 31, 2008)	Postbank Finanzberatung AG, Hamelin
Chairman of the Supervisory Board (since February 1, 2009)	Postbank Finanzberatung AG, Hamelin
Member of the Supervisory Board (from May 1, 2008 to January 31, 2009)	Postbank Finanzberatung AG, Hamelin
Chairman of the Advisory Board	VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH, Bonn
Deputy Chairman of the Supervisory Board	Postbank Vertriebsakademie GmbH, Hamelin
Deputy Chairman of the Board of Directors	Deutsche Postbank International S.A., Luxembourg
Deputy Chairman of the Board of Directors	Deutsche Postbank Vermögens-Management S.A., Luxembourg

Member of the Supervisory Board (since June 30, 2008)	Betriebs-Center für Banken AG, Frankfurt am Main
Member of the Supervisory Board	PB Lebensversicherung AG, Hilden
Member of the Supervisory Board	PB Versicherung AG, Hilden
Member of the Supervisory Board (since May 15, 2008)	Postbank Filialvertrieb AG, Bonn
Member of the Board of Directors	VISA Deutschland e.V., Frankfurt am Main

Offices relinquished during the year

Deputy Chairman of the Supervisory Board (until July 21, 2008)	BHW Bank AG, Hamelin
--	----------------------

New offices from 2009

Member and Chairman of the Supervisory Board (since January 1, 2009)	BHW Holding AG, Berlin/Hamelin
--	--------------------------------

Loukas Rizos	Member of the Management Board (until June 30, 2008)
--------------	--

Function	Company
----------	---------

Offices relinquished during the year

Chairman of the Supervisory Board (until April 16, 2008)	Deutsche Postbank Privat Investment Kapitalanlagegesellschaft mbH, Bonn
Chairman of the Supervisory Board (until April 3, 2008)	Deutsche Postbank Financial Services GmbH, Frankfurt am Main
Chairman of the Board of Directors (until May 14, 2008)	Deutsche Postbank International S.A., Luxembourg
Chairman of the Board of Directors (until May 14, 2008)	Deutsche Postbank Vermögens-Management S.A., Luxembourg
Deputy Chairman of the Supervisory Board (until June 30, 2008)	PB Firmenkunden AG, Bonn
Member of the Supervisory Board (until April 30, 2008)	Postbank Finanzberatung AG, Hamelin

Hans-Peter Schmid
-------------------

Function	Company
----------	---------

Member of the Supervisory Board	Postbank Vertriebsakademie GmbH, Hamelin
Member of the Supervisory Board	Bayerische Börse AG, Munich

Offices relinquished during the year

Member of the Supervisory Board (until June 29, 2008)	Deutsche Postbank Privat Investment Kapitalanlagegesellschaft mbH, Bonn
Member of the Supervisory Board (until April 30, 2008)	Postbank Finanzberatung AG, Hamelin

New offices from 2009

Member of the Supervisory Board (since February 1, 2009)	Postbank Finanzberatung AG, Hamelin
--	-------------------------------------

Ralf Stemmer
--------------

Function	Company
----------	---------

Chairman of the Supervisory Board	Postbank Immobilien und Baumanagement GmbH, Bonn
Chairman of the Supervisory Board	Postbank Vertriebsakademie GmbH, Hamelin
Deputy Chairman of the Supervisory Board	Postbank Systems AG, Bonn
Deputy Chairman of the Supervisory Board	Deutsche Postbank Privat Investment Kapitalanlagegesellschaft mbH, Bonn
Deputy Chairman of the Advisory Board	Postbank Support GmbH, Cologne*
Member of the Supervisory Board	Betriebs-Center für Banken AG, Frankfurt am Main
Member of the Supervisory Board	BHW Holding AG, Berlin/Hamelin
Member of the Supervisory Board	BHW Bausparkasse AG, Hamelin
Member of the Supervisory Board	PB Firmenkunden AG, Bonn
Member of the Supervisory Board	PB Pensionsfonds AG, Hilden
Member of the Supervisory Board	Postbank Filialvertrieb AG, Bonn
Member of the Supervisory Board	Danzas Deutschland Holding GmbH, Düsseldorf
Member of the Supervisory Board	DHL Freight GmbH, Düsseldorf
Member of the Administrative Board	Bundesanstalt für Post und Telekommunikation Deutsche Bundespost, Bonn

\*previously einsnull IT-Support GmbH, Cologne

The members of the Supervisory Board of Deutsche Postbank AG are:

1. Shareholder representatives

Frank Appel, Chairman of the Board of Management of Deutsche Post AG, Königswinter (Chairman since March 3, 2008)	since February 19, 2008
Klaus Zumwinkel, Cologne	until February 18, 2008
John Allan, Member of the Management Board of Deutsche Post AG, Bonn	since May 8, 2008
Jörg Asmussen, Head of Department, Federal Ministry of Finance, Berlin	until May 27, 2008
Henry B. Cordes, <i>Ministerialdirektor</i> , Federal Ministry of Finance, Berlin	since November 19, 2008
Wilfried Boysen, Hamburg	
Edgar Ernst, management consultant, Bonn	
Peter Hoch, Munich	
Ralf Krüger, management consultant, Kronberg	
Axel Nawrath, State Secretary, Federal Ministry of Finance, Berlin	from June 27, 2008 to October 24, 2008
Hans-Dieter Petram, Inning	
Bernd Pfaffenbach, State Secretary, Federal Ministry of Economics and Technology, Wachtberg-Pech	
Klaus Schlede, Carabietta/Lugano	until May 8, 2008
Elmo von Schorlemer, lawyer, Aachen	

## 2. Employee representatives

Michael Sommer, Chairman of the German Trade Union Federation, Berlin (Deputy Chairman)

Wilfried Anhäuser, Chairman of Postbank Filialvertrieb AG's General Works Council, Kerpen

Marietta Auer, Head of Department, Deutsche Postbank AG, Head Office, Unterhaching

Rolf Bauermeister, Head of National Postal Services Group at ver.di Trade Union (national administration), Berlin

Annette Harms, Deputy Chair of Deutsche Postbank AG's Works Council, Hamburg

Elmar Kallfelz, Member of Deutsche Post AG's European Works Council and General Works Council, Wachtberg

Torsten Schulte, Chairman of Deutsche Postbank AG's Group Works Council, Hessisch Oldendorf

Eric Stadler, Chairman of Deutsche Postbank AG's Works Council, Markt Schwaben

Gerd Tausendfreund, trade union secretary of the ver.di Trade Union, Nidderau

Renate Treis, Deputy Chairman 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, 2008 on supervisory boards or other supervisory bodies:

## Shareholder representatives

Frank Appel Chairman of the Supervisory Board since March 3, 2008

Function	Company
Chairman of the Supervisory Board (until May 1, 2008)	Williams Lea Holding PLC
Member of the Board of Directors (until May 1, 2008)	Williams Lea Group Limited
Member of the Board of Directors (until May 1, 2008)	Exel Investments Limited
Member of the Board of Directors (until May 1, 2008)	Exel Limited
Member of the Board of Directors (until May 1, 2008)	Tibbett & Britten Group Limited

Klaus Zumwinkel Chairman of the Supervisory Board until February 18, 2008

Function	Company
Chairman of the Supervisory Board (until February 29, 2008)	Deutsche Telekom AG, Bonn
Member of the Supervisory Board (until April 28, 2008)	Deutsche Lufthansa AG, Cologne
Member of the Supervisory Board (until December 31, 2008)	Arcandor, Essen
Member of the Board of Directors (until April 7, 2008)	Morgan Stanley, Delaware, U.S.A.

John Allan Member of the Supervisory Board since May 8, 2008

Function	Company
Member of the Supervisory Board	Deutsche Lufthansa AG, Cologne
Non-Executive Director	National Grid plc
Member of the Board of Directors	ISS Holding A/S

Jörg Asmussen Member of the Supervisory Board until May 27, 2008

Function	Company
Chairman of the Administrative Board (since August 12, 2008)	Bundesanstalt für Finanzdienstleistungsaufsicht, Bonn
Member of the Supervisory Board (until May 27, 2008)	IKB-Deutsche Industriebank AG, Düsseldorf
Member of the Supervisory Board (until May 27, 2008)	Euler Hermes Kreditversicherungs-AG, Hamburg

Wilfried Boysen

Function	Company
Member of the Supervisory Board (since January 1, 2008)	ASKLEPIOS Kliniken Hamburg GmbH, Hamburg

Henry B. Cordes Member of the Supervisory Board since November 19, 2008

Function	Company
Deputy Chairman of the Supervisory Board	TLG Immobilien GmbH
Member of the Supervisory Board	T-Mobile International AG
Deputy Member of the Board of Trustees	Deutsche Museumsstiftung Post und Telekommunikation, Bonn
Member of the Supervisory Board	Flughafen Berlin-Schönefeld GmbH, Berlin
Member of the Supervisory Board (until May 2008)	DB Schenker

Edgar Ernst

Function	Company
Member of the Supervisory Board (until April 24, 2008)	Allianz Versicherungs-AG, Munich

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	KMS AG, Frankfurt am Main
Chairman of the Supervisory Board	KMS Asset Management AG, Frankfurt am Main
Chairman of the Supervisory Board	DIAMOS AG, Sulzbach
Member of the Supervisory Board	Deutsche Post AG, Bonn
Member of the Advisory Board	SIREO REAL Estate Asset Management GmbH, Heusenstamm

Axel Nawrath	Member of the Supervisory Board from June 27 to October 24, 2008
--------------	--

Function	Company
Member of the Supervisory Board	Deutsche Bahn AG, Berlin
Member of the Supervisory Board (since 2008)	Deutsche Bahn ML AG, Berlin
Member of the Supervisory Board (until October 2008)	KfW-IPEX Bank, Frankfurt am Main

Hans-Dieter Petram	
--------------------	--

Function	Company
Member of the Supervisory Board	Talanx AG, Hanover

Bernd Pfaffenbach	
-------------------	--

Function	Company
Member of the Supervisory Board	Lufthansa Cargo AG, Frankfurt am Main
Member of the Supervisory Board	KfW-IPEX Bank, Frankfurt am Main
Member of the Supervisory Board (until January 31, 2008)	Deutsche Bahn AG, Berlin

Klaus Schlede	Member of the Supervisory Board (until May 8, 2008)
---------------	---

Function	Company
Member of the Supervisory Board	Deutsche Lufthansa AG, Cologne
Member of the Board of Directors	SWISS International AIR LINES AG, Basel, Switzerland
Member of the Supervisory Board (until May 15, 2008)	Deutsche Telekom AG, Bonn

Elmo von Schorlemer	
Function	Company
Chairman of the Supervisory Board	Schneider Golling Die Assekuranzmakler AG, Düsseldorf
Deputy Chairman of the Supervisory Board	Finum AG, Essen
Deputy Chairman of the Supervisory Board	Finum Finanzhaus AG, Essen
Member of the Supervisory Board (since December 2008)	Hannover Direkt Versicherung AG, Hanover
Member of the Supervisory Board (until December 2008)	VHV Allgemeine Versicherung AG, Hanover

#### Employee representatives

Michael Sommer	
----------------	--

Function	Company
Member of the Supervisory Board	Deutsche Telekom AG, Bonn
Member of the Board of Supervisory Directors	Kreditanstalt für Wiederaufbau, Frankfurt am Main
Deputy Chairman of the Supervisory Board (until December 2007)	DGB Rechtsschutz GmbH, Düsseldorf
Member of the Supervisory Board (until May 2008)	Salzgitter AG, Salzgitter

Wilfried Anhäuser	
-------------------	--

Function	Company
Member of the Supervisory Board	Postbank Filialvertrieb AG, Bonn

Rolf Bauermeister	
-------------------	--

Function	Company
Member of the Supervisory Board (since May 6, 2008)	Deutsche Post AG, Bonn
Member of the Administrative Board (until November 30, 2008)	Deutsche BKK

Annette Harms	
---------------	--

Function	Company
Member of the Supervisory Board	Deutsche Post AG, Bonn

Elmar Kallfelz	
----------------	--

Function	Company
Member of the Administrative Board	Bundesanstalt für Post und Telekommunikation Deutsche Bundespost, Bonn

Torsten Schulte

Function	Company
Deputy Chairman of the Supervisory Board	BHW Holding AG, Hamelin/Berlin
Member of the Administrative Board (since June 2008)	Sparkassenzweckverband der Sparkasse Weserbergland

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

### Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of Deutsche Postbank AG, and the management report of the Company includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Bonn, February 13, 2009  
Deutsche Postbank Aktiengesellschaft

### The Management Board



Wolfgang Klein



Dirk Berensmann



Marc Hess



Stefan Jütte



Horst Küpker



Michael Meyer



Hans-Peter Schmid



Ralf Stemme

# 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](mailto:ir@postbank.de)  
[www.postbank.com/ir](http://www.postbank.com/ir)

Design and layout  
EGGERT GROUP, Düsseldorf

Coordination/editing  
Postbank  
Investor Relations

Translation  
Deutsche Post Foreign Language  
Service et al.

This 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 Deutsche Postbank AG. 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 Report are expressly cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this Report. Deutsche Postbank AG does not intend and does not undertake any obligation to revise these forward-looking statements.

The English version of the Report constitutes a translation of the original German version. Only the German version is legally binding.

