Deutsche Postbank Group
Interim Report as of September 30, 2008

3/08

Postbank

Postbank Group in figures

		Jan. 1 – Sept. 30, 2008	Jan. 1 – Sept. 30, 2007
Consolidated income statement			
Balance sheet-related revenues	€m	1,216	2,194
Total income	€m	2,287	3,247
Administrative expenses	€m	–2,101	–2,128
Loss/profit before tax	€m	–112	806
Consolidated net loss/profit	€m	–114	701
Total cost/income ratio	%	91.9	65.5
Cost/income ratio in traditional banking business	%	91.9	63.2
Return on equity			
before tax	%	–3.2	20.9
after tax	%	–3.2	18.2
Earnings per share	€	–0.70	4.27

		Sept. 30, 2008	Dec. 31, 2007
Consolidated balance sheet			
Total assets	€m	218,653	202,991
Customer deposits	€m	91,959	89,703
Customer loans	€m	99,594	89,622
Allowance for losses on loans and advances	€m	1,313	1,154
Equity	€m	3,619	5,311
Tier 1 ratio in accordance with Basel II (excluding CAP)	%	5.5	6.9
Headcount (FTEs)	thousand	21.47	21.47
Long-term ratings			
Moody's		Aa2 / outlook stable	Aa2 / outlook stable
Standard & Poor's		A– / outlook positive	A– / outlook stable
Fitch		A / outlook stable	A / outlook stable
Information on Postbank shares		Sept. 30, 2008	Sept. 30, 2007
Share price at the balance sheet date	€	26.66	51.49
Share price (Jan. 1 – Sept. 30)	high €	67.10	74.72
	low €	25.45	47.70
Market capitalization on Sept. 30	€m	4,372	8,444
Number of shares	million	164.0	164.0

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Stabilization/FSA.

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Ladies and Gentlemen,

The first nine months of fiscal year 2008 have been extremely challenging for the financial sector. The turbulence on the financial markets was more than palpable during the year and intensified significantly near the end of the third quarter after the collapse of Lehman Brothers investment bank. The past quarter can justly be described as the most difficult one in decades for our entire industry. The banking sector, both in Europe and around the world, has experienced not only far-reaching market changes, but also spectacular takeovers and government support measures. The scope and intensity of such measures reflect the extent of the turmoil in the financial sector and are of great significance given their potential effect on the macroeconomic environment.

The German banking sector also felt the impact of the financial markets crisis. Focused confidence-building measures at the political level, however, are having an effect and helping to stabilize the industry. At the same time, the German banking market is exhibiting remarkable consolidation tendencies – tendencies that are substantially independent of the developments on the financial markets. These should contribute to a sustainable strengthening of the German financial sector's competitive position in Europe in the medium to long term.

Traditional, solid business models like Postbank's, that demonstrate a clear focus on retail, business and corporate customers, have once again proved their worth in these turbulent times. The measures of our "Next Step" strategic program, implemented in December of the past year, are taking hold and laying the foundations for further growth in customer business. Thus, for example, we have again been able to increase the number of our core customers – those customers who already use our services today with a high degree of intensity – to 4.8 million.

Nevertheless, the global financial markets crisis, which has recently intensified in a way no one could have foreseen, has also lead to significant challenges for banks in this part of the world. Postbank is also not immune to these developments. The extraordinary effects of the financial crisis, which we had to bear primarily in the third quarter of 2008, have led us to record a loss before tax of €112 million after nine months.

This is painful for us, but Postbank is already addressing this situation with an extensive package of measures. Our strategic program going forward has resulted in an even greater focus on our traditional customer business. We will support and enhance this process even more by systematically extending "Next Step" to include clear and effective long-term measures focused on the level of overall bank management. Given the volatile market environment, we began noticeably reducing capital market-related risks and portfolios as early as mid-year. In addition, we are taking a number of other focused steps aimed at profitable and, above all, stable growth. In this context, the Management Board, with the approval of the Supervisory Board, resolved on October 27, 2008 to strengthen the Bank's equity base by conducting a capital increase as part of the authorized capital at the Annual General Meeting. The measure will be supported by our majority shareholder, Deutsche Post AG, with an irrevocable and unconditional commitment to subscribe for new shares and completed in the fourth quarter.

Postbank will systematically continue on the path outlined here, even if this will temporarily result in additional negative one-time effects. In these times of increased uncertainty, such actions will allow us to lay the foundations for Postbank's continued successful development.

Another issue has arisen that is of decisive significance for our Bank's promising future. After months of speculation, clarity was achieved on September 12 when Deutsche Bank reached an agreement with Deutsche Post on the acquisition of a minority interest of 29.75 % in Postbank, as well as the option of a future increase of its stake, and we welcomed Deutsche Bank as a future shareholder. This step marks a milestone in Postbank history. It is motivating, and provides additional impetus for our growth. Deutsche Bank and Postbank have agreed to work together in a number of areas, including the sale of real estate finance and investment products. This future cooperation offers attractive earnings potential for both partners, who will be releasing relevant details shortly.

Together Deutsche Bank and Postbank have the largest branch network for financial services in Germany, and their offerings, which include a wide range of opportunities for the reciprocal sale of financial products, complement each other excellently. Postbank will continue to strengthen its own operating business independent of the cooperation. Deutsche Bank's minority interest will have no effect on Postbank's locations, jobs, or brand.

No doubt remains. The financial sector is facing enormous challenges. We expect that the capital markets will remain volatile for the foreseeable future and that we will experience noticeable effects on the real economy. The entire banking industry is facing even more sweeping changes. In response to the radical change in the external situation and as a result of strategic steps toward continually focusing and stabilizing our business model, we have adjusted our mid-term financial goals. We will strive to reach a sustainable mid-term return on equity after tax of 13 to 15 %.

We are highly confident that Postbank, using its strategic program as a basis, will be able to further expand its market position and continue on the path of profitable growth as a stable and reliable partner of its customers.

Bonn, November 10, 2008

Sincerely,

Wolfgang Klein,
Chairman of the Management Board

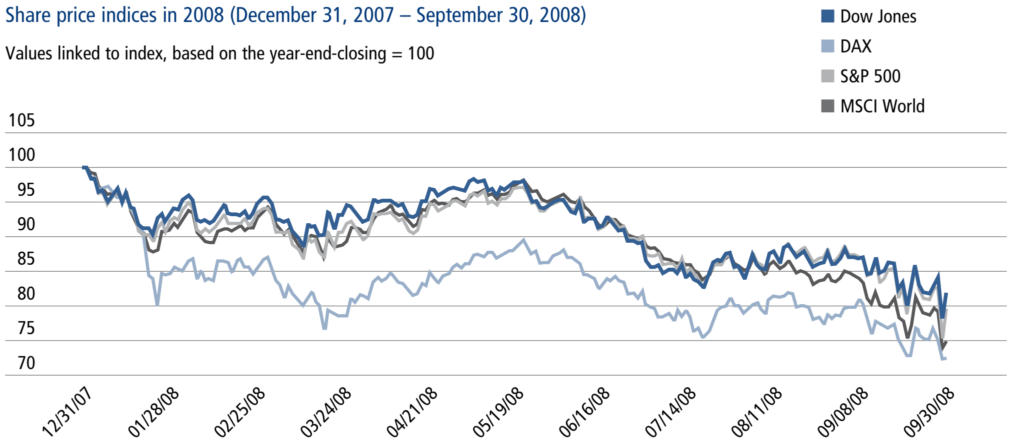
Shareholders and Stock:
Bank stocks squeezed by financial markets crisis

The international financial markets crisis has dominated stock market performance since mid-2007. The need for increased write-downs on U.S. real estate loans and structured credit portfolios became apparent at banks and insurance companies in the course of 2008. The global financial markets crisis intensified even more in the third quarter of 2008: After the U.S. government and the Federal Reserve had saved the two largest U.S. mortgage financers from impending insolvency at the beginning of September, a major American investment bank was granted creditor protection in the middle of the same month. This fuelled the banks' loss of confidence in each other, which ultimately led to global government interventions in the form of guarantees and bank nationalizations. The central banks provided the financial system with a continuous flow of liquidity and cut key interest rates in a concerted action at the beginning of October.

The ongoing financial markets crisis is also increasingly impacting the real economy. This is clear from a distinct deterioration in the leading indicators, which are already heading to recession in some cases. Stock markets then slumped across the board in the third quarter.

Share price indices in 2008 (December 31, 2007 – September 30, 2008)

Values linked to index, based on the year-end-closing = 100



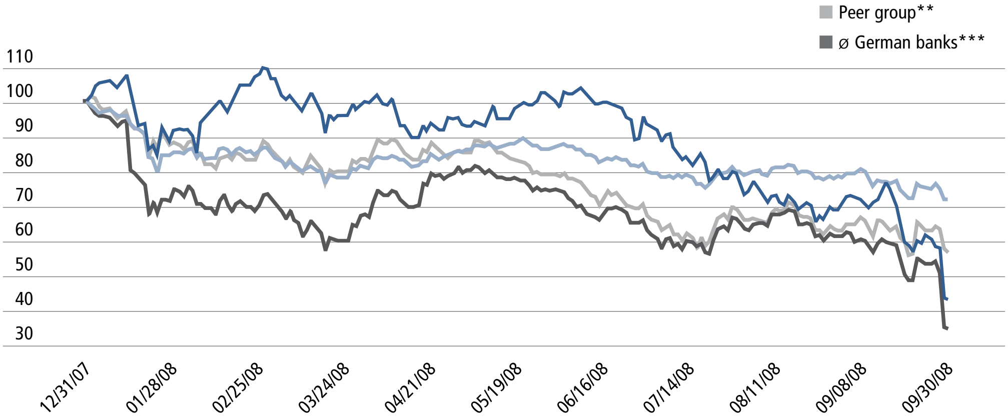
Source: Bloomberg, Postbank

At –38 %, the European bank index underperformed the market as a whole, which lost 31 %. Postbank shares, which had outperformed its benchmark indices in the first half of the year, lost significant ground compared with other German banks in September as the financial markets crisis continued to worsen. In addition, speculation that the acquisition by another bank of Postbank shares from Deutsche Post AG could involve an acquisition premium for free-float shareholders died down in July and August. This put additional pressure on Postbank's shares.

This Europe-wide trend was also reflected in Germany. German bank stocks have significantly underperformed the DAX this year, losing approximately 50 % of their value on average (CDAX bank index) in the period under review.

Performance of Postbank stock in 2008 (December 31, 2007 – September 30, 2008)

Values linked to index, based on the year-end-closing = 100*



Source: Bloomberg, Postbank

* Performance of Postbank stock, peer group and stocks of German banks excluding dividend

** Banco Popular, Banco Popolare, Swedbank, Svenska Handelsbanken, Alliance & Leicester, Banco Espirito Santo, Erste Bank, Unicredito, Royal Bank of Scotland

*** Commerzbank, Deutsche Bank, Hypo Real Estate

The banking market is undergoing radical change. The business model of pure-play investment banks (broker-dealer model) is no longer viable in the United States due to the crisis of confidence there. In contrast, the retail banking business with its sustainable income and stable refinancing has become significantly more attractive.

Given this situation, many analysts also believed Deutsche Bank's equity interest in Postbank was a strategically sensible and growth-oriented move resulting in attractive earnings potential for both partners. On September 12, 2008 it was announced that Deutsche Bank AG will acquire a minority interest of 29.75 % in Postbank from Deutsche Post AG. The transaction is expected to close in the first quarter of 2009. In addition, Deutsche Bank and Deutsche Post agreed options that will allow a further increase in Deutsche Bank's stake at a later date.

In the course of the transaction, Deutsche Bank and Postbank announced a general agreement to cooperate in their customer businesses. Further details will be published in the fourth quarter of 2008. Both institutions will continue to strengthen their own operating businesses independent of the cooperation.

Our stock data (Jan. 1 – Sept. 30)		9 months 2008	9 months 2007
Closing price	€	26.66	51.49
High	€	67.10	74.72
Low	€	25.45	47.70
Q3 earnings per share	€	–0.70	4.27
Number of shares	million	164.0	164.0
Market capitalization as of September 30	€m	4,372	8,444
Beta factor (relative to the DAX)		1.13	1.04
Equity as of September 30	€m	3,619	5,352
Return on equity before taxes	%	–3.2	20.9
Total cost/income ratio	%	91.9	65.5
Cost/income ratio in traditional banking business	%	91.9	63.2

More information, current news for investors, and presentations on Postbank are available on our Investor Relations pages on the Internet at https://ir.postbank.com.

Developments in the first nine months of 2008:
Customer business continues to bring in good results

In the first nine months of 2008, we focused closely on implementing our "Next Step" strategic program. Postbank has already successfully launched its new core customer concept, which is at the heart of the program. Despite unabated fierce competition for private customers, we were able to achieve good sales results – especially in the savings and installment loan business. The securities business, on the other hand, continued to suffer from the financial markets crisis. We expect that the planned cooperation with Deutsche Bank will provide additional momentum in the future.

Implementation of strategic program going as planned

At the end of 2007, Postbank presented its "Next Step" strategic program, whose primary aim is to further strengthen our position as the leading retail bank in Germany. The strategy's key component in the retail banking business is the core customer concept: We provide our approximately 4.8 million current core customers (4.6 million at the end of 2007) – i.e. those customers already handling the majority of their banking business through Postbank – with a permanent contact person. By establishing this fixed customer-adviser relationship, we intend to significantly enhance the quality and intensity of our consulting services for this important customer group.

Going forward, we will focus even more closely on our traditional customer business, in line with our strategic program. In addition to the above-mentioned steps to improve the quality of our service and consulting, we will support this process with long-term measures focusing on overall bank management. Because of the current volatile market environment in particular, for example, we began noticeably reducing capital market related risks as early as mid-year. In addition, we are taking a number of other focused measures aimed at facilitating profitable and, above all, stable growth.

Cooperation with Deutsche Bank harbors great potential

On September 12, 2008, it was announced that Deutsche Bank AG will purchase a part of the Postbank shares held by Deutsche Post AG, thus acquiring a minority interest of 29.75 % in Deutsche Postbank AG. Deutsche Bank and Postbank have expressed their intent to cooperate in a number of areas, including the sale of real estate finance and investment products. Deutsche Bank and Postbank complement each other excellently in their product portfolios and offer a wide range of opportunities for the reciprocal sale of financial products. In the process, the companies build on each other's strengths. For example, plans call for our customers to be able to use DWS- and X-markets products in the investment business more intensively in the future. In return, in the area of mortgage lending among others, Postbank products will be offered under the DSL brand in Deutsche Bank branches. This cooperation offers attractive earnings potential for both partners. More detailed information is currently being compiled.

Branch sales success continues

As part of the "Next Step" strategic program, Postbank's 856 Finance Centers across Germany are being gradually redesigned to further improve awareness and use of our banking services. The positive reception by our customers confirms that we are on the right path. In 2008, we will redesign the look of a total of 15 branches.

We also want to further improve the quality of our service and consulting. In order to achieve this aim, our employees are trained in product and sales topics on a continuous basis. The success can be seen in such sales results as adviser productivity, which increased significantly in the third quarter.

The savings and home savings business in particular developed extremely encouragingly at our branches in the third quarter, rising by 173 % and 74 % respectively year-on-year. These results underscore Postbank's high level of sales expertise in the area of deposit products.

Mobile sales focused on home savings business

In our mobile sales, too, extensive training programs were implemented to further increase consulting and service quality. More than 12,000 days have already been devoted to training this year, and this investment is paying off. Adviser productivity improved continuously over the course of the third quarter to reach 118 % as compared to 100 % in 2006. The proportion of advisers who successfully sell products from three or more categories currently amounts to approximately 43 %. At the end of the first half of the year, this figure was 38 %. The number of mobile advisers has remained constant at approximately 4,180, after 4,260 in the prior year. In order to optimize management and cooperation, the 145 branch-based home savings and mortgage loan specialists who had previously been assigned to the mobile sales organization were transferred to branch sales as of August 1, 2008. We expect this to provide significant momentum for the new home savings and mortgage lending business in our branches.

In the third quarter, the focus of new business in mobile sales was on the home savings business. Newly acquired home savings amounted to €6.23 billion, up 4.5 % on the previous year. In addition, mobile sales in mortgage lending rose by 1.3 % and the number of checking accounts increased 1.2 % on the prior year.

Checking account remains a key instrument for acquiring new customers

The number of newly opened private checking accounts grew by 5.3 % as against the first three quarters of 2007 to 419,000. The attractive price-performance ratio and the versatile access offered by our multi-channel banking continue to make the checking account one of Postbank's most important customer acquisition tools. As of 2009, we will again significantly expand our service for our checking account customers: Thanks to our cooperation with Shell, we anticipate that Postbank customers will be able to withdraw cash conveniently at over 1,300 Shell gas stations as of April 2009.

With a total of 4.9 million private checking accounts, up 2.1 % on the previous year, Postbank remains the market leader in Germany.

Savings business generates high growth rates

As a result of the increasing financial markets crisis, competition on the deposits market has become even more intense. However, Postbank not only has a strong market position and considerable selling power, it also has a reputation among the public for solid and fair savings products. Due to these factors, we were able to increase the volume of newly acquired savings deposits by approximately 19 % to €9.88 billion in the year to date despite the difficult market environment. In July and August especially, we recorded high levels of new cash inflows thanks in particular to our portfolio of attractive products in the area of time deposits ("time deposit weeks").

We expect the marketing initiative we have already launched in the savings business to produce additional positive momentum: Cash inflows should become significantly heavier over the course of the year.

The savings volume totaled €46.8 billion as of September 30, 2008, 8.3 % more than the same time last year. Adjusted to include the extremely stable volume of home savings deposits, the total savings volume rose 5.2 %, to €63.0 billion.

Mixed picture for the securities and insurance business

Hampered by the ongoing bear market, the fund and securities business turned in a muted performance. Gross cash inflow into investment funds in the first nine months was €1.944 million, or 10.9 % below the prior-year figure. Our umbrella fund "Vermögensmanagement Plus" was able to escape this trend (sales of €223 million in the period up to September 30, 2008) thanks to measures to safeguard existing standards in relation to the flat tax. New business may yet recover in the fourth quarter: We are expecting pull-forward effects from the introduction of the flat tax as of January 1, 2009. Matching the total level for the previous year may prove difficult, however, depending on future developments on the capital markets. Due to general market developments, the volume of securities held by our customers in deposit accounts declined by 11.3 % to €10.2 billion overall.

The picture for the new life insurance business is much more positive. In the first nine months, business here increased by €43 million year-on-year to €179 million. Our investment advisers in particular contributed to this success, almost doubling their sales in this period.

Our cooperation with HUK-COBURG in the non-life insurance business is developing very satisfactorily. In the period up to September 30, 15,000 insurance contracts were sold. We are expecting a noticeable upturn in this area in the fourth quarter due to motor vehicle insurance – November 30 is the annual deadline for switching to a new insurance carrier.

Strong growth in new mortgage lending business in the third quarter

The mortgage lending market in Germany is continuing to decline. Bundesbank statistics show that new residential construction loans for private households (including mortgage loan extensions) in Germany through September 2008 declined by a total of 5.5 % as compared to the same period in the prior year. In contrast, the number of building permits appears to have bottomed out and was just 1.5 % below the prior-year figure by the end of August.

Nevertheless, Postbank's new business increased strongly in the third quarter, with the cooperation business that we operate under the DSL brand growing by 31.2 % and the end customer business marketed under the BHW brand by 16.9 %. Combined, the two brands recorded growth of 24.3 % as against the prior-year quarter.

The overall volume of new business acquired amounted to €6.7 billion in the first three quarters, only 5.2 % less than the prior-year figure. With a decline of 1.3 % to €3.9 billion in the first nine months, the DSL brand performed better than BHW, which recorded a decline of 10.1 % to €2.8 billion. Adjusted for the 32.1% year-on-year increase in disbursements of home savings loans, new business – at €7.8 billion – was down a mere 1.4 % on the previous year.

Self-generated private mortgage loans amounted to €63.2 billion as of September 30, 2008, 10.3 % higher than the same time last year. These are supplemented by portfolio purchases of €9.1 billion (prior year: €10.2 billion), including the acquisition of one portfolio with a volume of €1.47 billion from Aareal Bank AG in May 2008. This sum was added to the balance sheet in the third quarter. Consequently, our private mortgage lending book amounted to €72.3 billion, after €67.4 billion on September 30, 2007.

New home savings business stable

In the home savings business, new total home savings written amounted to €8.8 billion in the first three quarters, up 4.8 % year-on-year. The home savings market grew by 5.1% through August (more recent data was not available). We expect business to further improve in the fourth quarter. The government-supported savings volume must be used for housing-related purposes for contracts signed on or after January 1, 2009. We anticipate that this will motivate those interested in home savings to conclude contracts before the end of this year – under the currently valid terms and conditions for such home savings contracts.

In addition, certified home loan and savings contracts and mortgage loans for owner-occupied residential property will be supported by the "Wohn-Riester" pension program as of November 1, 2008, meaning that home savings will remain a highly attractive, solid savings and financing product.

At €1,042 million, home savings loans disbursed exceeded the previous year's value by 32.1 % in the reporting period, strengthening the positive trend already seen in the past.

Ongoing strong installment loan business

Our new installment loan business continued its growth in the third quarter. As in the rest of the year to date, this growth could be attributed to improvements in our authorization and sales processes implemented at the end of 2007. The car loan, which was introduced in March 2008, is supporting this encouraging development. The "Minutenkredit" (quick loan), under which we grant our customers amounts up to €3,000 for a maximum term of 36 months, also made a positive contribution to a high growth rate. Overall, our volume of new business in installment loans increased by 57.1 % in the first nine months to €1,280 million. This growth enabled us to decouple ourselves from the market, which dropped 31.2 % in the same period.

Our branches, which generate around 33 % of the new business volume, are the most successful sales channel for the installment loan business. However, third-party sales generated under the DSL brand also grew substantially. At €301 million, sales here were up 5.9 % on the previous year. The installment loan book as of September 30, 2008, amounted to €2.9 billion, 31.8 % more than on the 2007 reporting date.

Business customer segment to be significantly expanded

With over 265,000 business customers, Deutsche Postbank AG is already one of the leading banks for freelancers, self-employed individuals, and small companies in Germany. In order to further strengthen our market position, we will significantly expand our supporting activities for this customer group in the next several years as part of our "Next Step" strategic program. Special focus is being placed on improved support of particularly active customers as well as on customers with additional business potential. Extensive preliminary studies have clearly revealed that more intensive support can decisively boost both customer loyalty and earnings generated per customer. In order to create the necessary personnel basis, an extensive recruitment drive was initiated in this area in recent months and has been successful to date.

Operating Corporate Banking business solid

As outlined in our "Next Step" strategic program, we intend to become one of the five core banks for 3,000 of our approximately 30,000 corporate customers in the medium term. One of our efforts to reach this goal includes strengthening our customer support capacities, which will have a lasting positive effect on productivity. The success of our efforts is reflected in productivity in Corporate Banking. The figure of 118 % as of September 30, 2008, compared with an initial value of 100 % in base year 2005, was well above the prior year figure of 105 %.

Our operating business with our corporate customers was encouraging overall. The volume of loans to corporate customers grew in the first nine months of 2008. For example, we were able to expand SME loans by €1.0 billion to €4.5 billion as of September 30. We also enhanced the portfolio of commercial real estate finance as part of our risk-conscious lending policy.

The investment volume attributable to our corporate customers climbed from €12.0 billion at the end of 2007 to €12.6 billion. In addition to attractive investment opportunities, we also offer our corporate customers comprehensive consulting services to help them optimize their balance sheet structures.

Product portfolio rounded off in Transaction Banking and expansion of standardized platform completed

Transaction Banking processed approximately 2 billion transactions in the third quarter. With a total of 5.9 billion transactions in the first nine months of the current year, the volume processed was up 6.4 % on the same period of the previous year. By further expanding industrial and standardized processing, Credit Services was able to significantly enhance its productivity and quality.

Organizationally, Postbank's payment transactions operations were spun off to Betriebs-Center für Banken AG (BCB AG) as of July 1, 2008, so that payment transactions for all customers are being handled there. During the summer, the new Payment Engine payment transaction platform developed together with SAP for processing bulk payment transactions was put into operation. The product can process industrial scale payment transaction volumes, while also offering multi-client ability. Payment Engine also ensures compliance with the SEPA (Single Euro Payments Area) legislation.

With its current level of technology and organization, Transaction Banking at Postbank is thus optimally prepared to take further strategic steps. Postbank plans to expand its Transaction Banking offering on the European market on this basis.

Acceptable compromise reached in wage negotiations with ver.di

This year's round of wage negotiations for the 4,000 or so staff of Deutsche Postbank AG, PB Firmenkunden AG, and parts of BCB AG represented by ver.di, as well as the approximately 5,000 staff at PB Filialvertrieb AG, were concluded with agreements spanning two years and four months in each case – and a staggered two-tier collective pay raise. This provides the companies with economic planning certainty for the period up to the end of 2010.

In addition, the union and employers extended the waiver of dismissals for operational reasons for staff employed by Deutsche Postbank AG, PB Firmenkunden AG, and parts of BCB AG until the end of 2012. In return, employees and civil servants will waive their right to the asset accumulation component in the years 2008 and 2009.

The waiver of dismissals for operational reasons for the employees of PB Filialvertrieb AG and the BHW Group was extended until June 30, 2011, while at the same time working times were flexibilized.

Workforce development in 2008

The workforce, at around 21,500 employees (full-time equivalents), has been stable since the beginning of the year and is likely to see little fluctuation until the end of 2008. However, there have been shifts within the Postbank Group. For example, around 1,400 employees were transferred from Deutsche Postbank AG to BCB AG as part of the outsourcing of Postbank's payment transaction operations.

Interim Management Report

Business Environment

Economic environment

2008 is dominated by what is now a global financial crisis. By the middle of October 2008, financial institutions worldwide had taken write-downs of €491 billion due to the impact of the crisis. Banks have raised €460 billion in fresh capital during the same period to strengthen their equity base. The severity and the scale of the crisis have increased markedly in the past few months as a result of the collapse of the U.S. investment bank Lehman Brothers, and the effects are now increasingly being felt in Europe as well. Iceland has been hit the hardest by the financial markets crisis so far, and only government intervention was able to prevent an immediate collapse of the three largest banks. It is negotiating with various other countries and the IMF in order to prevent further depreciation of the national currency due to its high external debts and to avoid a further intensification of the state crisis.

In the meantime, in addition to the measures taken by central banks to improve the provision of liquidity, many countries have announced temporary guarantees for bank deposits and/or significantly increased the guaranteed amounts for bank deposits. Furthermore, they have initiated bailouts to safeguard their respective national financial systems. In Germany, this is represented by the Financial Market Stabilization Act (*Finanzmarktstabilisierungsgesetz* (FMStG)), which went into effect in mid-October. It includes guarantees for debt instruments and for liabilities from deposits from other banks and offers the opportunity to recapitalize struggling institutions. The government can assert influence in different ways, depending on the manner in which funds are drawn down, including influencing dividend policy, compensation rules, the granting of loans to small and medium-sized enterprises, and/or the institution's business strategy.

Meanwhile, the financial markets crisis has also significantly affected real economic development. The global economy may have continued to grow in the first nine months of 2008, but weakening trends have continued to spread. In addition, economic development is exhibiting strong regional differences. Whereas growth in emerging markets weakened while remaining robust overall, the economic situation in the industrialized countries worsened considerably over the course of the year. At the end of the third quarter, the risks for growth arising from the worsening financial markets crisis increased significantly yet again.

In the U.S.A., the housing market crisis, the financial markets crisis, and high oil prices slowed economic growth in the first three quarters of 2008. Although real GDP growth accelerated in the second quarter to 0.7 % compared to the previous quarter, this was attributable solely to strong growth in exports and a simultaneous decrease in imports and is thus likely to have represented only a temporary recovery. The downward economic trend then clearly reasserted itself in the third quarter.

In Japan, there was a strong economic setback in the second quarter. GDP shrank quarter-on-quarter by 0.7 %, which was the worst decline in nearly seven years.

The economic slow-down in the euro zone gathered speed in the second quarter after a robust start to 2008. The euro zone economy suffered increasingly from the severe appreciation of the euro and extremely high oil prices. The result was a decrease in GDP of 0.2 % compared with the previous quarter – the first since the beginning of monetary union in 1999.

GDP in Germany fell by 0.5 % in the second quarter after a sharp rise at the beginning of the year. Retail spending suffered from the massive rise in oil prices. In addition, after the weather permitted a very good start to the year, investments in construction experienced a sharp downwards correction. Incoming orders and production in industry also decreased. Economic indicators continued to point downwards in the third quarter. The ifo Business Climate Index in particular nosedived. GDP growth in both the euro zone and in Germany is unlikely to have done more than stagnate, and a further decline in economic output also cannot be ruled out.

All in all, macroeconomic developments around the middle of the year were significantly less favorable than we had anticipated in our last report.

As a result of the significant worsening of the financial markets crisis beginning in September, central banks and capital markets focused increasingly on the economic risks. In contrast, inflation fears diminished owing to the strongly declining price of oil. Therefore, the central banks of some leading industrialized nations cut their key interest rates in a concerted action at the beginning of October. The Federal Reserve reduced its target Fed Funds Rate from 2.0 % to 1.5 %. The ECB reduced its key refinancing rate from 4.25 % to 3.75 %. The central banks also implemented a series of additional measures in order to support the liquidity of the financial system. Since these measures were the result of a worsening in the financial markets crisis, we had not anticipated these reactions by the central banks in our last report. The increasing risks for financial market stability and real economic development resulted in a massive shift to government bonds in the third quarter. Capital market rates plunged while the yield curve steepened significantly. We had expected interest rates to decline over the rest of the year, however, we did not foresee such severe market movements in the third quarter.

Sector situation

Financial institutions above all in North America and Europe had to recognize additional significant write-downs on troubled assets in recent months as a result of the global financial crisis. The crisis reached a new dimension with the insolvency of the U.S. investment bank Lehman Brothers in the middle of September, and meanwhile the effects are also becoming increasingly evident at European financial institutions. If the near-collapse of the U.S. investment bank Bear Stearns in the middle of March 2008 was the defining event in the entire first half of 2008, the list for the second half of the year is far longer after only four months. For example, in the U.S.A. the continued existence of the previously semi-public U.S. mortgage financers Fannie Mae and Freddie Mac was secured by a full Federal takeover. Merrill Lynch was acquired by Bank of America. In Europe, Iceland nationalized the country's three largest banks. Due to the impact of the crisis, the British bank HBOS was taken over by Lloyds TSB and the British building society Bradford & Bingley was nationalized. Germany's Hypo Real Estate had to meet its considerable need for liquidity through a joint credit line from the Federal government and private banks in the middle double-digit billion range. Coordinated rescue measures in many countries to secure their respective financial systems have been and are being launched, with some of them being in the triple-digit billion range. To protect investors, the guarantee amounts for bank deposits were increased in many countries or even guaranteed in full by individual sovereigns for limited periods.

The German banking landscape continues to feature a three-pillar structure consisting of private banks, savings banks, and cooperative banks. Cross-pillar mergers and acquisitions continue to be rare. Nevertheless, the M&A carousel has been picking up speed over the past few months. The financial investor Lone Star is taking over parts of IKB. Commerzbank has reached an agreement with Allianz regarding the acquisition of its subsidiary Dresdner Bank, and Deutsche Bank is acquiring a 29.75 % interest in Deutsche Postbank's share capital from Deutsche Post AG. The two central cooperative institutions DZ Bank and WGZ agreed to a merger in September, which when completed will leave Germany with only one central cooperative institution.

The performance of bank shares in the current year clearly reflects the effects of the financial crisis. They have substantially underperformed the market as a whole since the turn of the year 2007/2008. While the DAX, for example, lost around 40 % up to the middle of October 2008, the unweighted mean loss recorded by the shares of the six German banks listed on Deutsche Börse's Prime Standard segment was almost 70 % in the same period. The half-yearly reports of the listed banks already revealed the clear impact of the crisis. The five private banks (excluding IKB) listed on Deutsche Börse's Prime Standard reported a drop in profit both before and after tax for this period. All institutions registered a significant slump in proprietary trading, with the majority of them suffering losses in this segment. Most of the banks also generated lower net fee and commission income in comparison to the prior-year period. In addition to the negative effects directly due to the financial markets crisis, the deteriorated overall economic conditions and the very flat or inverse yield curve left deep marks in the operating results. Although almost all banks reduced their administrative expenses, they were unable to offset the decline in operating income. As a result, the cost/income ratio deteriorated considerably compared with the prior-year period. After 53.4 % in the first half of 2007, it climbed in the first half of 2008 to an unweighted mean of 71.7 %.

Significant events at Postbank in the first nine months of 2008

On January 9, 2008, Postbank launched its first Jumbo Mortgage *Pfandbrief* 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 group of investors in Germany and abroad at very attractive conditions for Postbank. Another Jumbo Mortgage *Pfandbrief* with a volume of €1 billion was issued equally successfully in May 2008. The issue of *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 of 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 19, 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 and elected Chairman of the Supervisory Board at a meeting of the Supervisory Board on March 3, 2008.

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.

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 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 announced that they would be cooperating in their client business. Details of this will be agreed and published in the fourth quarter.

Significant events after the reporting date

With the approval of the Supervisory Board, the Management Board of Postbank resolved to increase Postbank's capital during the fourth quarter. This rights issue will fully utilize the authorized capital of 54.8 million shares approved by the Annual General Meeting in 2006. The subscription price has been set at €18.25 per share. The subscription period is scheduled to begin in November. Further details will be announced at a later date shortly before the offer comes into effect.

As Postbank's majority shareholder, Deutsche Post AG has issued an unconditional and irrevocable commitment to Postbank to subscribe at the subscription price for the new shares in line with Deutsche Post's existing stake of 50 percent plus one share. Given the subscription price has been set at €18,25 per share, Deutsche Post has further undertaken to acquire, at that subscription price, all shares from the rights issue that will not be placed otherwise.

Postbank decided to reclassify, as of October 1, 2008, a large portion of its interest bearing non-structured securities out of the available-for-sale category to the loans and receivables category pursuant to IAS 39.50E. As a result of such reclassification, the relevant former available-for-sale portfolio has been measured at amortized cost since October 1, 2008. The fair value as determined according to IAS 39 at the reclassification date becomes the new cost base. Thus, future fluctuations of the fair value of the reclassified securities will no longer negatively affect the revaluation reserve.

As part of the measures to further increase the Bank's equity base, the Board of Management is currently planning to recommend to the Annual General Meeting in April 2009 that no dividends be paid for fiscal 2008.

Postbank's investment focuses

In the first nine months of 2008, Postbank's investments focused on redesigning and reorganizing its branches. In addition, it invested in the development of an innovative Riester home savings product and in further optimizing its liquidity management system. The implementation of regulatory requirements relating to Basel II and the flat tax also continued. Investment in the IT sector was mainly in the "Payment Solution" project, the goal of which is to develop a multiclient-enabled payment transaction platform.

Net Assets, Financial Position, and Results of Operations

Income statement

The third quarter of the current fiscal year was dominated by three key factors:

- clear steps toward consolidation in the German banking sector
- ongoing intense competition in the German retail banking business
- and in particular the escalation of the financial markets crisis following the collapse of the U.S. investment bank Lehman Brothers in mid-September.

The resulting effects can be clearly seen in Postbank's income statement. In total, a loss of €449 million before tax was recognized in the third quarter.

In contrast, Postbank can look back on a satisfactory performance overall in its customer business, despite the environment. New business was encouraging in all key product areas, allowing us to further cement our good market position. Our "Next Step" strategic action program, implementation of which is being driven forward in all business divisions, is taking effect.

Whereas the impact of developments on the capital markets significantly affected Postbank's income statement in the third quarter in particular, Postbank recorded a clearly positive trend in its operating earnings lines in the first nine months. Year-on-year, Postbank increased its core income figures – net interest income and net fee and commission income. By contrast, market turbulence led to a significant decline in net trading income and in net income from investment securities. We reduced administrative expenses as a result of efficiency gains and strict cost discipline. Allowance for losses on loans and advances was slightly above the prior-year level due to additional negative effects resulting from the financial markets crisis.

Unless otherwise stated, the following comments represent a comparison with the first nine months of 2007.

In the first nine months of 2008, profit before tax fell by €918 million year-on-year to €–112 million due to the effects of capital market developments and the resulting secondary effects. The return on equity before taxes therefore decreased correspondingly and after 20.9 % as of September 30, 2007, was negative as of September 30, 2008. The cost/income ratio for the Bank as a whole rose to 91.9 % (65.5 % in the first nine months of the previous year).

Despite the impact of the ongoing inversion of the yield curve, net interest income increased by 7.3 % year-on-year in the first nine months of 2008 to €1,757 million. Interest income rose overall as a result of the Bank's positive volume performance. At the same time, the higher short-term market yields allowed us to benefit from interest income from microswap positions, which we use to manage our investment securities and for asset/liability management. Following the significant reduction in holdings of equities and other non-fixed-income securities compared with the prior-year period, current income from these line items decreased as expected. The volume-based strategy in our savings business is also reflected in the higher interest expense, in particular from liabilities. As in 2007, we continued to offer our customers attractive conditions in the first nine months of 2008 by continuously increasing the average interest earned, thus strengthening our good position in the competition for savings deposits. Volume performance remains slightly below our expectations due to the competitive environment. Postbank is benefiting from its strong customer deposit base and successful *Pfandbrief* issues, which means the sharp increase in market interest rates triggered by the financial markets crisis resulted in only a relatively moderate increase in our interest expenses during refinancing.

Compared with the first nine months of 2007, both net income from investment securities and net trading income fell significantly as a result of the impact of capital market developments and show negative values.

Net income from investment securities decreased by €841 million from €292 million to €– 549 million. When comparing this figure with that for the previous year, it must be noted that the latter included the disposal of our equity investments in insurance companies.

The extent of the decline in earnings is due to a number of factors: Net income from investment securities was significantly impacted in the third quarter owing to write-downs from our exposure to Lehman Brothers which was granted creditor protection (€317 million). We have also charged write-downs on our holdings with Icelandic banks amounting to €21 million. Despite the serious market turbulence, which increased further towards the end of September, the write-downs on structured credit products in the third quarter were below the level of the previous two quarters, at €17 million in Q3/2008. Overall, Postbank recorded impairment losses of €137 million (previous year: €61 million) on these portfolios in the first nine months. The interest rate movements – in some phases crash-like over the course of the year – significantly limited the opportunities for generating positive earnings contributions from our holdings. The movements on the interest rate and stock markets were sometimes positively correlated, meaning that, from time to time, the natural hedge between these asset classes did not apply. Given the extremely significant drop in share prices that was seen on the stock markets, we recognized an impairment loss of €65 million on our portfolios of shares and investment fund shares in the third quarter (full-year: €75 million).

Net trading income was €8 million in the first nine months of 2008 (€264 million in the prior-year period). This is due in particular to the charges taken in relation to the measurement of embedded derivatives from the structured credit substitute business amounting to €398 million. Of this figure, €201 million relates to the third quarter and results in particular from the significant widening of credit spreads and increased credit risk in the course of the escalation of the financial markets crisis in mid-September 2008. In contrast, the Bank's underlying net trading income profited from the gains from our microswap positions, which we used for hedging and for managing the banking book as part of our asset/liability management.

Net fee and commission income amounted to €1,071 million in the first nine months, up 1.7 % on the previous year's figure of €1,053 million. On a standalone basis, the third quarter saw an increase both over the result for the first two quarters of 2008 and over the prior-year quarter. As expected, given our greater focus on financial services, the increase in net fee and commission income in our banking business was offset by a continued decline in income from the sale of postal services and new services at our branches and from Transaction Banking.

Total income in the first three quarters fell by 29.6 % year-on-year, to €2,287 million. Balance sheet-related revenues, comprising net interest income, net trading income and net income from investment securities, decreased by 44.6 % to €1,216 million. These developments are almost exclusively attributable to the effects of the capital market turbulence.

At €304 million in the first nine months of 2008, allowances for losses on loans and advances were up €36 million or 13.4 % on the same period of 2007. The figure includes allowances for losses on loans and advances to Lehman Brothers (€47 million) and Icelandic banks (€10 million). Adjusted for these effects, the figure would have been down 7.8 % year-on-year. In contrast, the total credit extended to customers rose sharply by 15.9 % in the same period.

Developments in administrative expenses were encouraging, decreasing by €27 million or 1.3 % year-on-year to €2,101 million, despite increasing inflation. We are profiting from the effects of the efficiency initiatives that we have implemented over the past years: the realization of the full synergy potential from the integration of BHW coupled with the simultaneous discontinuation of the integration expenses, and a pronounced cost culture. Postbank again proved that it can continuously increase volumes in its customer business while maintaining strict cost discipline.

Net other income and expenses amounted to €6 million, following €–45 million in the previous year.

Overall, Postbank recorded a loss after tax and minority interest of €114 million for the first nine months due to the massive disruptions on the capital markets and their financial effects. This corresponds to earnings per share of €–0.70, after €4.27 in the first nine months of 2007.

Segment Reporting

Retail Banking

Profit before tax in the Retail Banking segment improved in the first nine months of 2008 by 5.6 % year-on-year to €722 million. The segment benefited in particular from the positive performance by net fee and commission income, reduced allowances for losses on loans and advances, and lower administrative expenses.

Net interest income declined by 3.6 % to €1,723 million, due among other things to the impact of our volume-based savings account strategy, which had been expected. We continue to predict that the additional interest income from the newly generated volumes will more than offset the initial margin reduction in 2009. In the third quarter, net interest income was also affected by the interest accrued on provisions in the home savings business, after the second quarter had still benefited from the same effect as a result of increased market interest rates. The segment's net trading income – generated exclusively by BHW Bausparkasse AG, which is part of the Retail Banking segment – was €13 million, after €8 million in the prior-year period. Balance sheet-related revenues for the segment fell by a total of 4.9 % to €1,735 million.

Net fee and commission income grew by 6.2 % to €775 million. The increase in income from the sale of financial services – for instance the significant improvement in net fee and commission income from the insurance business or from installment loans – more than compensated for the expected €29 million decrease in income from the sale of postal services and the income from third-party products in our branches.

Total income in Retail Banking decreased slightly by 1.8 % to €2,510 million.

Administrative expenses declined by 2.0 % to €1,607 million compared with the first nine months of 2007. This is primarily attributable to the positive effects of the completed integration of BHW and the branches.

Germany's continuing sound economic position, and hence consumers' comparatively good financial situation, contributed materially to the reduction in the allowances for losses on loans and advances in the Retail Banking segment. At €204 million, the amount was down €14 million on the prior-year figure.

The cost/income ratio improved slightly from 64.1 % to 64.0 %. The return on equity before taxes rose to 42.0 % (31.4 % in the previous year).

Corporate Banking

In the first nine months of 2008, effects of the financial markets crisis partially attributable to this segment – including part of the write-downs from our Lehman Brothers exposure – led to a decline in profit before tax in the Corporate Banking segment of €228 million year-on-year, to €-85 million. In contrast, the operating earnings components from customer business developed positively. Thus, net interest income rose significantly by 29.1 % to €275 million.

Net trading income and net income from investment securities, however, fell in the same period by €290 million (cumulative) to €–288 million. Net fee and commission income remained almost unchanged year-on-year at €77 million (previous year: €78 million). Total income thus decreased by €229 million to €64 million.

Administrative expenses improved slightly by €4 million to €128 million. The cost/income ratio was 200.0 %, after 45.1 % in the first nine months of 2007, while the return on equity before taxes was negative after 52.4 % in the prior year.

Transaction Banking

Profit in the Transaction Banking segment grew by €8 million to €34 million. Net fee and commission income fell by €7 million to €260 million due to the continuing increase in the proportion of paperless payment transactions, while administrative expenses were reduced by €7 million to €240 million. The segment's other income rose by €7 million to €11 million. The cost/income ratio thus declined from 91.8 % to 91.3 %.

Financial Markets

Profit before tax in the Financial Markets segment declined by €84 million to €49 million. Net trading income rose by €6 million to €57 million due to high market volatility, and net interest income was also up €31 million to €103 million. By contrast, net income from investment securities fell by €84 million to €–79 million due to write-downs on portfolios affected by the financial markets crisis including impairments relating to Icelandic banks. Total income decreased by €60 million to €127 million. Administrative expenses rose by €5 million to €66 million, and the cost/income ratio increased from 32.6 % to 52.0 %. The return on equity before taxes fell accordingly from 38.1 % to 9.9 %.

Others

The loss before tax reported by the Others segment widened very significantly, from €180 million in the first nine months of 2007 to €832 million. This development is primarily due to the effects of the financial markets crisis described above (impairments and fluctuations in value from embedded derivates in the structured credit business and write-downs from our exposure to Lehman Brothers), which were predominantly recognized in the Others segment.

Net trading income amounted to €–13 million (down €221 million year-on-year), while net income from investment securities amounted to €–230 million, down €482 million. Net interest income, on the other hand, increased by €89 million to €–347 million. Balance sheet-related revenues decreased by €614 million in total to €–590 million.

Administrative expenses rose by €11 million to €60 million, while net other income and expenses narrowed from €–34 million to €–29 million.

Total Assets

Total assets rose from €203.0 billion at the end of 2007 to €218.7 billion as of September 30, 2008. On the assets side, this was mainly due to the significant increase in loans and advances to customers and in investment securities. On the liabilities side, amounts due to customers and banks grew, as did securitized liabilities. Now that Postbank has reduced its historical deposit surplus, it has a balanced balance sheet structure.

Loans and advances to customers increased by 12.3% as against the end of 2007 to €103.5 billion. The continuing strong mortgage lending and installment loan business made a key contribution to this growth, as did our commercial financing transactions with corporate clients. We continued to reduce our legacy portfolios of low-margin public-sector receivables in the period under review by €1.1 billion to €2.4 billion.

We again significantly reduced loans and advances to other banks by 28.3 % or €7.0 billion, to €17.6 billion.

Investment securities rose by 18.5% or €12.7 billion to €81.3 billion. Given the turbulence on the capital markets, we had invested in ECB-eligible securities in the first quarter in particular, after refinancing on the interbank market, selectively adding to our portfolio of German government bonds and, among other things, prime-rated Mortgage *Pfandbriefe* due to their function as a "safe haven."
In view of the ongoing financial markets crisis, we continued to hedge our liquidity position, which had further improved as a result of these measures, over the course of the year with significant holdings of highly liquid securities. In order to reduce the volatility in our revaluation reserve, we started systematically hedging and partially reducing our investment securities holdings in the third quarter. We will continue this process in the fourth quarter.

Trading assets fell by 12.7 %, or €1.3 billion, to €8.7 billion in the first nine months of 2008. This is mainly due to a reduction in our holdings of bonds and other fixed-income securities in the course of the ongoing turmoil on the capital markets.

On the liabilities side, amounts due to customers increased by an encouraging €5.0 billion to €115.7 billion. We expanded deposits from other banks by €5.5 billion to €66.7 billion in connection with the above-mentioned increase in our holdings of highly liquid, low-risk investment securities as a precautionary measure to additionally strengthen our liquidity position, especially via 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 to date by issuing two Jumbo Mortgage *Pfandbriefe* with a total volume of €2.5 billion. Securitized liabilities rose by a total of €6.4 billion to €16.0 billion. Trading liabilities increased by €0.7 billion to €6.2 billion.

Our equity amounted to €3,619 million as of September 30, 2008, compared with €5,311 million at the end of 2007. The revaluation reserve, which we deduct from regulatory own funds in contrast to many other banks, amounted to €–1,894 million, and was thus €1,371 million down on the figure as of December 31, 2007.

As the financial crisis worsened, there was another significant widening of the spreads for nearly all asset classes in the third quarter of the current year, independent of the respective credit rating. For numerous market segments, the increasing risk aversion of investors led to the further tightening of liquidity, which had already been decreasing since the beginning of the year. Thus the formation of prices for the affected asset classes was considerably distorted. This resulted in significant pressure on the present values of our securities holdings, even affecting prime-rated assets such as European government, bank and corporate bond issues.

Due to the pronounced negative trends on the stock markets, our equity holdings declined in value, which also had a negative effect on the revaluation reserve. For this reason, we resolved to significantly reduce our equity holdings for the fourth quarter so as to further decrease the volatility in our Tier 1 ratio. We expect this step to reduce the charges in our revaluation reserve and to stabilize it, but must also reckon with additional non-recurring impacts on our earnings situation as a result.

The securities in Postbank's portfolio of structured credit products also experienced changes in present value. In this context, the negative fluctuations – after a slight improvement in the second quarter – increased slightly in the third quarter as a result of the significant widening of spreads.

The Tier 1 ratio in accordance with Basel II was 5.5 % as of September 30, 2008, following 6.9 % at year-end 2007 and 6.3 % at the end of the first half-year. As described above, the calculation fully takes account of the negative revaluation reserve.

Against this backdrop, Postbank has prepared a discounted cash flow (DCF) model to determine the fair value of a portfolio of debt securities issued by governments, corporates and banks which has already been agreed with the Bank's external auditors. However, we have adopted a conservative stance to date, deferring the application of this model for determining fair values of said investment grade portfolio until a more concrete position has been reached. Postbank expects a relief for the revaluation reserve, and thus a positive effect on the capital ratio.

We are assuming that the sensitivity of our Tier 1 ratio to the extreme fluctuations of the capital markets crisis will decrease due to the reduced interest rate sensitivity of our portfolios. These measures have been accompanied by a significant reduction in our share holdings since September 30, 2008. Furthermore, the Tier 1 ratio should benefit from the expected pull-to-par effects from our portfolios and, in the medium term, from the introduction of a further refined model for measuring risk.

In 2007, Postbank ensured compliance with the transitional provision under section 339(3) – (5) of the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation) by recognizing an additional risk asset capital charge (cap provision). This transitional provision has no further effects on the capital ratios as it is designed to set a minimum capital requirement, and therefore no additional RWA capital charge needs to be recognized.

Risk Report

Organization of risk management

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.

For a detailed description of our risk management organization, see the relevant section in the 2007 Annual Report.

In the reporting period, the Financial Markets division was reorganized. Thus, 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 in the Group. The Credit Treasury department is responsible for performing active portfolio management to control the Postbank Group's other credit spread risk.

No significant modifications to the Postbank Group's risk management system are planned for the last quarter of 2008. However, the methods, systems and processes discussed here and in the 2007 Annual Report – in particular in light of the financial crisis – are subject to continuous review and enhancement in order to meet market, business and regulatory requirements.

Risk types

The Postbank Group distinguishes between the following risk types:

- 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.

- Credit risk
  Potential losses that may be caused by a deterioration in the credit-worthiness of, or default by, a counterparty (for example as a result of insolvency).

- 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.

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

- 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.

- Real estate risk
  Real estate risk relates to the real estate holdings of the Deutsche Postbank Group and comprises the risk of loss of rental income, write-downs to the going concern value, and losses on sales.

- Collective risk
  A specific business risk resulting from the home savings business of BHW Bausparkasse AG, comprising the negative impact of (non interest-related) deviations in the actual behavior of home savings customers from their forecast behavior.

- 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 sensitivity (primarily savings and checking account products), as well as strategic and reputational risk.

This Risk Report discusses in detail the market, credit, and liquidity risks that are directly manageable in the day-to-day business. Compared with the situation presented in the 2007 Annual Report, there have been no significant changes in the estimation of the other types of risk (operational risk, investment and real estate risk, collective risk, and business risk).

Risk capital and risk limiting

The Bank'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.

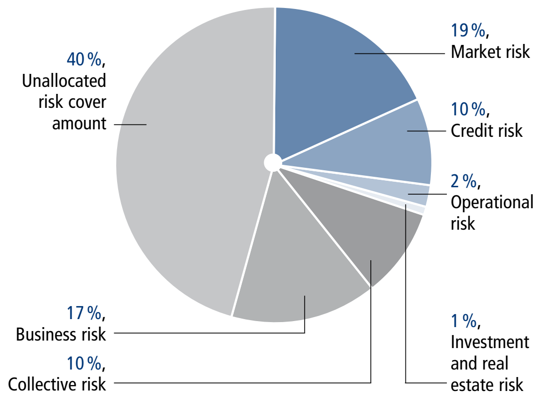
The following table shows the allocation of the Postbank Group's risk cover amount, broken down by risk types on the basis of the authorized risk capital, before and after factoring in correlation effects and the risk cover amount, as of September 30, 2008, compared with December 31, 2007.

Risk capital by risk types		
Capital and risk components	Allocated risk capital	
	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Market risk	1,854	2,044
Credit risk	1,191	1,191
Operational risk	635	635
Investment and real estate risk	126	126
Collective risk	1,000	1,000
Business risk	1,893	1,893
Total before diversification	6,699	6,889
Diversification effects	1,262	1,276
Total after diversification	5,437	5,613
Unallocated risk cover amount	3,658	4,678
Total risk cover amount	9,096	10,291

After the situation on the financial markets eased temporarily at the beginning of the third quarter, the market disruptions once again worsened noticeably after the U.S. investment bank Lehman Brothers was granted creditor protection in mid-September. At that time, the credit spreads again widened considerably in all asset classes due to the escalating crisis of confidence in the financial sector. In individual market segments, trading came to a complete halt. The stock markets also reacted to the worsening financial markets crisis and increasing economic slowdown by a sharp fall in equity prices. In line with risk-reducing measures, the risk capital allocated to market risk was reduced to €1,854 million. At the same time, 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. In total, the utilization of the risk cover amount by the risk capital allocated increased by 5.7 percentage points compared to December 31, 2007. Postbank's risk-bearing capacity was assured at all times, even within the scope of the financial markets crisis.

The percentage allocation of the Postbank Group's risk cover amount by risk type after factoring in correlation effects is as follows for the third quarter of 2008 (calculated as of September 30, 2008):

Breakdown of the Postbank Group's risk cover amount by risk types (authorized risk capital)



Risk capital is available for risk taking. Utilization is measured using value at risk measurements at a 99.93 % confidence level and a holding period generally of one year.

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.

Risks are only assumed within limits that are in line with the Bank's risk-bearing capacity in order to generate yields, taking risk/return aspects into account. This aims to ensure that risks that could jeopardize the Bank's existence are avoided. As of September 30, 2008, 72 % of the risk limit was utilized with respect to market risk and 64 % with respect to credit risk, in particular as a result of the strong increase in volatility over the course of the third quarter and the effects of the financial markets crisis.

Regulatory requirements: Solvency Regulation

In addition to the portfolios of Deutsche Postbank AG calculated using the IRB approach in 2007, since January 1, 2008, Postbank has reported capital adequacy on the basis of internal ratings for OTC derivative instruments, for a large proportion of the portfolios of PB Factoring GmbH; BHW Bausparkasse AG, Hamelin; Deutsche Postbank International S.A., Luxembourg; the London branch; PB Capital, Wilmington, Delaware, USA; and PB Realty, New York, New York, USA. Postbank has used the standardized approach to credit risk since January 1, 2008 for the remainder of the portfolios not calculated in accordance with the IRB approach (mainly overdrafts and the collection activities in the retail banking business, the portfolios of the other subsidiaries in the Postbank Group, the business of discontinued operations, and claims against the Federal Republic of Germany, German regional governments, local authorities, and development banks and agencies not engaged in competitive activities).

On August 25, 2008, Postbank published its second Disclosure Report (Pillar III Report pursuant to Basel II) on its website in accordance with the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation).

Market risk

Market risk management
Postbank makes use of a combination of risk, earnings, and other parameters to manage its market risk. Changes in the value of market risk are derived from daily marking to market, independently of their measurement for financial accounting purposes. 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. Sensitivity indicators and gap structures are included as further management parameters. The potential negative effects on the positions of the "available for sale" (AfS) category are also analyzed on a regular basis. Changes in the value of these positions have a direct impact on the revaluation reserve and thus on the regulatory Tier 1 ratio. In addition, market risk positions are subjected to regular scenario analyses and stress tests, which analyze the impact of extraordinary market movements on present values and on the income statement and balance sheet items.

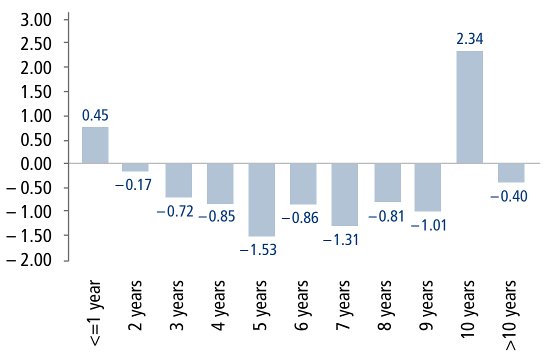
In this context, the changes in fair value caused by possible changes in spreads are also analyzed regularly for the relevant portfolios. The lessons learned from market developments within the scope of the financial markets crisis were directly factored into the spread scenarios analyzed and the analysis of the risk-bearing capacity derived from this.

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. In addition to standardized approaches for quantifying interest rate risk, Postbank also employs internally developed statistical models. Deposit transactions bearing variable rates of interest and the home savings collective are of particular significance to Postbank in this context. Special modeling rules and deposit base definitions are used as the basis for a modern risk management concept.

The following chart presents the Postbank Group's open interest rate positions as of September 30, 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.

The Postbank Group's interest rate positions (bpv) as of September 30, 2008

bpv in €m



The chart shows that the surplus of assets as of September 30, 2008 is primarily concentrated in the medium maturity range. The surplus of liabilities in the 10-year bucket can be attributed essentially to the long-term positions in BHW Bausparkasse AG's home savings collective.

Monitoring market risk
In the Postbank Group, market risk is monitored using a system of risk limits based on the value at risk methodology. Operational management in the Postbank Group's banking book is based on a confidence level of 99% and a holding period of 10 days. By contrast, operational management for the trading book assumes a holding period of one day, together with the same confidence level of 99%. The risk limits derived when the risk-bearing capacity is calculated are scaled accordingly. 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. Risk measurement and monitoring are end-of-day for the whole bank; additional intra-day monitoring is carried out for the trading portfolios.

For a detailed description of the methods used to compute VaR, see the section entitled "Monitoring and managing market price risk" in the Risk Report of the 2007 Annual Report.

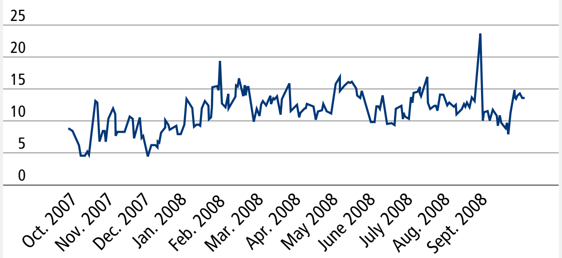
Risk indicators
The following values at risk were calculated for the Postbank Group's trading portfolios for the third quarter of fiscal year 2008 and the previous quarter:

Value at risk, trading portfolio	Q3/2008 €m	Q2/2008 €m
VaR at end of quarter	14.7	10.7
Minimum VaR	8.1	9.5
Maximum VaR	23.9	17.1
Average VaR	12.9	12.6

The following chart illustrates the development of value at risk for Postbank's trading portfolio over the last 12 months:

Value at risk (trading portfolio) for the period October 1, 2007 to September 30, 2008

VaR in €m



In Q3/2008, the substantial market volatility was exploited flexibly to take short-term positions in the trading book. Against the background of – in part – considerably increased risk parameters as a result of the ongoing market disruptions, VaR in the third quarter of 2008 thus remained at the same level as in the previous quarter, albeit with substantial fluctuations.

The VaR trading limit defined for market risk was not exceeded during the reporting period.

The value at risk for the banking book (99 %, 10 days) amounted to €312.8 million as of September 30, 2008 (€208.5 million as of December 31, 2007). The calculation incorporates all risk-bearing positions in the banking book. The rise in the value at risk was primarily driven by an increase in volatility – at times extreme – resulting from the financial markets crisis in general and from U.S. investment bank Lehman Brothers' application for creditor protection in mid-September in particular.

Credit risk

Credit risk is the risk of potential loss that may be caused by changes in the creditworthiness of, or a default by, a counterparty.

Monitoring and managing credit risk

Monitoring of credit risk at the level of the individual borrower/ individual commitment is discussed in detail in the section of the Risk Report entitled "Risk management and risk control" in the 2007 Annual Report.

In addition to monitoring individual risks, Postbank 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 a one-year horizon 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. The expected loss does not contribute to the Bank's overall risk, but is factored into margin calculations via the standard risk costs.

For a detailed description of the methods used to compute CVaR, see the section entitled "Managing credit risk at portfolio level" in the Risk Report of the 2007 Annual Report.

The most important parameters for describing the credit risks for the various profit centers as of September 30, 2008 (calculated on August 31, 2008) as compared to the end of 2007 are shown in the following table. The volume for the Group loan portfolio reported in this table deviates from the "maximum counterparty risk" shown further below due to two factors: firstly, the date used for calculating CVaR is the last day of the preceding month, and secondly, carrying amounts, fair values, or credit equivalent values are used to fully quantify the credit risk when calculating CVaR, depending on the item.

Credit risk	Volume		Expected loss		Credit VaR*	
	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Corporate Banking	24,244	18,670	61	55	159	181
Retail Banking	45,914	42,380	201	173	171	133
Financial Markets	137,467	112,494	156	109	735	606
Others (banks/local authorities)	6,463	7,828	4	4	116	121
BHW	41,747	41,965	61	73	58	57
Total (incl. portfolio effect)	255,834	223,337	482	414	759	661

* 99.93 % confidence level

Compared to the previous quarter, the Group loan portfolio again dropped toward the 2007 year-end figures due to the reduction in risk positions in the Financial Markets division. The increase in the overall loan portfolio from €223 billion by 14.5 % to €256 billion is accompanied by a 16.4 % increase in the expected loss and a 14.8 % increase in the unexpected loss. This relation underscores the high credit quality of the portfolio growth.

As of September 30, 2008, the maximum exposure to credit risk was as follows (compared with December 31, 2007):

Maximum counterparty risk

Risk-bearing financial instruments	Maximum counterparty risk exposure	
	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Trading assets	8,674	9,936
Held for trading	8,674	9,936
Hedging derivatives	351	421
Held for trading	351	421
Loans and advances to other banks	17,622	24,581
Loans and receivables	17,622	24,581
Available for sale	–	–
Loans to customers	103,451	92,725
Loans and receivables	95,125	85,159
Designated at fair value	7,967	7,110
Held to maturity	359	456
Available for sale	–	–
Investment securities	81,278	68,606
Loans and receivables	31,974	26,600
Designated at fair falue	–	–
Held to maturity	378	730
Available for sale	48,926	41,276
Subtotal	211,376	196,269
Contingent liabilities from guarantees	1,259	1,428
Other liabilities (irrevocable loan commitments)	22,742	23,480
Total	235,377	221,177

In contrast to the "Credit risk" table, the "Maximum counterparty risk" table breaks down the maximum exposure to credit risk in accordance with IFRS 7.36 (a) into categories of risk-bearing financial instruments. This figure is reported as a gross amount, since risk-bearing financial instruments are recognized and measured without accounting for credit risk mitigation techniques, recognized transactions are recorded at their carrying amounts, and the maximum counterparty risk exposures resulting from the utilization of irrevocable loan commitments or other off-balance sheet items correspond to all externally approved lines. This representation contains no information on ratings or collateral as is the case with economic risk quantification in the "Credit risk" table. In addition, higher variances can be found between the two tables as of the reporting date of September 30, 2008.

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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 by risk category:

Risk concentration by sector and borrower group

Risk-bearing financial instruments	Retail customers		Banks/ insurers/ financial services		Sovereigns		Services/wholesale and retail		Industry		Other sectors		Total	
	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Trading assets	205	209	7,969	9,267	18	14	132	148	147	165	203	133	8,674	9,936
Held for trading	205	209	7,969	9,267	18	14	132	148	147	165	203	133	8,674	9,936
Hedging derivates	–	–	311	385	32	26	5	5	–	–	3	5	351	421
Held for trading	–	–	311	385	32	26	5	5	–	–	3	5	351	421
Loans and advances to other banks	–	–	17,622	24,581	–	–	–	–	–	–	–	–	17,622	24,581
Loans and receivables	–	–	17,622	24,581	–	–	–	–	–	–	–	–	17,622	24,581
Available for sale	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Loans and advances to customers	74,197	68,230	9,140	7,723	3,891	4,643	5,189	3,938	4,497	2,705	6,537	5,486	103,451	92,725
Loans and receivables	66,230	61,120	9,135	7,716	3,732	4,427	5,136	3,873	4,364	2,546	6,528	5,477	95,125	85,159
Designated at fair value	7,967	7,110	–	–	–	–	–	–	–	–	–	–	7,967	7,110
Held to maturity	–	–	5	7	159	216	53	65	133	159	9	9	359	456
Available for sale	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Investment securities	–	–	48,122	46,402	25,382	15,085	1,156	740	4,771	4,050	1,847	2,329	81,278	68,606
Loans and receivables	–	–	25,682	22,276	3,469	2,014	854	119	1,626	1,258	343	933	31,974	26,600
Designated at fair value	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Held to maturity	–	–	357	709	21	21	–	–	–	–	–	–	378	730
Available for sale	–	–	22,083	23,417	21,892	13,050	302	621	3,145	2,792	1,504	1,396	48,926	41,276
Subtotal	74,402	68,439	83,164	88,358	29,323	19,768	6,482	4,831	9,415	6,920	8,590	7,953	211,376	196,269
Contingent liabilities	286	252	619	891	24	22	226	172	22	16	82	75	1,259	1,428
Other liabilities	19,053	19,113	431	34	34	35	771	971	695	667	1,758	2,660	22,742	23,480
Total	93,741	87,804	84,214	89,283	29,381	19,825	7,479	5,974	10,132	7,603	10,430	10,688	235,377	221,177

The Group's loan portfolio consists mainly of loans to retail customers with a focus on domestic private mortgage lending. It also includes loan exposures in the Corporate Banking division, predominantly in the German business customers segment, and in 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

Risk concentration by geographical region

Risk-bearing financial instruments	Germany		Western Europe		Other regions		Total	
	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Trading assets	3,437	5,125	4,164	3,738	1,073	1,073	8,674	9,936
Held for trading	3,437	5,125	4,164	3,738	1,073	1,073	8,674	9,936
Hedging derivatives	43	67	234	275	74	79	351	421
Held for trading	43	67	234	275	74	79	351	421
Loans and advances to other banks	8,043	13,937	7,723	8,348	1,856	2,296	17,622	24,581
Loans and receivables	8,043	13,937	7,723	8,348	1,856	2,296	17,622	24,581
Available for sale	–	–	–	–	–	–	–	–
Loans and advances to customers	87,505	80,724	12,103	9,219	3,843	2,782	103,451	92,725
Loans and receivables	79,179	73,158	12,103	9,219	3,843	2,782	95,125	85,159
Designated at fair value	7,967	7,110	–	–	–	–	7,967	7,110
Held to maturity	359	456	–	–	–	–	359	456
Available for sale	–	–	–	–	–	–	–	–
Investment securities	30,765	23,878	41,587	36,438	8,926	8,290	81,278	68,606
Loans and receivables	18,366	14,971	8,533	8,618	5,075	3,011	31,974	26,600
Designated at fair value	–	–	–	–	–	–	–	–
Held to maturity	368	666	10	16	0	48	378	730
Available for sale	12,031	8,241	33,044	27,804	3,851	5,231	48,926	41,276
Subtotal	129,793	123,731	65,811	58,018	15,772	14,520	211,376	196,269
Contingent liabilities	1,123	1,130	73	235	63	63	1,259	1,428
Other liabilities	21,132	21,989	603	345	1,007	1,146	22,742	23,480
Total	152,048	146,850	66,487	58,598	16,842	15,729	235,377	221,177

The regional distribution of the credit volume indicates a concentration on the domestic German market in line with Postbank's strategy, as well as selected exposures in Western Europe and in North America, some of which were entered into by our foreign subsidiaries and branches.

Credit structure of the loan portfolio

The distribution of rating categories in the Group loan portfolio demonstrates the conservative orientation of the Postbank Group. The following table shows the credit quality of the risk-bearing financial instruments for Postbank's non-retail business that were neither past due nor for which impairment losses had been recognized as of the September 30, 2008 reporting date (with the exception of "contingent liabilities" and "other amounts due"). The higher rating categories predominate: 93 % of the rated portfolio is classified as investment grade (i.e. rated BBB or higher).

Credit quality of financial instruments in the non-retail business that are neither past due nor impaired

Risk-bearing financial instruments	AAA		AA		A		BBB		< BBB		Not rated		Total	
	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Trading assets	1,404	2,446	4,941	5,038	1,446	1,622	221	180	203	206	254	235	8,469	9,727
Held for trading	1,404	2,446	4,941	5,038	1,446	1,622	221	180	203	206	254	235	8,469	9,727
Hedging derivatives	30	39	272	331	28	32	14	10	3	4	4	5	351	421
Held for trading	30	39	272	331	28	32	14	10	3	4	4	5	351	421
Loans and advances to other banks	158	936	3,689	7,985	11,179	13,753	2,161	387	277	38	43	1,482	17,507	24,581
Loans and receivables	158	936	3,689	7,985	11,179	13,753	2,161	387	277	38	43	1,482	17,507	24,581
Available for sale	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Loans and advances to customers	742	820	2,718	3,042	5,715	3,648	10,227	7,868	6,678	5,904	425	83	26,505	21,365
Loans and receivables	672	730	2,629	2,927	5,634	3,563	10,181	7,787	6,605	5,819	425	83	26,146	20,909
Designated at fair value	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Held to maturity	70	90	89	115	81	85	46	81	73	85	–	–	359	456
Available for sale	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Investment securities	33,701	25,358	26,937	20,879	12,077	15,640	2,889	1,743	1,822	1,485	2,321	2,682	79,747	67,787
Loans and receivables	14,416	11,850	8,835	7,040	4,833	5,342	1,618	628	1,272	645	124	955	31,098	26,460
Designated at fair value	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Held to maturity	350	590	–	92	28	48	–	–	–	–	–	–	378	730
Available for sale	18,935	12,918	18,102	13,747	7,216	10,250	1,271	1,115	550	840	2,197	1,727	48,271	40,597
Total	36,035	29,599	38,557	37,275	30,445	34,695	15,512	10,188	8,983	7,637	3,047	4,487	132,579	123,881

Investments in government bonds with excellent credit ratings have led to a shift in the loan portfolio towards better ratings classes compared with the 2007 year-end. The current rating distribution for loans and advances to banks, companies, and sovereigns is in excess of the target rating distribution in line with the credit risk strategy.

Similarly, the following table illustrates the credit quality of the risk-bearing financial instruments for Postbank's retail business that were neither past due nor for which impairment losses had been recognized as of the September 30, 2008 reporting date (with the exception of "contingent liabilities" and "other amounts due"). Postbank's retail business shows a very favorable credit structure. Legacy retail business portfolios (mainly mortgage loans extended before August 2004) and purchased loans and advances are reported using pool ratings. In other words, homogeneous pool ratings are established by segment and are measured individually according to the relevant Basel II parameters. The relative and absolute proportion of portfolios covered by these pool ratings are declining gradually, since each new transaction in the retail segment is rated on an individual basis. Basel ll-compliant pool estimate procedures for default probabilities and expected loss rates were developed for homogeneous subportfolios of the vast majority of these unrated loans.

Credit quality of financial instruments in the retail business that are neither past due nor impaired

Risk-bearing financial instruments	AAA		AA		A		BBB		< BBB		Basel II pool rating/ not rated		Total	
	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Trading assets	–	–	14	4	64	20	53	69	71	110	3	6	205	209
of which: held for trading	–	–	14	4	64	20	53	69	71	110	3	6	205	209
Loans and advances to customers	2,606	2,189	5,542	4,853	6,549	5,660	11,701	9,871	16,764	12,597	31,035	33,060	74,197	68,230
of which: loans and receivables	2,604	2,187	5,495	4,812	6,248	5,423	10,354	8,869	14,213	10,818	27,316	29,011	66,230	61,120
of which: designated at fair value	2	2	47	41	301	237	1,347	1,002	2,551	1,779	3,719	4,049	7,967	7,110
Total	2,606	2,189	5,556	4,857	6,613	5,680	11,754	9,940	16,835	12,707	31,038	33,066	74,402	68,439

Loans past due and impaired

The following table shows those risk-bearing financial instruments that were past due in an amount of at least €100 but not impaired as of September 30, 2008:

Time bands for financial instruments past due but not impaired

Risk-bearing financial instruments and collateral	Financial instruments past due but not impaired: Past due ≤ 3 months		Past due > 3 months, ≤ 6 months		Past due > 6 months, ≤ 1 year		Past due > 1 year		Total		Fair value of the collateral for financial instruments past due but not impaired	
	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Loans and advances to customers	706	940	121	174	61	89	59	50	947	1,253	796	1,290
of which: loans and receivables	706	940	121	174	61	89	59	50	947	1,253	796	1,290
Total	706	940	121	174	61	89	59	50	947	1,253	796	1,290

By contrast, the following table shows all impaired financial assets as of the September 30, 2008 and December 31, 2007 reporting dates, broken down into loans and advances to customers for which specific valuation allowances have been recognized and investment securities for which impairment losses have been recognized. The carrying amount after recognition of impairment losses is shown in the table as the difference between the carrying amount before impairment losses and the amount of the impairment loss.

Impaired financial instruments

Impaired risk-bearing financial instruments and collateral	Carrying amount before impairment		Amount of impairment		Carrying amount after impairment		Fair value of collateral for impaired instruments	
	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept . 30, 2008 €m	Dec. 31, 2007 €m	Sept . 30, 2008 €m	Dec. 31, 2007 €m	Sept . 30, 2008 €m	Dec. 31, 2007 €m
Loans and advances to banks	115	–	57	–	58	–	–	–
of which: loans and receivables	115	–	57	–	58	–	–	–
Loans and advances to customers	1,802	1,877	1,143	1,154	659	723	912	922
of which: loans and receivables	1,802	1,877	1,143	1,154	659	723	912	922
Investment securities	1,531	819	704	130	827	689	–	–
of which: loans and receivables	876	140	542	67	334	73	–	–
of which: available for sale	655	679	162	63	493	616	–	–
Total	3,448	2,696	1,904	1,284	1,544	1,412	912	922

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 substitute 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). The portfolio had a total volume of €6.0 billion as of September 30, 2008. Postbank has continued to systematically analyze its holdings and test them for impairment. Based on a regular assessment of the portfolio, impairments totaling €137 million and measurement effects on embedded derivatives in the amount of €398 million were recognized in 2008. Thus, since the beginning of the financial markets crisis in mid-2007, impairments in the amount of €249 million and measurement effects on embedded derivatives in the amount of €483 million have been recognized in the income statement on affected holdings.

Originator

In addition to acting as an investor in credit substitute transactions, Postbank is also on the market as an originator. The following synthetic securitization transactions involving the securitization of mortgage loans not only reduced regulatory capital requirements but also diversified risk:

PB Domicile 2006-1	€2,216 million	(Deutsche Postbank AG)
Provide Blue 2005-1	€1,082 million	(BHW Bausparkasse AG)
Provide Blue 2005-2	€2,603 million	(BHW Bausparkasse AG)
PB Domicilio 2007-1	€1,224 million	(BHW Bausparkasse AG)

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.

Liquidity risk

Despite the tougher market conditions due to the financial markets crisis, the liquidity position of the Postbank Group remains solid, thanks in particular to customer deposits and its portfolio of eligible securities. Neither the daily assessments of the Bank's liquidity status nor the monthly scenario analyses and stress tests have identified shortages during the observation period of one year.

The following table shows the financial liabilities as of September 30, 2008 and December 31, 2007, broken down into residual maturity bands. The undiscounted contractual cash flows from on- and off-balance sheet liabilities have been assigned to the respective categories. The information presented in this table fulfills the accounting requirements to be met by the Postbank Group in accordance with IFRS 7 with regard to reporting liquidity risk. In conformity with these requirements, the contractual cash flows of the financial liabilities are presented in accordance with the worst-case scenario, meaning that if the financial liabilities involve options or termination rights that could affect their maturity date, the most unfavorable case from a liquidity perspective is assumed. This is particularly relevant for demand deposits and savings deposits that are subject to call or have a short maturity of usually three months but that are available for the Bank for a longer period of time, statistically speaking.

Liabilities by remaining maturity

Liabilities	Due daily		≤ 3 months		> 3 months and ≤ 1 year		> 1 year and ≤ 5 years		> 5 years		Total	
	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Deposits from other banks	2,614	2,668	49,180	44,849	6,921	3,916	5,793	4,307	6,215	4,558	70,724	60,298
Due to customers	26,030	25,684	46,074	47,273	26,427	22,056	6,332	3,008	16,590	1,103	121,453	99,124
Securitized liabilities	–	–	1,789	2,042	6,057	1,445	6,578	8,374	3,364	3,931	17,789	15,792
Trading liabilities	26	–	1,269	487	–15	953	2,660	1,935	2,385	2,446	6,326	5,822
Hedging derivatives	14	–	–	81	114	106	620	619	1,429	1,417	2,178	2,222
Subordinated debt	–	–	292	27	281	89	1,333	689	6,735	5,610	8,641	6,415
Other liabilities	21	–	462	186	6	326	16	66	15	25	520	602
Irrevocable loan commitments	22,742	23,480	–	–	–	–	–	–	–	–	22,742	23,480
Total	51,447	51,832	99,067	94,945	39,792	28,891	23,332	18,998	36,733	19,091	250,372	213,756

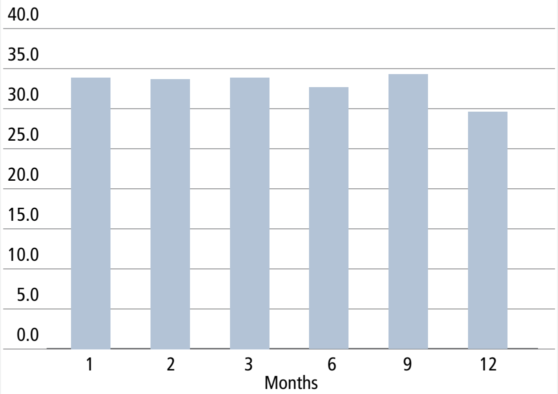
In contrast to the presentation of the contractual cash flows of the financial liabilities, the following overview of the liquidity status of the Postbank Group as of September 30, 2008 presents the expected cash inflows/outflows and the available liquidity sources on a cumulative basis in accordance 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 estimates.

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

Liquidity status of the Postbank Group as of September 30, 2008

€bn



Presentation of the risk position: Disclosures on types of risk with no material change, material new risks, and risks that could jeopardize the Group's continued existence

Besides the market, credit, and liquidity risks that are described in detail in this Risk Report and managed operationally, there are other risks (operational risk, real estate and investment risk, collective risk, and business risk) for the remaining months of fiscal year 2008 whose assessment has not changed significantly since the end of 2007. According to our current assessment, these risks will not change significantly over the remaining months of fiscal year 2008.

Uncertainty about future developments has grown substantially, given the intensification of the financial crisis, the extreme volatility on the money and capital markets that has accompanied the crisis, and clear signals of recession. In fact, current estimates suggest that noticeable negative effects of market turbulence in addition to those already felt cannot be ruled out for the fourth quarter. Our customer business to date, however, continues to evince stable development relating both to our book and new business.

Postbank implemented a bundle of measures and decided upon further measures to take the higher degree of uncertainty into account. In addition to strengthening its equity base by increasing the Bank's capital within the limit of the authorized capital (see the section entitled "Significant events after the reporting date") and waiving dividend distributions planned for fiscal year 2008, larger portions of equity holdings in particular are being actively decreased and/or hedged. Moreover, the investment securities portfolio is to be gradually reduced in the middle term by not replacing – or only replacing to a small extent – portfolios that are due.

Over time, these measures should lead to significant reductions in Postbank's direct sensitivity to money and capital market fluctuations. The customer business will continue to be developed in line with the strategic orientation of the bank. This step will increase the importance of this business in relation to its earnings contributions while simultaneously taking the developments on the refinancing and loan markets into consideration.

Report on Expected Developments

Macroeconomic environment

Uncertainty regarding global growth prospects, which was already extraordinarily high, has increased even further due to the worsening financial markets crisis. Governments and central banks on both sides of the Atlantic have taken comprehensive measures to limit the effects of the turbulence on the economy. However, a further deterioration in the economic situation will be virtually impossible to prevent. Economic growth at the global level and in particular in the industrialized nations, will be noticeably weaker in the coming quarters than was expected just a couple of weeks ago.

The weak growth in the United States will be prolonged by the financial market turbulence. We forecast that GDP growth will do little more than stagnate until mid-2009. Even a drop in economic output cannot be ruled out. However, we have only trimmed our U.S. GDP forecast slightly for 2008, from +1.7 % to +1.6 %. We expect growth of 1.1 % for 2009.

The euro zone economy is experiencing a marked period of weakness. Growth prospects are likely to look up in the medium term due to the significant drop in oil prices and the weaker euro. However, GDP is expected to stagnate at best in the coming quarters. We have reduced our 2008 GDP forecast from +1.6 % to +1.1 %. We expect growth in 2009 following negative effects in the first half-year to be only 0.2 % instead of our previous figure of 1.4 %.

The German economy is expected to see comparatively robust growth (1.8 %) in 2008 thanks to its strong start to the year. However, we have had to significantly reduce the forecast of 2.3 % that we gave in our last report. After the German economy had defied the appreciating euro and high oil prices for a considerable period, it was increasingly impacted in recent months by these negative influences and the deteriorating global environment. The dampening effects on exports are expected to continue into the coming year, despite the recently observable improvement in these underlying conditions. In addition, muted corporate investment activity is to be expected due to the financial markets crisis. Even if economic momentum picks up again in the course of the coming year, growth will be very low. We have reduced our 2009 GDP forecast from +1.6 % to +0.4 %. By contrast, inflation risks have declined due to the economic weakness and oil prices which are falling once again. We expect the euro zone inflation rate to decrease to 2.1 % for 2009.

The ECB and the U.S. Federal Reserve are expected to continue to react in the coming months, especially to the developments on the financial markets and in the economy. Since we do not expect tensions on either of these to ease rapidly, we believe further interest rate cuts are likely. The Federal Reserve is expected to lower its key interest rate from 1.5 % to 1.0 % by the end of 2008, and the ECB to cut rates from 3.75 % to 3.25 %. This is expected to further depress yields at the short end of the capital market somewhat. By contrast, we predict that long-term capital market rates will move sideways because market players are expecting inflation to increase again in the medium term due to drastically increasing government debt. This means the yield curve in the euro zone will probably steepen somewhat, whereas in our last report we had expected it to remain inverted for a longer period of time.

Sector situation

The write-downs necessary as part of the global financial crisis and the flat yield curve should have a significant effect on the balance sheets and earnings situation of many German financial institutions. In addition, the Investment Banking business will likely develop weaker than in 2007. Income should be less than in the previous year, among other things, as a result of the declining number of mergers, takeovers, and initial public offerings. Net trading and financial investment income is also expected to develop weakly over the remaining course of the year as a result of the difficult capital market environment. In order to improve their own liquidity position, many banks are currently offering very high rates to attract customer deposits with short maturities. This should impact the net interest income of these institutions. In this environment, only a few German banks will succeed in maintaining or improving the previous year’s income level. Earnings for the majority will likely be considerably lower than the positive figures from 2007 – or even be negative. Under the influence of these negative effects, dividend reductions or even omissions are expected at numerous banks. Many institutions’ sustainable level of income will likely remain below the levels of recent years.

The financial crisis has diverted the attention of sovereigns to the financial industry. In order to support struggling institutions, guarantee funds have been and are being set up in various countries with the goal of preventing the collapse of ”system-relevant” institutions. The sovereigns, however, often only provide support in exchange for consideration. In Germany, for instance, the *Financial Market Stabilization Act* (FMStG) provides for the limitation of manager salaries or the co-determination rights for politicians in setting corporate strategy for the supported institutions. This points to stronger regulation of the financial sector. Government efforts to regulate the financial industry can also be seen at the global level. The major industrialized nations are planning a summit meeting before the end of the year to discuss the financial crisis and how to avoid similar developments in the future.

The measures taken by sovereigns and central banks are making an important contribution to stabilizing the financial sector. Their magnitude should suffice to safeguard the financial system from further negative effects with potentially grave consequences for monetary circulation and real economic development. Over the next few weeks and months, the bailout packages should ease tension on the interbank market, so that banks can once again provide liquidity in increasing autonomy. Along with the possibility of recapitalizing banks by sovereigns, this would help ensure that the process of granting loans to non-banks and private households will not suffer any long-term damage.

Outlook: Postbank

We expect the turbulence on the financial markets to result in further financial effects for the entire banking sector in the fourth quarter of 2008, even if the stabilization measures implemented by various governments are likely to effectively prevent additional bank collapses. Postbank will not be immune to these sustained market disruptions, either. In addition, we will selectively reduce our portfolio of investment securities, in particular shares, so as to further decrease the volatility in our revaluation reserve, even if this temporarily impacts our earnings situation. Given that further negative effects are expected for the fourth quarter and that a consolidated net loss was recognized for the first nine months of 2008, it cannot be ruled out that Postbank will also record a loss for the entire fiscal year.

The capital market environment is expected to remain difficult beyond the end of the current year. Although we predict that the measures taken to stabilize the financial sector will increasingly have a positive effect, the real economy is expected to be severely impacted, which will lead to a deterioration in macroeconomic conditions. Postbank is taking account of this with an adjustment of its mid-term financial goals, which reflect the radical change in the external situation on the one hand and the specific focus of its business model on the other. Based on our clear strategic focus on our business with retail, business and corporate customers, we are striving in a normalized environment to generate a sustainable return on equity of 13 % to 15 % after tax in the medium term.

We expect continued positive development in the customer business in this difficult environment for the rest of the year. We aim to expand our selling power in the German market for the long term by systematically implementing our "Next Step" strategic program. The key performance indicators that we defined to better track the success of the program are described in detail in the 2007 Annual Report. The development of these key figures to date is in line with our expectations for the most part. We predict further improvement by the end of the year.

Given Postbank's ongoing strong operating performance and its strong refinancing base, we believe that our business model continues to put us in a good position. We will enhance this by systematically extending our strategic program to include clear measures focusing on the level of overall bank management that are designed to be effective in the long term. In addition, we began clearly reducing capital market-related risks and scaling back our portfolios due to the current volatile market environment as early as mid-year. We are also taking a number of other focused measures aimed at profitable and, above all, stable growth in an adverse environment.

Thus, we are confident that Postbank will further expand its strong market position and continue on its path of profitable growth once the effects of the financial markets crisis are overcome.

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Consolidated Income Statement for the period January 1 to September 30, 2008

	Note	Jan. 1 – Sept. 30, 2008 €m	Jan. 1 – Sept. 30, 2007 €m
Interest income	(4)	7,302	6,169
Interest expense	(4)	–5,545	–4,531
Net interest income	(4)	1,757	1,638
Allowance for losses on loans and advances	(5)	–304	–268
Net interest income after allowance for losses on loans and advances		1,453	1,370
Fee and commission income	(6)	1,258	1,239
Fee and commission expense	(6)	–187	–186
Net fee and commission income	(6)	1,071	1,053
Net trading income	(7)	8	264
Net income from investment securities	(8)	–549	292
Administrative expenses	(9)	–2,101	–2,128
Other income	(10)	125	89
Other expenses	(11)	–119	–134
Loss/profit before tax		–112	806
Income tax		–1	–104
Loss/profit from ordinary activities after tax		–113	702
Minority interest		–1	–1
Consolidated net loss/profit		–114	701

Earnings per share

Earnings per share are calculated by dividing the consolidated net profit or loss by the weighted average number of shares outstanding during the reporting period. The average number of shares outstanding in both reporting periods was 164,000,000.

Earnings per share were as follows:

	Jan. 1 – Sept. 30, 2008	Jan. 1 – Sept. 30, 2007
Basic earnings per share (€)	–0.70	4.27
Diluted earnings per share (€)	–0.70	4.27

Consolidated Income Statement: Quarterly Overview

	2008			2007			
	Q3 €m	Q2 €m	Q1 €m	Q4 €m	Q3 €m	Q2 €m	Q1 €m
Interest income	2,475	2,510	2,317	2,215	2,101	2,081	1,987
Interest expense	−1,897	−1,888	−1,760	−1,613	−1,561	−1,526	−1,444
Net interest income	578	622	557	602	540	555	543
Allowance for losses on loans and advances	−143	−86	−75	−70	−92	−86	−90
Net interest income after allowance for losses on loans and advances	435	536	482	532	448	469	453
Fee and commission income	421	418	419	436	424	396	419
Fee and commission expense	−59	−68	−60	−60	−67	−57	−62
Net fee and commission income	362	350	359	376	357	339	357
Net trading income	−59	58	9	26	95	108	61
Net income from investment securities	−470	−80	1	2	184	38	70
Administrative expenses	−719	−698	−684	−728	−706	−707	−715
Other income	39	44	42	71	36	29	24
Other expenses	−37	−39	−43	−81	−64	−42	−28
Loss/profit before tax	−449	171	166	198	350	234	222
Income tax	100	−52	−49	−29	56	−83	−77
Loss/profit from ordinary activities after tax	−349	119	117	169	406	151	145
Minority interest	0	0	−1	0	0	0	−1
Consolidated net loss/profit	−349	119	116	169	406	151	144

Consolidated Balance Sheet as of September 30, 2008

Assets	Note	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Cash reserve		3,486	3,352
Loans and advances to other banks	(12)	17,622	24,581
Loans and advances to customers	(13)	103,451	92,130
Allowance for losses on loans and advances	(15)	–1,313	–1,154
Trading assets	(16)	8,674	9,936
Hedging derivatives		351	421
Investment securities	(17)	81,278	68,606
Intangible assets	(18)	2,406	2,425
Property and equipment	(19)	895	927
Investment property		73	73
Current tax assets		188	117
Deferred tax assets		869	483
Other assets	(20)	673	529
Assets held for sale		–	565
Total assets		218,653	202,991

Equity and Liabilities	Note	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Deposits from other banks	(21)	66,679	61,146
Due to customers	(22)	115,701	110,696
Securitized liabilities	(23)	15,959	9,558
Trading liabilities	(24)	6,245	5,594
Hedging derivatives		829	873
Provisions	(25)	2,116	2,107
Current tax liabilities		175	122
Deferred tax liabilities		964	1,102
Other liabilities	(26)	520	835
Subordinated debt	(27)	5,846	5,603
Liabilities directly related to assets held for sale		–	44
Equity		3,619	5,311
a) Issued capital		410	410
b) Share premium		1,160	1,160
c) Retained earnings		2,160	2,869
d) Consolidated net loss/profit		–114	870
Minority interest		3	2
Total equity and liabilities		218,653	202,991

Statement of Changes in Equity

	Issued capital €m	Share premium €m	Retained earnings €m	Currency translation reserve €m	Revaluation reserve €m	Consolidated net loss/profit €m	Equity before minority interest €m	Minority interest €m	Total €m
Balance at Jan. 1, 2007	410	1,160	3,051	−117	6	695	5,205	2	5,207
Dividend payment						−205	−205		−205
Appropriation to retained earnings			490			–490	0		0
Currency translation differences				−25			−25		−25
Changes in unrealized gains and losses, net of deferred taxes					−326		−326		−326
Consolidated net profit Jan. 1 – Sept. 30, 2007						701	701	1	702
Treasury shares							–		–
Other changes							0	−1	−1
Balance at Sept. 30, 2007	410	1,160	3,541	−142	−320	701	5,350	2	5,352
For info.: Total of items between Jan. 1 and Sept. 30, 2007 that change equity in acc. with IAS 1.96 c				−25	−326	701	350	1	351
Dividend payment							–		–
Appropriation to retained earnings							–		–
Currency translation differences				−7			−7		−7
Changes in unrealized gains and losses, net of deferred taxes					−203		−203		−203
Consolidated net profit Oct. 1 – Dec. 31, 2007						169	169		169
Treasury shares							–		–
Other changes							–		–
Balance at Dec. 31, 2007	410	1,160	3,541	−149	−523	870	5,309	2	5,311
For info.: Total of items between Oct. 1 and Dec. 31, 2007 that change equity in acc. with IAS 1.96 c				−7	−203	169	−41	0	−41
Dividend payment						−205	−205		−205
Appropriation to retained earnings			665			−665	0		0
Currency translation differences				−3			−3		−3
Changes in unrealized gains and losses, net of deferred taxes					−1,371		−1,371		−1,371
Consolidated net loss/profit Jan. 1 – Sept. 30, 2008						−114	−114	1	−113
Treasury shares							0		0
Other changes							0		0
Balance at Sept. 30, 2008	410	1,160	4,206	−152	−1,894	−114	3,616	3	3,619
For info.: Total of items between Jan. 1 and Sept. 30, 2008 that change equity in acc. with IAS 1.96 c				−3	−1,371	−114	−1,488	1	−1,487

Condensed Cash Flow Statement

	Jan. 1 – Sept. 30, 2008 €m	Jan. 1 – Sept. 30, 2007 €m
Cash and cash equivalents at start of period	3,352	1,015
Net cash from operating activities	12,950	1,455
Net cash from/used in investing activities	–12,790	417
Net cash from/used in financing activities	–27	381
Effects of exchange rate differences	1	1
Cash and cash equivalents of group of assets and liabilities held for sale	–	–22
Cash and cash equivalents at end of period	3,486	3,247

Reported cash and cash equivalents correspond to the cash reserve.

I Notes to the Interim Financial Statements

(1) Segment reporting

Segment reporting by business division

	Retail Banking		Corporate Banking		Transaction Banking		Financial Markets		Others		Group	
	Jan. 1 – Sept. 30, 2008 €m	Jan. 1 – Sept. 30, 2007 €m	Jan. 1 – Sept. 30, 2008 €m	Jan. 1 – Sept. 30, 2007 €m	Jan. 1 – Sept. 30, 2008 €m	Jan. 1 – Sept. 30, 2007 €m	Jan. 1 – Sept. 30, 2008 €m	Jan. 1 – Sept. 30, 2007 €m	Jan. 1 – Sept. 30, 2008 €m	Jan. 1 – Sept. 30, 2007 €m	Jan. 1 – Sept. 30, 2008 €m	Jan. 1 – Sept. 30, 2007 €m
Net interest income	1,723	1,787	275	213	3	2	103	72	−347	−436	1,757	1,638
Net trading income	13	8	−49	−3	–	–	57	51	−13	208	8	264
Net income from investment securities	−1	30	−239	5	–	–	−79	5	−230	252	−549	292
Balance sheet-related revenues	1,735	1,825	−13	215	3	2	81	128	−590	24	1,216	2,194
Net fee and commission income	775	730	77	78	260	267	46	59	−87	−81	1,071	1,053
Total income	2,510	2,555	64	293	263	269	127	187	−677	−57	2,287	3,247
Administrative expenses	−1,607	−1,639	−128	−132	−240	−247	−66	−61	−60	−49	−2.101	−2,128
Allowance for losses on loans and advances	−204	−218	−23	−17	–	–	−11	7	−66	−40	−304	−268
Other income/expense	23	−14	2	−1	11	4	−1	–	−29	−34	6	−45
Loss/profit before tax	722	684	−85	143	34	26	49	133	−832	−180	−112	806
Cost/income ratio (CIR)	64.0 %	64.1%	200.0 %	45.1%	91.3 %	91.8 %	52.0 %	32.6 %	–	–	91.9 %	65.5 %
Return on equity before taxes (RoE)	42.0 %	31.4 %	−28.5 %	52.4 %	–	–	9.9 %	38.1%	−83.6 %	−17.1%	−3.2 %	20.9 %
	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Segment assets	83,998	79,107	26,872	21,032	131	93	22,946	22,521	77,078	72,500	211,025	195,253
Segment liabilities	98,742	94,563	20,702	18,469	–	1	15,731	12,569	69,409	61,392	204,584	186,994

The Transaction Banking segment includes 56.2 % intersegment income (September 30, 2007: 55.6 %).
The impairment losses in relation to the Lehman Brothers exposure were incurred by the Corporate Banking, Financial Markets and Others segments, while the impairment losses in relation to the Icelandic banks were attributable to the Financial Markets segment.

Segment reporting by geographical region

	Assets		Liabilities		Income		Profit before tax	
	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Jan. 1 – Sept. 30, 2008 €m	Jan. 1 – Sept. 30, 2007 €m	Jan. 1 – Sept. 30, 2008 €m	Jan. 1 – Sept. 30, 2007 €m
Germany	173,634	163,155	168,555	156,683	2,423	3,051	89	657
Others	37,391	32,098	36,029	30,311	−136	196	−201	149
Europe	30,041	25,974	28,905	24,665	71	121	27	98
USA	6,786	5,655	6,628	5,225	−219	67	−236	49
Asia	564	469	496	421	12	8	8	2
Total	211,025	195,253	204,584	186,994	2,287	3,247	−112	806

Segments are allocated by the domicile of the branch or Group company.

Basis of preparation

(2) Basis of accounting

The interim financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements of German commercial law under section 315a(1) of the *Handelsgesetzbuch* (HGB – German Commercial Code), insofar as these were applicable at the balance sheet date. In particular, the interim financial statements comply with the IAS 34 requirements for interim financial reports. In accordance with section 37y no. 3 of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) in conjunction with section 37x(3) of the WpHG, Postbank prepares a quarterly financial report, which also comprises an interim management report, including an interim risk report (see management report), in addition to the condensed financial statements presented here. Unless otherwise stated below, the same accounting policies used in preparing the 2007 consolidated financial statements were applied in preparing the interim financial statements as of September 30, 2008.

All assumptions, estimates, and assessments required for recognition and measurement in accordance with the IFRSs are in conformity with the respective Standards, are regularly reassessed, and are based on past experience as well as other factors, including expectations as to future events that appear reasonable under the given circumstances. The assumptions and estimates refer primarily to the estimation of the fair value of certain financial instruments, including the assessment as to whether an active or passive market exists for certain financial instruments, the recognition and measurement of provisions, and the ability to realize future tax benefits. Among other things, our corporate strategy and current market conditions are factored into decisions made by us with regard to our intention to hold financial instruments.

Derivatives used for asset/liability management are entered into primarily as microhedging instruments (fair value hedges). If there are no effective microhedges, the changes in value of the derivatives used for asset/liability management are reported in net trading income in accordance with IFRSs, regardless of whether risk management was successful or not from an economic perspective.

New swaps taking the form of microhedges (microswaps) are entered into and existing hedges are unwound and settled during active management of the fixed-rate position in the overall bank balance sheet (asset/liability management). The review of the fixed-rate position and the decision to enter into or unwind and settle microhedges are based on economic factors. The unwinding of microswaps is accounted for in the balance sheet and in net profit or loss for the period in the same way as for ineffective hedges.

Since July 1, 2008, effectiveness tests – and hence measurement in profit or loss – have been performed on a monthly rather than a quarterly basis as a result of further process optimization measures.

As a result of a change in an estimate when measuring the impairment of retail fund units classified as available for sale, the non-permanent impairment losses were presented as a reduction in the revaluation reserve of €69 million since the beginning of 2008.

Postbank has reviewed the useful lives of its purchased and internally developed capitalized software. The analysis indicated that two software products will be usable for a longer period because of their competitive market performance. This change in estimated useful lives had a positive effect on profit or loss before tax of around €15 million in the first nine months of 2008. The expected effect on full-year 2008 is approximately €19 million before tax.

At this point in time, Deutsche Postbank is assuming that there will be no loss carryforwards as of December 31, 2008.

In preparing its interim financial statements, the Bank made use of the option to reclassify with effect from July 1, 2008 certain financial assets having met the necessary criteria. This option was made available to the Bank by virtue of the amendments to IAS 39 and IFRS 7 "Reclassification of Financial Assets," issued by the IASB on October 13, 2008. These amendments were transposed into European law by the Commission of the European Communities by virtue of Commission Regulation (EC) No. 1004/2008 dated October 15, 2008, and entered into effect on October 17, 2008.

Postbank has altered its intention to hold a portion of the bonds in its portfolio as available for sale, and now intends to hold them for the foreseeable future. It therefore reclassified foreign currency bonds with a principal amount of €1,596 million out of the "available-for-sale" category to the "loans and receivables" category at a fair value of €1,463 million with retroactive effect from July 1, 2008 in accordance with IAS 39.50E. As of September 30, 2008, these bonds had a fair value of €1,543 million and, after adjustment for foreign currency effects, a carrying amount of €1,612 million. Prior to their reclassification, the changes in fair value recognized in the revaluation reserve for the bonds that were reclassified amounted to €–81 million (previous year: €–30 million). Had Postbank not changed its intention to hold the bonds, the fair value loss would have increased by a further €69 million in the third quarter of 2008. Given a nominal weighting of the reclassified bonds, the effective interest rate calculated on the basis of their restated cost as of the date of reclassification was 5.48 %. The expected cash flows that Postbank hopes to recover as of the date of the reclassification amount to €2,130 million. As of September 30, 2008, there was no impairment charged to the reclassified bonds. No bonds were sold during the reporting period.

Compared with the previous year, enhanced valuation techniques are used to measure the fair value of selected financial instruments (structured credit products – SCPs) of the available-for-sale category (e. g. CDOs, consumer ABSs, commercial ABSs, CMBSs, RMBSs) in the case of non-verifiable indicative prices. In this context, Postbank uses a simulation model that is based on portfolio loss distribution, taking into account the respective securitization structure. The cash flows resulting from such products are forecasted taking into account the respective risks from the securitized portfolios and the structure of the securitizations, and are discounted using discount rates for equivalent maturities and risks. The valuation technique makes maximum use of market inputs in accordance with IAS 39.48A. In individual cases, the actual values may differ from the assumptions and estimates made.

(3) Basis of consolidation

In addition to the parent company Deutsche Postbank AG, 43 (December 31, 2007: 43) subsidiaries that are presented in the following overview are included in the consolidated financial statements as of September 30, 2008.

Consolidated companies

Name and domicile	Equity interest direct (%)	Equity interest indirect (%)
BHW Holding AG, Berlin/Hamelin	100.0	
BHW Bausparkasse AG, Hamelin		100.0
BHW Gesellschaft für Wohnungswirtschaft mbH, Hamelin		100.0
BHW Gesellschaft für Wohnungswirtschaft mbH & Co. Immobilienverwaltungs KG, Hamelin		100.0
BHW Gesellschaft für Vorsorge mbH, Hamelin		100.0
BHW Immobilien GmbH, Hamelin		100.0
Deutsche Postbank Home Finance Limited, New Delhi, India		100.0
Postbank Finanzberatung AG, Hamelin	23.3	76.7
Postbank Versicherungsvermittlung GmbH, Bonn		100.0
Postbank Filialvertrieb AG, Bonn	100.0	
Deutsche Postbank International S.A., Munsbach, Luxembourg	100.0	
Deutsche Postbank Vermögens-Management S.A., Munsbach, Luxembourg		100.0
Deutsche Postbank Privat Investment Kapitalanlagegesellschaft mbH, Bonn	100.0	
Postbank Immobilien und Baumanagement GmbH, Bonn	100.0	
Postbank Immobilien und Baumanagement GmbH & Co. Objekt Leipzig KG, Bonn		90.0
Postbank Systems AG, Bonn	100.0	
Postbank Support GmbH, Cologne		100.0
Postbank Beteiligungen GmbH, Bonn	100.0	
VÖB-ZVD Bank für Zahlungsverkehrsdienstleistungen GmbH, Bonn	75.0	
DSL Holding AG i.A., Bonn	100.0	
Deutsche Postbank Financial Services GmbH, Frankfurt/Main	100.0	
Deutsche Postbank Finance Center Objekt GmbH, Munsbach, Luxembourg		90.0
DPBI Immobilien KGaA, Munsbach, Luxembourg		10.01
Postbank Leasing GmbH, Bonn	100.0	
PB (USA) Holdings Inc., Wilmington, Delaware, USA	100.0	
PB Capital Corp., Wilmington, Delaware, USA		100.0
PB Realty Corp., New York, USA		94.7
PB Finance (Delaware) Inc., Wilmington, Delaware, USA		100.0
PBC Carnegie LLC, Wilmington, Delaware, USA		100.0
PB Factoring GmbH, Bonn	100.0	
PB Firmenkunden AG, Bonn	100.0	
Betriebs-Center für Banken AG, Frankfurt/Main	100.0	
Deutsche Postbank Funding LLC I, Wilmington, Delaware, USA	100.0	
Deutsche Postbank Funding LLC II, Wilmington, Delaware, USA	100.0	
Deutsche Postbank Funding LLC III, Wilmington, Delaware, USA	100.0	
Deutsche Postbank Funding LLC IV, Wilmington, Delaware, USA	100.0	
Deutsche Postbank Funding Trust I, Wilmington, Delaware, USA	100.0	
Deutsche Postbank Funding Trust II, Wilmington, Delaware, USA	100.0	
Deutsche Postbank Funding Trust III, Wilmington, Delaware, USA	100.0	
Deutsche Postbank Funding Trust IV, Wilmington, Delaware, USA	100.0	
DSL Bank Portfolio GmbH & Co. KG, Bonn	100.0	
DSL Bank Portfolio Verwaltungs GmbH, Bonn	100.0	
PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen	100.0	

The resolution by the General Meeting of BHW Holding AG on the transfer of the shares of the minority shareholders to the majority shareholder, Deutsche Postbank AG, was entered in the commercial register on February 12, 2008. Upon registration of the transfer resolution, the remaining 1.6 % of the shares held by the minority shareholders were transferred to Deutsche Postbank AG, which thus holds all shares of BHW Holding AG.

einsnull IT-Support GmbH was renamed Postbank Support GmbH on entry in the commercial register on January 16, 2008.

Betriebs-Center für Banken Verwaltungs GmbH was renamed Postbank Sechste Beteiligungen GmbH on entry in the commercial register on June 23, 2008. The company was deconsolidated as of June 30, 2008 due to its lack of materiality for the Postbank Group.

PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen was formed on July 8, 2008 and included in the consolidated financial statements for the first time. On July 21, 2008, BHW Bank AG was merged into Postbank AG retroactively as of January 2, 2008.

As part of a portfolio acquisition, on July 11, 2008 Deutsche Postbank AG acquired the limited partner shares of Ariadne Portfolio GmbH & Co. KG, which was renamed DSL Bank Portfolio GmbH & Co. KG on entry in the commercial register on August 1, 2008. Deutsche Postbank AG also acquired Ariadne Verwaltungs GmbH, which was renamed DSL Bank Portfolio Verwaltungs GmbH on entry in the commercial register on July 31, 2008. Both companies were included in the consolidated financial statements for the first time.

Effective September 11, 2008, Betriebs-Center für Banken Payments & Services GmbH was merged into Betriebs-Center für Banken AG retroactively as of January 1, 2008.

BHW Home Finance Ltd. was renamed Deutsche Postbank Home Finance Ltd. effective September 26, 2008.

In accordance with Interpretation SIC-12 issued by the International Financial Reporting Interpretations Committee (IFRIC), which requires the consolidation of special purpose entities under certain conditions, a total of 23 (December 31, 2007: 23) sub-pools of assets belonging to PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen and, since January 2008, a company formed to securitize installment loans, were included in the consolidated financial statements.

There were no other changes in the basis of consolidation. Overall, the changes in the basis of consolidation have had no material impact on the financial performance and financial position of the Group.

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

Income statement disclosures

(4) Net interest income

	Jan. 1 – Sept. 30, 2008 €m	Jan. 1 – Sept. 30, 2007 €m
Interest and current income		
Interest income from:		
Lending and money market transactions	4,614	3,994
Fixed-income and book-entry securities	2,460	1,782
Trading operations	186	306
Net losses on hedges	–11	–6
	7,249	6,076
Current income from:		
Equities and other non-fixed income securities	44	92
Investments in associates	9	1
	53	93
	7,302	6,169
Interest expense on:		
Deposits	4,662	3,465
Securitized liabilities	443	472
Subordinated debt	234	204
Swaps	21	91
Trading operations	185	299
	5,545	4,531
Total	1,757	1,638

€5,364 million (previous year: €4,533 million) of interest income relates to financial instruments classified as loans and receivables, €37 million (previous year: €112 million) to financial instruments classified as held to maturity, and €1,673 million (previous year: €1,131 million) to financial instruments classified as available for sale.

Interest income from lending and money market transactions includes €25 million (previous year: €24 million) of interest income accrued on impaired assets (unwinding in accordance with IAS 39).

Net gains/losses on hedges are composed of the following items:

	Jan. 1 – Sept. 30, 2008 €m	Jan. 1 – Sept. 30, 2007 €m
Gains on the fair value remeasurement of hedged items	455	43
Losses on the fair value remeasurement of hedging instruments	–466	–49
Total	–11	–6

(5) Allowance for losses on loans and advances

	Jan. 1 – Sept. 30, 2008 €m	Jan. 1 – Sept. 30, 2007 €m
Cost of additions to allowance for losses on loans and advances		
Specific valuation allowances	319	317
Portfolio-based valuation allowances	36	17
Cost of additions to provisions for credit risks	20	21
Direct loan write-offs	23	18
Income from the reversal of the allowance for losses on loans and advances		
Specific valuation allowances	73	95
Portfolio-based valuation allowances	5	1
Income from the reversal of provisions for credit risks	3	1
Recoveries on loans previously written off	13	8
Total	304	268

€287 million (previous year: €247 million) of the allowance for losses on loans and advances relates to receivables classified as loans and receivables, and €17 million (previous year: €21 million) to guarantees, warranties, and irrevocable loan commitments.
€57 million of the transfers to specific valuation allowances was attributable to the credit exposures to Lehman Brothers and to Icelandic banks.

(6) Net fee and commission income

	Jan. 1 – Sept. 30, 2008 €m	Jan. 1 – Sept. 30, 2007 €m
Giro business	269	269
Securities business	123	103
Lending and guarantee business	91	81
Branch business	351	380
Other fee and commission income	237	220
Total	1,071	1,053

Since the beginning of 2008, the fee and commission income and expense items of Postbank Finanzberatung have been allocated more appropriately to the individual components of net fee and commission income.

(7) Net trading income

	Jan. 1 – Sept. 30, 2008 €m	Jan. 1 – Sept. 30, 2007 €m
Net income from interest rate products	–13	39
Net gain on derivatives carried in the trading portfolio and the banking book	11	216
Net gain from application of the fair value option	1	4
Net income from equities	2	15
Foreign exchange gain/loss	10	–7
Net fee and commission income in the trading portfolio	–3	–3
Total	8	264

Primarily due to the effects of the financial markets crisis, net gains on derivatives include losses on the measurement of embedded derivatives from structured credit products (€367 million), CPPI structures (€27 million), and other promissory note loans (€31 million).

(8) Net income from investment securities

	Jan. 1 – Sept. 30, 2008 €m	Jan. 1 – Sept. 30, 2007 €m
Net income from loans-and-receivables investment securities	–459	–50
thereof: net income from sale	6	1
Gains on sale	24	9
Losses on sale	18	8
thereof: net impairment loss	–465	–51
Net income from available-for-sale investment securities	–119	–50
thereof: net income from sale	–34	–39
Gains on sale	154	289
Losses on sale	188	328
thereof: net impairment loss	–85	–11
Net income from loans to other banks	–	1
thereof: net income from sale of loans and receivables	–	1
Net income from loans to customers	29	–
thereof: net income from sale of loans and receivables	29	–
Net income from investment in associates	–	391
Total	–549	292

	Jan. 1 – Sept. 30, 2008 €m	Jan. 1 – Sept. 30, 2007 €m
Net income from bonds and promissory note loans	33	–158
Net income from equities and other non-fixed-income securities	–32	121
Net income from investments in associates	–	391
Impairment	–550	–62
Total	–549	292

€137 million of the net impairment loss on investment securities relates to structured credit products and €75 million to equities and investment fund shares.

The remaining impairments were recognized in relation to the exposures to Lehman Brothers and Icelandic banks.

(9) Administrative expenses

	Jan. 1 – Sept. 30, 2008 €m	Jan. 1 – Sept. 30, 2007 €m
Staff costs	1,037	1,040
Other administrative expenses	1,012	1,028
Depreciation and write-downs of property and equipment	52	60
Total	2,101	2,128

(10) Other income

	Jan. 1 – Sept. 30, 2008 €m	Jan. 1 – Sept. 30, 2007 €m
Income from property and equipment	27	15
Miscellaneous	98	74
Total	125	89

(11) Other expenses

	Jan. 1 – Sept. 30, 2008 €m	Jan. 1 – Sept. 30, 2007 €m
Amortization and write-downs of intangible assets	55	56
Miscellaneous	64	78
Total	119	134

Balance sheet disclosures

(12) Loans and advances to other banks

	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Payable on demand	980	1,601
Other loans and advances	16,642	22,980
Total	17,622	24,581

Loans and advances to other banks only include financial instruments classified as loans and receivables.

€5,536 million (December 31, 2007: €6,871 million) of loans and advances to other banks is due after more than 12 months.

Collateral received that can be unconditionally liquidated or can be unconditionally sold:

	Fair value of collateral that can be unconditionally liquidated or can be unconditionally sold		Fair value of collateral that was sold or repledged and is subject to an obligation to return	
	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Financial collateral	8,407	11,413	2,316	805
Non-financial collateral	–	–	–	–
Total	8,407	11,413	2,316	805

(13) Loans and advances to customers

	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Private mortgage lending	69,173	64,781
Home savings loans	3,411	3,179
Commercial loans	23,063	17,553
Public sector	2,410	3,546
Installment credits	2,883	2,289
Other loans and advances	2,511	782
Total	103,451	92,130

Loans and advances are classified as follows in accordance with the measurement categories as defined in IAS 39:

	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Loans and receivables	95,125	84,564
Held to maturity	359	456
Fair value option	7,967	7,110
Total	103,451	92,130

€77,918 million (December 31, 2007: €69,769 million) of loans and advances to customers is due after more than 12 months.

(14) Total credit extended

	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Loans and advances to other banks	17,622	24,581
Loans and advances to customers	103,451	92,130
Guarantees	1,259	1,428
Total	122,332	118,139

(15) Allowance for losses on loans and advances

The allowance for losses on loans and advances is composed of the following items:

	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Specific valuation allowances	1,200	1,071
Portfolio-based valuation allowances	113	83
Total allowances for losses on loans and advances	1,313	1,154
Provisions for credit risks	50	39
Total	1,363	1,193

€57 million of the allowance for losses on loans and advances relates to loans and advances to other banks and €1,256 million to loans and advances to customers classified as loans and receivables.

Collective specific valuation allowances are also reported under the specific valuation allowances.

The allowance for losses on loans and advances carried under assets changed as follows:

	Specific valuation allowances		Portfolio-based valuation allowances		Total	
	2008 €m	2007 €m	2008 €m	2007 €m	2008 €m	2007 €m
Balance at January 1	1,071	1,090	83	65	1,154	1,155
Reclassification in accordance with IFRS 5	–	–86	–	–2	–	–88
Additions						
Allowance charged to the income statement	319	317	36	17	355	334
Disposals						
Utilization	92	125	1	–	93	125
Allowance reversed to the income statement	73	95	5	1	78	96
Unwinding	25	24	–	–	25	24
Currency translation differences	–	3	–	–	–	3
Balance at Sept. 30	1,200	1,074	113	79	1,313	1,153

(16) Trading assets

	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Bonds and other fixed-income securities	2,099	4,139
Equities and other non-fixed-income securities	11	161
Building loans held for trading	205	209
Positive fair values of derivatives carried as trading assets	5,743	5,155
Positive fair values of banking book derivatives	479	131
Positive fair values from derivatives relating to hedged items accounted for under the fair value option	137	141
Total	8,674	9,936

€5,796 million (December 31, 2007: €7,365 million) of trading assets is due after more than 12 months.

(17) Investment securities

	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Bonds and other fixed-income securities		
Loans and receivables	31,974	26,600
Held to maturity	378	730
Available for sale	46,187	38,755
	78,539	66,085
Equities and other non-fixed-income securities (available for sale)	2,643	2,418
Investments in associates (available for sale)	18	22
Investments in unconsolidated subsidiaries (available for sale)	78	81
Total	81,278	68,606

Investment securities amounting to €72,163 million (December 31, 2007: €61,477 million) are due after more than 12 months.

Investment securities were furnished as collateral for the following liabilities:

	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Liabilities	35,286	24,518
Contingent liabilities	–	–
Total	35,286	24,518

(18) Intangible assets

	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Acquired goodwill	1,631	1,631
Acquired software, concessions, industrial rights	643	606
Internally generated intangible assets and software	92	66
Advance payments on intangible assets and in-process intangible assets	40	122
Total	2,406	2,425

The acquired software, concessions, industrial rights item includes the capitalized BHW brand in the amount of €319 million. Following amortization, €87 million (December 31, 2007: €90 million) was recognized for customer relationships capitalized as part of the acquisition of BHW and €61 million (December 31, 2007: €66 million) for beneficial contracts.

(19) Property and equipment

	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Land and buildings	745	768
Operating and office equipment	143	148
Advance payments and assets under development	7	11
Total	895	927

(20) Other assets

	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Prepaid expenses	464	363
Trade receivables	99	90
Advances to members of the mobile sales force	13	11
Receivables from tax authorities	12	10
Miscellaneous	85	55
Total	673	529

Other assets amounting to €344 million (December 31, 2007: €393 million) have a maturity of more than 12 months.

(21) Deposits from other banks

	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Payable on demand	3,228	3,292
With an agreed maturity or withdrawal notice	63,451	57,854
Total	66,679	61,146

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

€11,175 million (December 31, 2007: €11,454 million) of deposits from other banks is due after more than 12 months.

(22) Due to customers

	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Savings deposits	35,927	34,996
Home savings deposits	16,492	16,915
Other amounts due		
Payable on demand	26,686	26,589
With an agreed maturity or withdrawal notice	36,596	32,196
	63,282	58,785
Total	115,701	110,696

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

€33,143 million (December 31, 2007: €32,257 million) of amounts due to customers is due after more than 12 months.

(23) Securitized liabilities

	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Mortgage bonds (*Hypothekenpfandbriefe*)	3,580	11
Public-sector mortgage bonds (*Pfandbriefe*)	27	59
Other debt instruments	12,352	9,488
Total	15,959	9,558

The mortgage bonds *(Hypothekenpfandbriefe)* include the new issues in the principal amount of €2.5 billion.

Securitized liabilities only include financial instruments classified as liabilities at amortized cost.

€8,013 million (December 31, 2007: €7,393 million) of securitized liabilities is due after more than 12 months.

(24) Trading liabilities

	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Negative fair values of trading derivatives	5,280	4,955
Negative fair values of banking book derivatives	681	330
Negative fair values from derivatives relating to hedged items accounted for under the fair value option	280	308
Delivery obligations under securities sold short	4	1
Total	6,245	5,594

€5,096 million (December 31, 2007: €4,875 million) of trading liabilities is due after more than 12 months.

(25) Provisions

	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Provisions for pensions and other employee benefits	1,149	1,143
Provisions for home savings business	709	710
Other provisions	258	254
Total	2,116	2,107

€1,790 million (December 31, 2007: €1,797 million) of the recognized provisions is due after more than 12 months.

(26) Other liabilities

	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Liabilities from expenses for management bonuses	92	77
Liabilities from expenses for outstanding invoices	68	75
Liabilities from expenses for outstanding vacation entitlements and other compensated absences	54	46
Trade payables	39	99
Liabilities from expenses for commissions and premiums	43	43
Deferred income	40	42
Liabilities from expenses for services performed by Deutsche Post AG	40	81
Liabilities from other taxes	21	188
Miscellaneous liabilities	123	184
Total	520	835

€52 million (December 31, 2007: €69 million) of other liabilities is due after more than 12 months.

(27) Subordinated debt

	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Subordinated liabilities	3,011	2,778
Hybrid capital instruments	1,533	1,508
Profit participation certificates outstanding	1,248	1,262
Contributions by typical silent partners	54	55
Total	5,846	5,603

Subordinated debt only includes financial instruments classified as liabilities at amortized cost.

€5,218 million (December 31, 2007: €5,260 million) of subordinated debt is due after more than 12 months.

Other disclosures

(28) Contingencies and other obligations

	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Contingent liabilities		
on guarantees and warranties	1,259	1,428
Other obligations		
Irrevocable loan commitments	22,742	23,480
of which: building loans provided	5,321	5,665
Total	24,001	24,908

(29) Fair value of financial instruments carried at amortized cost or hedge fair value

	Sept. 30, 2008		Dec. 31, 2007	
	Carrying amount €m	Full fair value €m	Carrying amount €m	Full fair value €m
Assets				
Cash reserve	3,486	3,486	3,352	3,352
Loans and advances to other banks (loans and receivables)	17,622	17,460	24,581	24,510
Loans and advances to customers (loans and receivables)	95,125	95,452	85,159	85,414
Loans and advances to customers (held to maturity)	359	359	456	456
Allowance for losses on loans and advances	–1,313	–1,313	–1,184	–1,184
Investment securities (loans and receivables)	31,974	30,494	26,600	25,922
Investment securities (held to maturity)	378	378	730	731
	147,631	146,316	139,694	139,201
Liabilities				
Deposits from other banks (liabilities at amortized cost)	66,679	66,288	61,146	60,935
Due to customers (liabilities at amortized cost)	115,701	115,481	110,740	110,335
Securitized liabilities and subordinated debt	21,805	20,475	15,161	14,753
	204,185	202,244	187,047	186,023

(30) Derivatives

The Postbank Group uses derivatives to hedge positions as part of its asset/liability management policy. They are also entered into for trading purposes.

The notional amounts represent the gross volume of all sales and purchases. The notional amount is a reference value for determining reciprocally agreed settlement payments; it does not represent recognizable receivables or liabilities.

The fair values of the individual contracts were calculated using recognized valuation models and do not reflect any netting agreements.

Holdings of derivatives are composed of the following items:

	Notional amounts		Positive fair values		Negative fair values	
	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Trading derivatives	659,879	518,853	6,359	5,427	6,241	5,593
Hedging derivatives	44,138	34,052	351	421	829	873
Total	704,017	552,905	6,710	5,848	7,070	6,466

The following table presents the open conditional and unconditional forward transactions of the Postbank Group at the balance sheet date.

			Fair Value			
	Notional amounts		Positive fair values		Negative fair values	
	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Trading derivatives						
Foreign currency derivatives	48,168	24,791	598	237	463	320
Interest rate derivatives	602,681	487,016	5,373	5,151	5,216	5,056
Equity/index derivatives	1,013	829	36	12	26	67
Credit derivatives	8,017	6,217	352	27	536	150
Total holdings of trading derivatives	659,879	518,853	6,359	5,427	6,241	5,593
Hedging derivatives						
Fair value hedges	44,138	34,052	351	421	829	873
Total holdings of hedging derivatives	44,138	34,052	351	421	829	873
Total holdings of derivatives	704,017	552,905	6,710	5,848	7,070	6,466

Risks relating to financial instruments are presented in the risk report.

(31) Risk-weighted assets and capital ratio

Postbank ensures the correct determination of liable capital and own funds at Group level. Its regulatory own funds in accordance with the *Kreditwesengesetz* (KWG – German Banking Act) and the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation) were as follows:

	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Credit and counterparty risk	62,300	75,788
Market risk positions	9,913	12,225
Operational risk	6,450	3,063
Total capital charge	78,663	91,076
Additional capital charge in accordance with transitional provision	–	4,500
Tier 1 capital	3,807	5,455
thereof: hybrid capital instruments	1,620	1,651
Tier 2 capital	2,964	3,312
thereof: profit participation certificates outstanding	1,175	1,213
thereof: subordinated liabilities	2,009	2,308
Tier 3 capital	509	0
Eligible own funds	7,280	8,767
Tier 1 ratio in %	5.5	6.9
Effect of transitional provision in percentage points	–	–0.4
Capital ratio in %	9.2	9.6
Effect of transitional provision in percentage points	–	–0.4

Postbank's regulatory risk-bearing capacity is ensured by its compliance with the regulatory minimum capital requirements. These are determined as quotients of available capital and risk positions entered into. The key components of Postbank's Tier 1 capital are the share capital, recognized reserves, and hybrid capital instruments. Tier 2 capital is composed of profit participation certificates outstanding and long-term subordinated liabilities after deductions prescribed by law.

(32) Related party disclosures

Related party receivables

	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Loans and advances to customers		
Deutsche Post AG	198	402
Subsidiaries	13	30
	211	432
Other assets		
Deutsche Post AG	13	24
Subsidiaries	1	2
Other related parties	1	4
	15	30

Loans and advances receivable from Deutsche Post AG relate primarily to loans and overdrafts.

Related party payables

	Sept. 30, 2008 €m	Dec. 31, 2007 €m
Due to customers		
Subsidiaries	54	44
Other related parties	39	36
	93	80
Other liabilities		
Deutsche Post AG	45	95
Subsidiaries	3	2
Other related parties	8	4
	56	101
Subordinated debt		
Subsidiaries	142	141
	142	141

Amounts due to subsidiaries relate primarily to a term deposit by Postbank P.O.S. Transact GmbH at Deutsche Postbank International S.A. and the provision of services between Deutsche Postbank AG and Betriebs-Center für Banken Processing GmbH.

Amounts due to other related parties are primarily attributable to services exchanged between Postbank International S.A. and Deutsche Post Pensionsfonds GmbH.

The subordinated debt line item contains subordinated liabilities of BHW Bausparkasse AG and Deutsche Postbank AG to BHW Euro Finance B.V. in the form of subordinated promissory note loans.

Income and expenses from related parties

	Jan. 1 – Sept. 30, 2008 €m	Jan. 1 – Sept. 30, 2007 €m
Interest income		
Deutsche Post AG	27	16
Subsidiaries	9	2
Other related parties	2	3
	38	21
Interest expense		
Deutsche Post AG	–	1
Subsidiaries	7	7
Other related parties	1	–
	8	8
Fee and commission income		
Deutsche Post AG	358	409
Subsidiaries	1	2
	359	411
Fee and commission expense		
Subsidiaries	9	8
	9	8
Net income from investment securities		
Subsidiaries	1	–
	1	–
Administrative expenses		
Deutsche Post AG	235	255
Subsidiaries	17	13
Other related parties	119	114
	371	382
Other income		
Deutsche Post AG	2	10
Subsidiaries	3	4
Other related parties	19	19
	24	33
Other expenses		
Deutsche Post AG	1	10
	1	10

Fee and commission income primarily consists of payments made by Deutsche Post AG for the postal services provided in Postbank AG's branches.

Administrative expenses primarily consist of payments to Deutsche Post AG for the financial services provided in its retail outlets and for postage expenses.

Administrative expenses to other related parties relate in particular to rental expenses and service charges.

(33) Members of executive bodies

Management Board

The members of the Management Board of Deutsche Postbank AG are:	
Wolfgang Klein, Bonn (Chairman)	
Dirk Berensmann, Unkel	
Mario Daberkow, Bonn	
Stefan Jütte, Bonn	
Horst Küpker, Königswinter	since July 1, 2008
Guido Lohmann, Dülmen	
Michael Meyer, Bonn	
Loukas Rizos, Bonn	until June 30, 2008
Hans-Peter Schmid, Baldham	
Ralf Stemmer, Königswinter	

Members of the Supervisory Board

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 Board of Management of Deutsche Post AG, Bonn	since May 8, 2008
Jörg Asmussen, Head of Department, Federal Ministry of Finance, Berlin	until May 27, 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 Branch, 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 Chair of Deutsche Postbank AG's General Works Council, Brühl

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Bonn, October 27, 2008

Deutsche Postbank Aktiengesellschaft
The Management Board

Wolfgang Klein

Dirk Berensmann | Mario Daberkow

Stefan Jütte | Horst Küpker

Guido Lohmann | Michael Meyer

Hans-Peter Schmid | Ralf Stemmer

Review Report

To Deutsche Postbank AG, Bonn

We have reviewed the condensed consolidated interim financial statements – comprising the balance sheet, income statement, condensed cash flow statement, statement of changes in equity, and selected explanatory notes – and the interim group management report of Deutsche Postbank AG, Bonn, for the period from January 1 to September 30, 2008, which are part of the quarterly financial report pursuant to § (Article) 37x Abs. (paragraph) 3 WpHG („Wertpapierhandelsgesetz“: German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company's Management Board. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Düsseldorf, October 28, 2008

PricewaterhouseCoopers
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

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

Financial Calendar

Fiscal year 2008

- November 10, 2008 — Interim Report for the third quarter of 2008

Fiscal year 2009

- April 22, 2009 — Annual General Meeting

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

Contacts

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