Deutsche Postbank Group
Interim Report as of June 30, 2004

2/04

Postbank

Postbank in figures

		Jan. 1 – June 30	
		2004	2003
Consolidated income statement			
Balance sheet-related income	€m	995	999
Total income	€m	1,259	1,228
Administrative expenses	€m	891	943
Profit before tax	€m	289	204
Consolidated net profit	€m	187	121
Cost/income ratio	%	70.8	76.8
Return on equity			
before tax	%	12.6	9.3
after tax	%	8.1	5.5
Earnings per share	€	1.14	0.74

		June 30, 2004	Dec. 31, 2003
Consolidated balance sheet			
Total assets	€m	139,990	132,619
Customer deposits	€m	67,065	65,130
Customer loans	€m	32,723	29,910
Allowance for losses on loans and advances	€m	616	597
Equity	€m	4,336	4,866
BIS regulatory indicators*			
Tier 1 ratio	%	7.7	7.8
Capital ratio	%	9.6	10.3
Headcount	thousand	9.52	8.70
Long-term ratings			
Moody's		A1	A1
	Outlook	negative	negative
Standard & Poor's		A	A
	Outlook	negative	negative
Fitch		A	A+
	Outlook	stable	negative
Information on Postbank shares			
Issue price on June 23, 2004	€	28.50	–
Share price as of June 30, 2004	€	29.50	–
Share price (June 23 to June 30)	high €	29.89	–
	low €	28.80	–
Market capitalization at the balance sheet date	€m	4,838	–
Number of shares	million	164.0	–

* according to internal calculations

Ladies and Gentlemen,

It gives me great pleasure to present to you today the first interim report in Postbank's history. We are pleased to take advantage of the greater transparency associated with our stock exchange listing to inform you of your Company's course of business.

With the subscription for our shares, you, our shareholders, have demonstrated your trust in Postbank. I would like to thank you warmly for this. We actively confronted the difficulties associated with the run-up to the IPO, difficulties over which we had no control, and transformed them into challenges. It was particularly encouraging that Postbank encountered a consistently high degree of interest from potential investors during the numerous discussions at our roadshows. Our clear, low-risk business model as Germany's only listed retail bank; management performance in the Bank's reorientation since 1999; stable business development; and good growth prospects were always considered to be the Company's clear strengths. These factors ensured high demand from institutional and private investors for Postbank shares at the issue price. The encouraging development of the shares from the outset, particularly as measured against the overall market, is driven by a broad and very high quality investor base.

In Q2/2004, we continued the dynamic growth trend in our customer business. With our low-cost, needs-driven offerings, we were able to attract 191,000 new customers. Volumes in our core businesses reached new record levels, and this with declining expenses. The success was reflected in a strong increase in our profit before tax. In the second quarter results, we increased our pre-tax profit by some 42% year-on-year despite the interest rate environment, which continues to pose difficulties to us. This makes us confident that we can exceed the previous year's good results in fiscal year 2004, too.

I would like to make particular note of the successful launch of our Transaction Banking growth segment. At the beginning of May we took on Dresdner Bank's payment transaction settlement activities and on July 1 those of Deutsche Bank.

I would like to take this opportunity to express my great thanks to all employees at Postbank and in the retail outlets. They were our pillar during the IPO and are the greatest asset to our day-to-day customer business.

Together, we will continue in the future doing everything in our power to justify your trust. I hope that you will accompany us further on our exciting journey.

Wulf von Schimmelmann
Chairman of the Management Board

Postbank Stock – the IPO

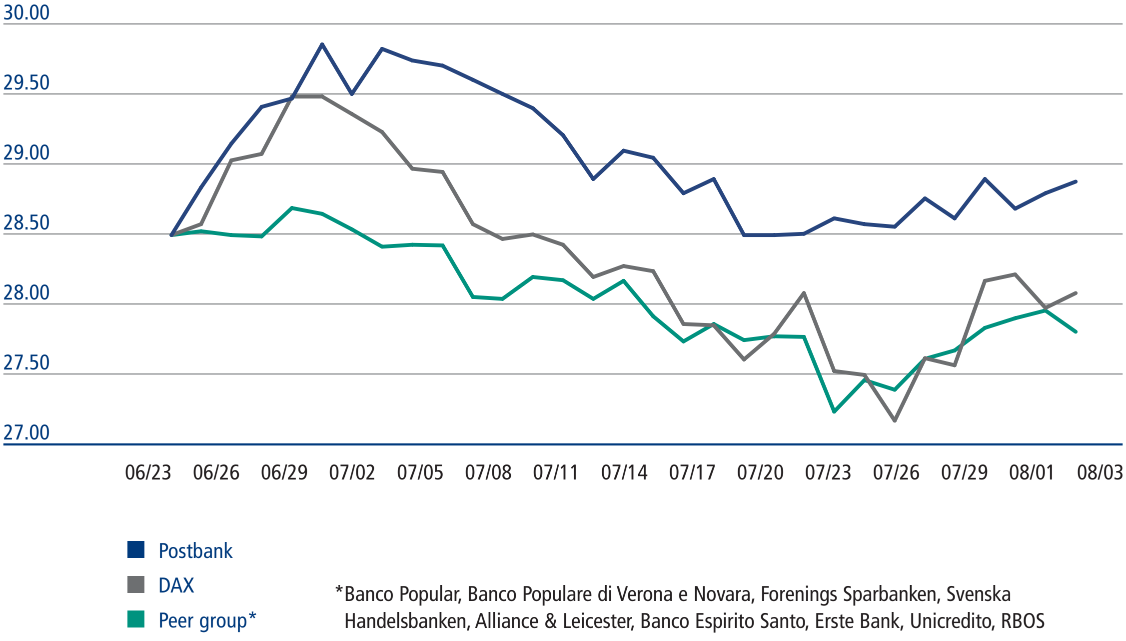
Postbank Stock

Successful IPO

Postbank's shares have been listed on the stock exchange since June 23, 2004. Despite a weaker market environment, Postbank shares have almost always traded above their issue price of €28.50. By the print deadline on August 3, 2004, Postbank shares outperformed the DAX and a peer group of nine European retail banks by around 2.8% and 3.7% respectively.

Performance of Postbank's stock versus the DAX and peer group (June 23 – August 3, 2004)

Postbank stock (in €), June 23 – IPO price (other shares: opening price)
Comparative shares indexed



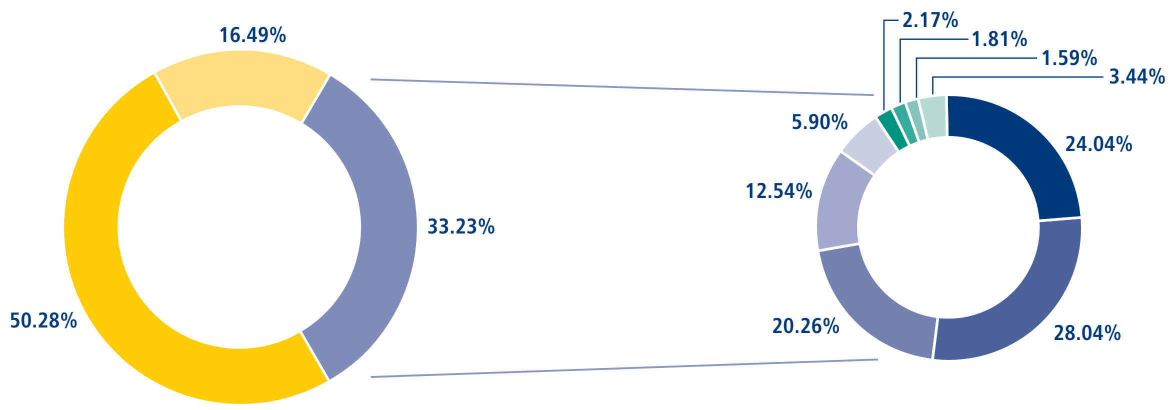
*Banco Popular, Banco Populare di Verona e Novara, Forenings Sparbanken, Svenska Handelsbanken, Alliance & Leicester, Banco Espirito Santo, Erste Bank, Unicredito, RBOS

An innovative transaction structure was chosen to place the tranche of just under 50% of Postbank shares. 54,499,999 shares were placed directly as part of the share issue. In addition, Deutsche Post issued a three-year exchangeable bond on 27,038,750 Postbank shares with an exercise price of €39.33. When this bond is exercised in full, 81,538,749 Postbank shares will be placed on the market.

The high demand for the shares and the exchangeable bond on the issue date led to the issue being heavily oversubscribed, and there was a substantial overhang of demand after allotment. This led to perceptible additional purchases in the first few trading days, in particular by institutional investors. The greenshoes for the shares and the exchangeable bond were already exercised in full in June. No market smoothing via support buying, which is common when securities are placed on the market, was required.

Balanced share allocation

The high demand for Postbank shares enabled an extremely high quality structure and geographically balanced distribution of our shareholders during allotment. 28% of the shares placed were allocated to German institutional investors and 48% to foreign institutional investors. 24% were allocated to private investors in Germany. The high degree of interest from employees compared with similar IPOs was particularly encouraging. More than 60% of employees at Postbank and the branches ordered shares. Employees of Deutsche Post World Net received a total of 3.3% of the issue. In addition, Postbank customers with brokerage accounts and Deutsche Post shareholders received preferred treatment during allotment.



Shareholder structure

- Deutsche Post
- Deutsche Post exchangeable bond (maturity: July 2007)
- Current free float

Free float shareholder structure at IPO by country

- Germany – retail
- Germany – institutional
- UK
- France
- USA
- Switzerland
- Italy
- Norway
- Others

We are convinced that we have laid a strong basis for an encouraging performance of our shares compared with the market overall that will reflect our stable, low-risk business model and our success in continuing to consistently expand our customer business.

Developments in Q2/2004

First steps towards a global turnaround in interest rates

Slightly declining yields in the euro zone

Capital market rates have left behind their nine-month low of the first quarter of 2004. At the beginning of the second quarter, strong figures for the US employment market reduced doubts about global economic recovery and triggered the shift towards rising interest rates. Due to Postbank's large surplus of deposits, its net interest income will be particularly positively impacted by this development. Surprisingly high inflation figures added weight to the expectation of higher key rates, particularly in the USA. This also affected longer-term euro bonds. In mid-June, the ten-year bund yield climbed to over 4.4%. However, yields fell again in the euro zone at the end of June in view of slightly weaker economic data, despite the first move by the US Federal Reserve to raise interest rates.

Further substantial increase in customer business

The upward trend in Postbank's customer business continued in the second quarter of 2004. We again expanded our leadership position as Germany's largest retail bank. In the second quarter of 2004, Postbank gained around 191,000 new customers, up 9% year-on-year. Demand for our leading checking account was particularly high. With around 134,000 new checking accounts opened, we improved further on the very successful Q2/2003 by 11.7%. We also generated further strong increases in the deposit business, with the savings volume exceeding the €40 billion mark for the first time, at €40.2 billion on June 3. The successful DAX Sparbuch was one of the factors contributing to this, recording an investment volume of €4.7 billion at the end of the quarter. This corresponds to an average volume of about €11,500 per DAX savings account. In addition, the successful SparCard 3000 plus *direkt* has generated deposits of over €2 billion since its introduction in July 2002.

Further growth in the consumer loans business

The positive development also continued in our lending business. In private mortgage lending, we were able to generate second quarter new mortgage volumes amounting to €1.6 billion, thereby doubling the earnings year-on-year. Now that DSL private loans have been introduced, we also offer a special consumer loans business product for third-party marketing.

The total credit extended in the corporate customer business increased by 22.5% year-on-year to €11.2 billion at the balance sheet date, accompanied by an unchanged low risk profile.

Our corporate banking activities saw the successful completion of the reorganization of sales activities at Postbank Firmenkunden AG. New business and credit quality in national and international commercial financing and PB Capital New York also developed positively in Q2/2004. The leasing strategy and PB Factoring generated encouraging volume increases.

Transaction Banking segment launched

We are reporting the Transaction Banking segment for the first time in Q2/2004. Since the beginning of May, we have processed payment transactions for Dresdner Bank and, since July 1, those of Deutsche Bank too, and we have acquired their respective units. This move increased our market share from 6% to 16%. Both units were integrated seamlessly. As Germany's only integrated provider, we cover the entire payment transactions value chain. Thanks to our technology lead and high efficiency, we have positioned ourselves as an attractive partner for other banks, too. Thus, we are ideally positioned to actively drive forward the consolidation of this market segment and establish ourselves as the market leader.

The headcount at Postbank increased by 819 to 9,516 (FTEs), due to the acquisition of Dresdner Bank employees in Transaction Banking.

Since the beginning of the year, our new compensation system has set standards in the banking sector. It was changed to competitive compensation based on an employee's duties, and now includes performance-based variable components for all employees. The parameters applicable previously, borrowed from the public-sector compensation system, were transformed into variable compensation components that are tied to individual performance and the Company's success. This has enabled us to establish a set of instruments that will involve employees in the Company's success and will increase performance-based compensation to an extent well beyond the standards in the banking industry.

Postbank fully complies with German Corporate Governance Code

In May, Postbank's Management and Supervisory Boards resolved to comply in full with the recommendations of the German Corporate Governance Code in the version dated May 21, 2003. This also means that the compensation of the individual members of the Bank's Management and Supervisory Boards will be published for the first time for fiscal year 2004.

Ralf Stemmer has taken up his appointment as Board Member, Resources, effective July 1, 2004.

As of April 30, Hans-E. Büschgen, Dietrich Jahn and Dieter Soltmann retired from the Supervisory Board. Wilfried Boysen and Elmo von Schorlemer were appointed new members as of May 12, and Peter Hoch as of July 1.

With a view to the IPO, the Bank's Articles of Association were amended to enable the acquisition of own shares, the issue of profit participation certificates and the creation of authorized capital.

Important developments on the consolidated income statement

Income statement

Postbank increased its pre-tax profit in the first half of 2004 by 41.7% as against the prior-year period, generating a record figure of €289 million. The Q2 pre-tax profit was also up by a further 2.1% on the successful first quarter of 2004, at €146 million. After taxes and the deduction of minority interest, the net profit for the first six months amounted to €187 million, as against €121 million in the prior-year period.

Income rose slightly year on year, while administrative expenses and, within this item, staff costs in particular were reduced further. The allowance for losses on loans and advances rose in line with the encouraging increase in the volume of customer loans. Net other operating income and expenses also improved to €3 million.

Income

Total income rose by 2.5% as against the first half of the previous year. Income growth increased in the course of the year, with the second quarter of 2004 recording an increase of 3.4% as against the first three months.

Balance sheet-related income – i.e. aggregate net interest income, net trading income and net income from investment securities – remained more or less at the level recorded in the first half of the previous year. However, the income structure changed, as had been expected in view of the substantial drop in interest rates in comparison to the prior-year period. Net interest income declined by 15.0% in this environment to €744 million; however, this fall was almost completely offset by rises in net trading income (+€47 million) and net income from investment securities (+€80 million), which were partially due to remeasurement gains. The slight increase in interest rates in the second quarter as against the first three months of 2004 was reflected in net interest income (+4.4%). The extremely interest-elastic swaps included in the net trading income also picked up during this period.

Net fee and commission income jumped approximately 15.3% to €264 million as against the first half of 2003. In particular, sales of funds and other products requiring substantial advisory services picked up encouragingly. The assumption of payment transaction settlement activities for Dresdner Bank on May 1, 2004 was also reflected in income for the first time.

Allowances for losses on loans advances

The allowance for losses on loans and advances rose by 17.1% in comparison to the first half of the previous year, in parallel with the encouraging increase in the volume of customer loans (+18.9%). This underscores Postbank's low-risk approach to lending. The allowance for losses on loans and advances remained unchanged in comparison to the first quarter of 2004.

Administrative expenses

The first half of 2004 saw a further systematic reduction in administrative expenses as against the prior-year period, despite the takeover of Dresdner Bank's payment transaction settlement units. In all, approximately 950 staff were acquired as a result of the acquisition of Dresdner ZVS GmbH. Administrative expenses rose 3.9% in the second quarter of 2004 as against the first quarter, mainly for this reason. Postbank expects to employ around 450 former Dresdner ZVS staff in the long term. Corresponding arrangements were put in place for a large majority of the remaining employees in advance of the takeover. Due to the provisions assumed for this and for salary payments for these employees, Postbank is not expecting any additional expenses.

Other income and expenses

Net other operating income and expenses amounted to €3 million at the end of the first half of 2004, in comparison to €–11 million in the first half of 2003.

Balance sheet highlights

Total assets

Postbank's total assets as of June 30, 2004 amounted to just under €140 billion, up approximately 5.6% on the end of the previous year.

Loans and advances to customers

Loans and advances to customers increased by approximately €2.7 billion in the first half of 2004. This rise was again driven by mortgage lending. Private mortgage lending alone increased by approximately €2.0 billion in the period under review, more than in the whole of 2003.

Money and capital market investments

Both loans and advances to other banks and trading assets declined as against December 31, 2003, by €4.0 billion and €1.5 billion respectively. In contrast, investment securities increased by €11.2 billion. The greater part of this temporary increase corresponds to the expansion of liquidity in money and capital market liabilities.

Due to customers

Amounts due to customers recorded a further substantial increase in the first half of the current year, climbing €1.5 billion to €75.5 billion. In particular, the savings volume – savings deposits, investments in *Kapital Plus* savings products and savings bonds – continued its successful growth, closing the period with a substantial rise of approximately €1.1 billion.

Money and capital market liabilities

While securitized liabilities were reduced in the first half of 2004, on plan, by €7.3 billion, deposits from other banks rose by €14.5 billion as against the end of 2003 for technical closing date reasons.

Shareholders' equity

The Group's reported equity declined by approximately €0.5 billion as against the end of 2003. This is mainly due to the dividend distributed in the first quarter of 2004. The changes in the other equity accounts were largely offset by the appropriation of the consolidated net profit for the first half of 2004 in the amount of €187 million.

The BIS Tier I ratio, which is calculated internally, was approximately 7.7% as of June 30, 2004.

Segment reporting

Retail Banking

The Retail Banking segment performed extremely well in the first half of 2004. The profit before tax increased by 37.0% (€211 million as against €154 million in the prior-year period). The Q2 figure of €119 million represents a further increase of 29.3% on the extremely good first quarter results. At €963 million, income rose substantially faster (11.7%) than expenses, which increased by only 5.0% to €699 million. As a result, the cost-income ratio declined by 4.7 percentage points year-on-year to 72.6%, while the return on equity before tax rose by 2.2 percentage points to 21.2%.

Corporate Banking

The pre-tax profit recorded by the Corporate Banking segment also rose substantially, climbing 30.9% to €72 million in the first half of 2004 as against the prior-year period, and from €31 million in Q1 2004 to €41 million in Q2 2004. Income increased by 10.3% to €160 million, while expenses rose only slightly by 2.8% to €73 million; as a result, the cost-income ratio improved by 3.4 percentage points half-year to half-year to 45.6%, while the return on equity jumped 2.7 percentage points to 31.2%.

Transaction Banking

In Q2 2004, Transaction Banking was reported as a separate segment for the first time, recording a profit right from the start. With effect from May 1, 2004, this segment has been processing payment transactions for Dresdner Bank – in addition to our internal customers – and, effectively from July 1 (i.e. after the closing date for the half-yearly results), for Deutsche Bank, too. In total, income of €43 million and administrative expenses of €41 million were recorded in this area in the second quarter of 2004.

Financial Markets

The Financial Markets segment generated a pre-tax profit of €56 million in the first half of 2004, up €2 million on the prior-year period. Net interest income declined by €6 million to €32 million as against the first half of 2003, while net trading income rose €4 million to €34 million; overall income remained unchanged at €94 million. Due to the slight increase in expenses of €2 million to €42 million, the cost-income ratio rose to 44.7%, up from 42.6% in the first half of 2003. The return on equity before taxes improved by 1.7 percentage points to 14.4%, also as a result of the reduction in the amount of capital tied up.

Others

The loss before taxes recorded by the Others segment improved by €7 million in comparison to the first half of 2003 to total €52 million.

Here, too, the effect of the establishment of the Transaction Banking segment was felt. In particular, the fee and commission income generated by the Transaction Banking segment from payment transactions processing for internal customers, along with the related administrative expenses, were deconsolidated here. This largely explains the significant changes in the administrative expenses and net fee and commission items between the first and the second quarters of 2004, from €–32 million to €–4 million and from €13 million to €–21 million respectively.

The €130 million reduction in administrative expenses to €36 million between H1 2003 and H1 2004 is due in addition to the reduction in staff resulting from the sale of subsidiaries. The substantial drop in average interest rates in the same period was reflected in the composition and amount of the income generated, as had been expected. Net interest income for recognized items declined tangibly year-on-year by €200 million, while other balance sheet-related income rose by €118 million.

Outlook

Target 15% return on equity before taxes for 2006

Eurozone: GDP growth expected to reach its potential

With US economic data remaining robust, we expect that the US Federal Reserve will continue to pursue its policy of a step-by-step, cautious increase in key rates in the second half of the year. In Germany, as in the euro zone as a whole, the upswing will continue at a moderate pace. At a good 2%, real GDP growth in the euro zone will more or less reach its potential in the coming year. This is likely to prompt the European Central Bank to start following the example of other central banks by no later than early 2005 and switch course to a less expansionary monetary policy. We expect that this will bring about an upward shift of the yield curve, accompanied by a simultaneous trend toward flattening.

2006 targets

For 2006, Postbank is aiming to achieve a return on equity before taxes of 15%. Our target cost-income ratio is below 65%.

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Consolidated income statement for the period January 1 to June 30, 2004

	Note	Jan. 1 – June 30	
		2004	2003
		€m	€m
Interest income	(5)	2,606	2,977
Interest expense	(5)	–1,862	–2,102
Net interest income	(5)	744	875
Allowance for losses on loans and advances	(6)	–82	–70
Net interest income after allowance for losses on loans and advances		662	805
Fee and commission income	(7)	304	261
Fee and commission expense	(7)	–40	–32
Net fee and commission income	(7)	264	229
Net trading income	(8)	127	80
Net income from investment securities	(9)	124	44
Administrative expenses	(10)	–891	–943
Other income	(11)	45	25
Other expenses	(12)	–42	–36
Profit before tax		289	204
Income tax expense		–101	–82
Profit from ordinary activities after tax		188	122
Minority interest		–1	–1
Consolidated net profit		**187**	**121**

Earnings per share

The Annual General Meeting on March 25, 2004, resolved a share split in the ratio of 1:10.25. As a result, the number of shares increased from 16,000,000 to 164,000,000. In accordance with IAS 33.43, earnings per share for the first half of 2003 were recalculated using the number of shares currently outstanding.

	Jan. 1 – June 30	
	2004	2003
Basic earnings per share (€)	1.14	0.74
Diluted earnings per share (€)	1.14	0.74

Consolidated income statement: quarterly overview

	Q2	Q1	Q2	Q1	Jan. – June	Jan. – June
	2004		2003		2004	2003
	€m	€m	€m	€m	€m	€m
Interest income	1,299	1,307	1,468	1,509	2,606	2,977
Interest expense	–919	–943	–1,026	–1,076	–1,862	–2,102
Net interest income	380	364	442	433	744	875
Allowance for losses on loans and advances	–41	–41	–35	–35	–82	–70
Net interest income after allowance for losses on loans and advances	339	323	407	398	662	805
Fee and commission income	157	147	131	130	304	261
Fee and commission expense	–19	–21	–16	–16	–40	–32
Net fee and commission income	138	126	115	114	264	229
Net trading income	86	41	44	36	127	80
Net income from investment securities	36	88	8	36	124	44
Administrative expenses	–454	–437	–468	–475	–891	–943
Other income	23	22	15	10	45	25
Other expenses	–22	–20	–18	–18	–42	–36
Profit before tax	146	143	103	101	289	204
Income tax expense	–51	–50	–42	–40	–101	–82
Profit from ordinary activities after tax	95	93	61	61	188	122
Minority interest	–	–1	–	–1	–1	–1
Consolidated net profit	**95**	**92**	**61**	**60**	**187**	**121**

Consolidated balance sheet as of June 30, 2004

Assets	Note	June 30, 2004	Dec. 31, 2003
		€m	€m
Cash reserve		724	1,623
Loans and advances to other banks	(13)	30,042	34,071
Loans and advances to customers	(14)	45,992	43,310
Allowance for losses on loans and advances	(16)	–616	–597
Trading assets	(17)	11,130	12,588
Hedging derivatives		687	832
Investment securities	(18)	50,072	38,859
Property and equipment	(19)	942	960
Other assets	(20)	1,017	973
Total assets		**139,990**	**132,619**

Shareholders' equity and liabilities	Note	June 30, 2004	Dec. 31, 2003
		€m	€m
Deposits from other banks	(21)	34,743	20,271
Due to customers	(22)	75,470	73,941
Securitized liabilities	(23)	18,922	26,267
Trading liabilities	(24)	1,178	1,647
Hedging derivatives		1,622	1,814
Provisions	(25)	1,792	1,704
Other liabilities	(26)	316	371
Subordinated debt	(27)	1,597	1,724
Minority interest		14	14
Shareholders' equity		4,336	4,866
a) Share capital		410	410
b) Share premium		1,156	1,159
c) Retained earnings		2,583	2,708
d) Consolidated net profit		187	589
Total liabilities and shareholders' equity		**139,990**	**132,619**

Statement of changes in equity

	Share capital	Share premium	Retained earnings	Currency translation reserve	Revaluation reserve	Consolidated net profit	Total
	€m	€m	€m	€m	€m	€m	€m
Balance at January 1, 2003	**410**	**1,159**	**3,239**	**–38**	**–473**	**99**	**4,396**
Dividend payment						–99	–99
Currency translation differences				–29			–29
Changes in unrecognized gains and losses, net of deferred taxes					181		181
Consolidated net profit Jan. 1 – June 30, 2003						121	121
Balance at June 30, 2003	**410**	**1,159**	**3,239**	**–67**	**–292**	**121**	**4,570**
Currency translation differences				–27			–27
Changes in unrecognized gains and losses, net of deferred taxes					92		92
Consolidated net profit July 1 – Dec. 31, 2003			–237			468	231
Balance at December 31, 2003	**410**	**1,159**	**3,002**	**–94**	**–200**	**589**	**4,866**
Dividend payment						–589	–589
Treasury shares*		–3					–3
Currency translation differences				8			8
Changes in unrecognized gains and losses, net of deferred taxes					–133		–133
Consolidated net profit Jan. 1 – June 30, 2004						187	187
Balance at June 30, 2004	**410**	**1,156**	**3,002**	**–86**	**–333**	**187**	**4,336**

* Prior to the IPO, 100,000 treasury shares were subscribed for trading purposes

Consolidated cash flow statement

	Jan. 1 – June 30	
	2004	**2003**
	€m	€m
Cash and cash equivalents at beginning of period	**1,623**	**1,307**
Net cash used in operating activities	11,282	4,569
Net cash from investing activities	–11,440	–5,088
Net cash used in/from financing activities	–741	44
Effect of exchange differences	–	5
Cash and cash equivalents at June 30	**724**	**837**

Cash and cash equivalents include cash, balances with central banks, public-sector debt instruments and bills eligible for rediscounting with the central bank.

Notes to the interim report

(1) Segment reporting

Segment reporting by business segment

	Retail Banking		Corporate Banking		Transaction Banking		Financial Markets		Others		Group	
	Jan. 1 – June 30		Jan. 1 – June 30		Jan. 1 – June 30		Jan. 1 – June 30		Jan. 1 – June 30		Jan. 1 – June 30	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Net interest income	804	740	109	98	–	–	32	38	–201	–1	744	875
Net trading income	–	–	1	1	–	–	34	30	92	49	127	80
Net income from investment securities	–	–	8	2	–	–	–	1	116	41	124	44
Balance sheet-related income	**804**	**740**	**118**	**101**	**–**	**–**	**66**	**69**	**7**	**89**	**995**	**999**
Net fee and commission income	159	122	42	44	43	–	28	25	–8	38	264	229
Total income	**963**	**862**	**160**	**145**	**43**	**–**	**94**	**94**	**–1**	**127**	**1,259**	**1,228**
Administrative expenses	–699	–666	–73	–71	–41	–	–42	–40	–36	–166	–891	–943
Provision for losses on loans and advances	–56	–45	–19	–19	–	–	4	–	–11	–6	–82	–70
Other income/expense	3	3	4	–	–	–	–	–	–4	–14	3	–11
Profit before tax	**211**	**154**	**72**	**55**	**2**	**–**	**56**	**54**	**–52**	**–59**	**289**	**204**
Cost/income ratio (CIR)	**72.6%**	**77.3%**	**45.6%**	**49.0%**	**95.3%**	**–**	**44.7%**	**42.6%**	**–**	**–**	**70.8%**	**76.8%**
Return on equity before taxes (RoE)	**21.2%**	**19.0%**	**31.2%**	**28.5%**	**–**	**–**	**14.4%**	**12.7%**	**–7.4%**	**–7.8%**	**12.6%**	**9.3%**

	June 30	Dec. 31	June 30	Dec. 31	June 30	Dec. 31	June 30	Dec. 31	June 30	Dec. 31	June 30	Dec. 31
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Segment assets	**21,722**	**19,704**	**25,258**	**24,154**	**85**	**–**	**19,385**	**17,461**	**70,786**	**67,509**	**137,236**	**128,828**
Segment liabilities	**56,182**	**54,693**	**6,008**	**5,742**	**–**	**–**	**9,733**	**10,552**	**58,390**	**51,139**	**130,313**	**122,126**

Since the settlement of payment transactions is not banking business in the traditional sense, we have decided not to report return on equity in our Transaction Banking business segment.

Segment reporting by geographical region

	Assets		Liabilities		Income		Profit before tax	
	June 30	Dec. 31	June 30	Dec. 31	Jan. 1 – June 30		Jan. 1 – June 30	
	2004	2003	2004	2003	2004	2003	2004	2003
	€m	€m	€m	€m	€m	€m	€m	€m
Germany	105,227	103,110	99,097	97,299	1,179	1,145	231	160
Others	32,009	25,718	31,216	24,827	80	83	58	44
Europe	29,095	22,941	28,625	22,370	40	47	34	29
USA	2,914	2,777	2,591	2,457	40	36	24	15
Total	**137,236**	**128,828**	**130,313**	**122,126**	**1,259**	**1,228**	**289**	**204**

The allocation of segments by the domicile of the branch or Group company produces the following distribution:

Basis of preparation

(2) Basis of accounting

The interim financial statements were prepared in accordance with EC Directives 83/349/EEC (Consolidated Accounts Directive) and 86/635/EEC (Bank Accounts Directive) on the basis of the International Financial Reporting Standards (IFRS) approved and issued by the International Accounting Standards Board (IASB), insofar as these were applicable at the balance sheet date. In particular, the interim financial statements also comply with the IAS 34 requirements for interim financial reports. The same accounting policies used in preparing the 2003 consolidated financial statements were applied.

Unless otherwise indicated, all amounts are shown in millions of euros (€m).

(3) Basis of consolidation

In addition to the parent company Deutsche Postbank AG, Bonn, 28 (December 31, 2003: 22) subsidiaries and two (December 31, 2003: 2) joint ventures, all of which are presented in the list of shareholdings (note 32), are included in the consolidated interim financial statements as of June 30, 2004.

The Annual General Meeting on September 26, 2003 resolved to change the name of PB Erste Beteiligungen AG to PB Firmenkunden AG. The change in name took effect upon registration in the commercial register on February 3, 2004. Postbank's Corporate Banking business segment sales activities were outsourced to this company.

By way of a shareholder resolution on October 16, 2003, easytrade services Köln GmbH was renamed Betriebs-Center für Banken Frankfurt am Main GmbH. By way of a shareholder resolution on the same date, PB Zweite Beteiligungen GmbH was renamed Betriebs-Center für Banken Berlin GmbH. Both name changes took effect upon registration in the commercial register on November 12 and November 24, 2003 respectively.

Betriebs-Center für Banken Verwaltungs GmbH and Betriebs-Center für Banken Deutschland GmbH & Co. KG were established on December 19, 2003. On conclusion of the sale and transfer agreement on December 19, 2003, Betriebs-Center für Banken Berlin GmbH and Betriebs-Center für Banken Frankfurt am Main GmbH were transferred by the sole shareholder Deutsche Postbank AG to Betriebs-Center für Banken Deutschland GmbH & Co. KG effective January 1, 2004.

Effective May 1, 2004, Betriebs-Center für Banken Deutschland GmbH & Co. KG acquired all shares of Dresdner Zahlungsverkehrsservice GmbH from Dresdner Bank AG.

The following companies were therefore added to the basis of consolidation as of the first half of fiscal year 2004:

- PB Firmenkunden AG, Bonn,
- Betriebs-Center für Banken Deutschland GmbH & Co. KG, Frankfurt/Main,
- Betriebs-Center für Banken Verwaltungs GmbH, Frankfurt/Main,
- Betriebs-Center für Banken Frankfurt am Main GmbH, Frankfurt/Main,
- Betriebs-Center für Banken Berlin GmbH, Frankfurt/Main,
- Dresdner Zahlungsverkehrsservice GmbH, Frankfurt/Main.

We have described the material effects of the first-time consolidation of Dresdner Zahlungsverkehrsservice GmbH on Deutsche Postbank AG's consolidated financial statements in note 25; no material effects resulted from the first-time consolidation of other companies.

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 25 (December 31, 2003: 25) special funds were included as special purpose entities in the consolidated financial statements.

(4) Significant events after the balance sheet date

In the Transaction Banking segment, Betriebs-Center für Banken Deutschland GmbH & Co. KG, a wholly-owned subsidiary of Deutsche Postbank AG, acquired DB Payments Projektgesellschaft AG from Deutsche Bank AG effective July 1, 2004. Since this date, Postbank has taken over processing of payment transactions for Deutsche Bank AG.

Income statement disclosures

(5) Net interest income

	Jan. 1 – June 30	
	2004	2003
	€m	€m
Interest and current income		
Interest income from		
Lending and money market transactions	1,454	1,638
Fixed-income and book-entry securities	982	1,153
Trading operations	120	165
Net gains on hedges	8	3
	2,564	**2,959**
Current income from		
Equities and other non-fixed-income securities*	41	18
Investments in associates	1	–
	42	**18**
	2,606	**2,977**
Interest expense on		
Deposits	1,082	1,096
Securitized liabilities	506	725
Subordinated debt	48	36
Swaps (hedge accounting in accordance with IAS 39)	196	141
Trading operations	30	104
	1,862	**2,102**
Total	**744**	**875**

* including newly acquired unconsolidated fixed-income funds (Rentenfonds) in the first half of 2004

(6) Allowance for losses on loans and advances

	Jan. 1 – June 30	
	2004	2003
	€m	€m
Cost of additions to allowance for losses on loans and advances	123	102
Direct loan write-offs	4	4
Income from reversals	45	34
Recoveries on loans previously written off	–	2
Total	**82**	**70**

(7) Net fee and commission income

	Jan. 1 – June 30	
	2004	2003
	€m	€m
Money transmission and clearing business	160	155
Securities business	44	29
Lending and guarantee business	15	18
Other fee and commission income	45	27
Total	**264**	**229**

(8) Net trading income

	Jan. 1 – June 30	
	2004	2003
	€m	€m
Net income from interest rate products	51	69
Net income from equities	1	4
Net gain on derivatives carried in the trading portfolio and the banking book	67	12
Foreign exchange income/loss	8	–5
Total	127	80

(9) Net income from investment securities

	Jan. 1 – June 30	
	2004	2003
	€m	€m
Net income from bonds	84	37
Net income from promissary note loans	13	19
Net income from equities and other non-fixed-income securities	27	–13
Remeasurement gains or losses in accordance with IAS 39	–	–
Net income from investments in associates	–	1
Total	124	44

(10) Administrative expenses

	Jan. 1 – June 30	
	2004	2003
	€m	€m
Staff costs	295	323
Other administrative expenses	557	581
Depreciation and write-downs of property and equipment	39	39
Total	891	943

(11) Other income

	Jan. 1 – June 30	
	2004	2003
	€m	€m
Income from property and equipment	14	6
Other operating income	31	19
Total	45	25

(12) Other expenses

	Jan. 1 – June 30	
	2004	2003
	€m	€m
Amortization and write-downs of intangible assets	22	15
Miscellaneous	20	21
Total	42	36

Balance sheet disclosures

(13) Loans and advances to other banks

	June 30, 2004	Dec. 31, 2003
	€m	€m
Payable on demand	3,619	7,707
Other loans and advances	26,423	26,364
Total	**30,042**	**34,071**

(14) Loans and advances to customers

	June 30, 2004	Dec. 31, 2003
	€m	€m
Private mortgage lending	19,228	17,209
Public sector	14,367	14,951
Installment credits	1,138	1,011
Other loans and advances	11,259	10,139
Total	**45,992**	**43,310**

(15) Total credit extended

	June 30, 2004	Dec. 31, 2003
	€m	€m
Loans and advances to other banks	30,042	34,071
Loans and advances to customers	45,992	43,310
Guarantees	1,216	1,254
Total	**77,250**	**78,635**

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

(16) Allowance for losses on loans and advances

	June 30, 2004	Dec. 31, 2003
	€m	€m
Specific valuation allowances	576	561
Global valuation allowances	40	36
Allowance for losses on loans and advances	**616**	**597**
Provisions for credit risks	**5**	**5**
Total	**621**	**602**

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

	2004	2003
	€m	€m
Balance at January 1	**597**	**588**
Additions	123	102
Disposals		
Utilization	61	28
Allowance for losses on loans and advances reversed to the income statement	45	34
Currency translation differences	–2	9
Balance at June 30	**616**	**619**

(17) Trading assets

	June 30, 2004	Dec. 31, 2003
	€m	€m
Bonds and other fixed-income securities	10,121	11,666
Equities and other non-fixed-income securities	75	21
Positive fair values of derivatives carried as trading assets	577	508
Positive fair values of banking book derivatives	357	393
Total	**11,130**	**12,588**

(18) Investment securities

	June 30, 2004	Dec. 31, 2003
	€m	€m
Bonds and other fixed-income securities	48,057	37,383
Equities and other non-fixed-income securities*	1,985	1,446
Investments in associates	17	17
Investments in unconsolidated subsidiaries	13	13
Total	**50,072**	**38,859**

* including newly acquired unconsolidated fixed-income funds (Rentenfonds) in the first half of 2004

(19) Property and equipment

	June 30, 2004	Dec. 31, 2003
	€m	€m
Land and buildings	803	807
Operating and office equipment	119	131
Advance payments and assets under development	20	22
Total	**942**	**960**

(20) Other assets

	June 30, 2004	Dec. 31, 2003
	€m	€m
Deferred tax assets	540	564
Intangible assets	167	168
Prepaid expenses	159	140
Receivables from tax authorities	21	24
Miscellaneous	130	77
Total	**1,017**	**973**

(21) Deposits from other banks

	June 30, 2004	Dec. 31, 2003
	€m	€m
Payable on demand	1,207	1,227
Other deposits	33,536	19,044
Total	**34,743**	**20,271**

(22) Due to customers

	June 30, 2004	Dec. 31, 2003
	€m	€m
Savings deposits	35,493	33,739
Other amounts due		
Payable on demand	19,971	20,227
With an agreed maturity or withdrawal notice	20,006	19,975
	39,977	**40,202**
Total	**75,470**	**73,941**

(23) Securitized liabilities

	June 30, 2004	Dec. 31, 2003
	€m	€m
Mortgage bonds	356	878
Public-sector mortgage bonds *(Pfandbriefe)*	1,800	3,570
Other debt instruments	16,766	21,819
Total	**18,922**	**26,267**

(24) Trading liabilities

	June 30, 2004	Dec. 31, 2003
	€m	€m
Negative fair values of trading derivatives	585	506
Negative fair values of banking book hedging derivatives	469	1,139
Other trading assets (short sales of securities)	124	2
Total	1,178	1,647

(25) Provisions

	June 30, 2004	Dec. 31, 2003
	€m	€m
Provisions for pensions and other employee benefits	600	572
Provisions for taxes	864	873
Other provisions	328	259
Total	1,792	1,704

Other provisions include provisions for restructuring in the amount of €122 million (previous year: €78 million). As a result of the consolidation of Dresdner Zahlungsverkehrsservice GmbH, Frankfurt/Main, an addition taken directly to equity of €55 million was recognized in the other provisions. This consists of provisions for restructuring (€51 million) and provisions for jubilee benefits (€4 million). In addition, this change in the basis of consolidation resulted in the addition of €26 million to the provisions for pensions and other employee benefits.

(26) Other liabilities

	June 30, 2004	Dec. 31, 2003
	€m	€m
Trade payables	42	55
Liabilities from other taxes	6	75
Liabilities from income taxes	–	1
Miscellaneous liabilities	262	234
Deferred income	6	6
Total	316	371

(27) Subordinated debt

	June 30, 2004	Dec. 31, 2003
	€m	€m
Subordinated liabilities[1]	1,282	1,315
Profit participation certificates outstanding[2]	264	354
Contributions by typical silent partners	51	55
Total	**1,597**	**1,724**

Other disclosures

(28) Contingencies and obligations

	June 30, 2004	Dec. 31, 2003
	€m	€m
Contingent liabilities		
on guarantees and warranties	1,216	1,254
Other obligations		
Irrevocable loan commitments	13,493	12,890
Total	**14,709**	**14,144**

[1] The subordinated liabilities are own funds within the meaning of section 10 (5a) of the KWG (German Banking Act). Creditors' claims for repayment of these liabilities are subordinated to the claims of other creditors. No early repayment obligations may arise. In the event of insolvency or liquidation, they may only be repaid after all prior-ranking creditors have been satisfied.

[2] Profit participation certificates serve to strengthen liable capital in accordance with the provisions of the German Banking Act. They participate fully in losses. Interest is paid only if an unappropriated surplus is recorded. The claims of profit participation certificate holders for repayment of their capital rank behind the claims of other creditors.

(29) Derivatives

The presentation of derivatives follows the recommendation of the Bundesverband Öffentlicher Banken Deutschlands e.V. (Association of German Public Sector Banks). 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 result from the gross replacement costs of the individual contracts and do not reflect any netting agreements.

Holdings of derivatives are composed of the following items:

	Notional amounts		Positive fair values		Negative fair values	
	June 30, 2004	Dec. 31, 2003	June 30, 2004	Dec. 31, 2003	June 30, 2004	Dec. 31, 2003
	€m	€m	€m	€m	€m	€m
Trading derivatives	342,610	169,185	934	901	1,054	1,645
Hedging derivatives	41,036	34,059	687	832	1,622	1,814
Total	**383,646**	**203,244**	**1,621**	**1,733**	**2,676**	**3,459**

The following table presents the open interest-rate and foreign currency, conditional and unconditional forward and option contracts of the Postbank Group at the balance sheet date.

			Fair Value			
	Notional amounts		Positive fair values		Negative fair values	
	June 30, 2004	Dec. 31, 2003	June 30, 2004	Dec. 31, 2003	June 30, 2004	Dec. 31, 2003
	€m	€m	€m	€m	€m	€m
Trading derivatives						
Foreign currency derivatives	21,135	8,181	211	331	193	290
Interest rate derivatives	320,380	160,347	713	565	853	1,351
Equity/index derivatives	735	593	8	4	4	1
Credit derivatives	360	64	2	1	4	3
Total holdings of derivative assets/ liabilities held for trading	**342,610**	**169,185**	**934**	**901**	**1,054**	**1,645**
Hedging derivatives						
Fair value hedges	41,035	34,058	687	832	1,622	1,814
Cash flow hedges	1	1	–	–	–	–
Total holdings of derivative assets/ liabilities held for hedging purposes	**41,036**	**34,059**	**687**	**832**	**1,622**	**1,814**
Total holdings of derivative assets/ liabilities	**383,646**	**203,244**	**1,621**	**1,733**	**2,676**	**3,459**

(30) Market price risk from trading activities

	Trading book	
	June 30, 2004	Dec. 31, 2003
	€m	€m
Value at risk	9.61	6.95
Minimum value at risk	4.43	5.32
Maximum value at risk	15.23	19.95
Average value at risk	**7.17**	9.78

The Postbank Group's values at risk assume a confidence level of 99% and a holding period of ten trading days.

(31) Risk assets and capital ratio

Postbank ensures the correct determination of liable capital and own funds at Group level. In accordance with the provisions of the German Banking Act (KWG), regulatory own funds were as follows:

	June 30, 2004	Dec. 31, 2003
	€m	€m
Risk-weighted assets	43,589	42,200
Market risk positions	6,050	3,750
Positions for which capital charges are required	49,639	45,950
Tier 1 capital	2,792	2,760
Tier 2 capital	1,734	1,780
Liable capital	4,526	4,540
Eligible own funds	4,526	4,540
Tier 1 ratio (%)	6.4	6.6
Capital ratio (%)	10.4	10.8
Overall capital ratio (%)	9.1	9.9

(32) Significant Group companies

Name and domicile	Equity interest (%)	Equity interest (%)
	direct	indirect
1) Fully consolidated companies:		
Deutsche Postbank International S.A., Luxembourg	100.0	
Deutsche Postbank Asset Management S.A., Luxembourg	100.0	
Deutsche Postbank Capital Management S.A., Luxembourg	100.0	
Deutsche Postbank Vermögens-Management S.A., 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	
Ralos Verwaltungs GmbH & Co. Vermietungs KG, Munich	94.0	
DSL Finance N.V., Amsterdam	100.0	
DSL Holding AG i.A., Bonn	97.5	
Deutsche Postbank Financial Services GmbH, Frankfurt/Main	100.0	
Deutsche Postbank Finance Center Object GmbH, Luxembourg		90.0
DPBI Immobilien KGaA, Luxembourg	10.0	0.1
Postbank Leasing GmbH, Bonn	100.0	
PB (USA) Holdings Inc., Delaware, USA	100.0	
PB Capital Corp., Delaware, USA		100.0
PB Realty Corp., New York, USA		94.7
PB Finance (Delaware), Inc., Delaware, USA		100.0
PB Factoring GmbH, Bonn	100.0	
Postbank Vermögensberatung AG, Bonn	100.0	
Postbank Vermögensberatung Service GmbH, Cologne	100.0	
PB Firmenkunden AG, Bonn	100.0	
Betriebs-Center für Banken Deutschland GmbH & Co. KG, Frankfurt/Main	100.0	
Betriebs-Center für Banken Verwaltungs GmbH, Frankfurt/Main	100.0	
Betriebs-Center für Banken Frankfurt Main GmbH, Frankfurt/Main		100.0
Betriebs-Center für Banken Berlin GmbH, Frankfurt/Main		100.0
Dresdner Zahlungsverkehrsservice GmbH, Frankfurt/Main		100.0
2) Proportionately consolidated companies:		
PB Lebensversicherung Aktiengesellschaft, Hilden	50.0	
PB Versicherung Aktiengesellschaft, Hilden	50.0	

(33) Members of executive bodies

The members of the Management Board are:	
Wulf von Schimmelmann, Bonn (Chairman)	
Andreas Bezold, Bonn	from April 1, 2004 until July 31, 2004
Dirk Berensmann, Unkel	
Stefan Jütte, Bonn	
Wolfgang Klein, Bonn	
Loukas Rizos, Bonn	
Lothar Rogg, Bonn	
Ralf Stemmer, Königswinter	since July 1, 2004

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

1. Shareholder representatives	
Klaus Zumwinkel, Chairman of the Board of Management of Deutsche Post AG, Bonn (Chairman)	
Hans-E. Büschgen, Professor emeritus, Director of Forschungsinstitut für Leasing, Cologne	until April 30, 2004
Wilfried Boysen, Hamburg	since May 12, 2004
Edgar Ernst, Member of the Board of Management of Deutsche Post AG, Bonn	
Peter Hoch, Munich	since July 1, 2004
Dietrich Jahn, Deputy Head of Department, Federal Ministry of Finance, Berlin	until April 30, 2004
Ralf Krüger, management consultant, Professor at the Fachhochschule Wiesbaden	
Hans-Dieter Petram, Member of the Board of Management of Deutsche Post AG, Bonn	
Klaus Schlede, previously Deputy Chairman of the Management Board of Deutsche Lufthansa AG, Cologne	
Elmo von Schorlemer, lawyer, Aachen	since Mai 12, 2004
Manfred Schüler, State Secretary (retd,)., Wachtberg	
Dieter Soltmann, previously General Partner of Spaten-Franziskaner-Bräu KGaA, Munich	until April 30, 2004
Alfred Tacke, State Secretary, Federal Ministry of Economics and Labor, Berlin	

2. Employee representatives	
Michael Sommer, Chairman of the German Trade Union Federation, Berlin (Deputy Chairman)	
Marietta Auer, Head of Department, Deutsche Postbank AG, Head Office, Bonn	
Rosemarie Bolte, Head of Specialist Departement of the ver.di Trade Union, Stuttgart	
Annette Harms, Member of Deutsche Postbank AG's Works Council, Hamburg Branch, Hamburg	
Ralf Höhmann, Member of Deutsche Postbank AG's Works Council, Stuttgart Branch, Stuttgart	
Elmar Kallfelz, Member of Deutsche Post AG's Group Works Council, Bonn	
Harald Kuhlow, appointed expert to the General Works Council of Deutsche Postbank AG, Bonn	
Sabine Schwarz, Chair of Deutsche Postbank AG's Works Council, Berlin Branch, Berlin	
Christine Weiler, Chair of Deutsche Postbank AG's Works Council, Munich Branch, Munich	
Christel Zobeley, trade union official, Vereinte Dienstleistungsgewerkschaft (ver.di), Berlin	

Bonn, August 3, 2004
Deutsche Postbank Aktiengesellschaft

Management Board

Wulf von Schimmelmann   Dirk Berensmann   Stefan Jütte   Wolfgang Klein

Loukas Rizos   Lothar Rogg   Ralf Stemmer

Financial calendar

Financial year 2004	
November 3, 2004	Publication of the Interim Report as of September 30, 2004

Financial year 2005	
March 21, 2005	Publication of the 2004 Group Annual Report
May 3, 2005	Publication of the Interim Report as of March 31, 2005
May 19, 2005	Annual General Meeting

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

Contacts

Published by
Deutsche Postbank AG
Head Office
Investor Relations

Friedrich-Ebert-Allee 114–126
53113 Bonn, Germany

Postfach 40 00
53105 Bonn, Germany

Phone: +49 (0) 228 - 9 20-0

Investor Relations
Phone: +49 (0) 228 - 9 20-1 80 01
Hotline: +49 (0) 18 03 - 04 07 77
(only available in Germany)
E-Mail: ir@postbank.de

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