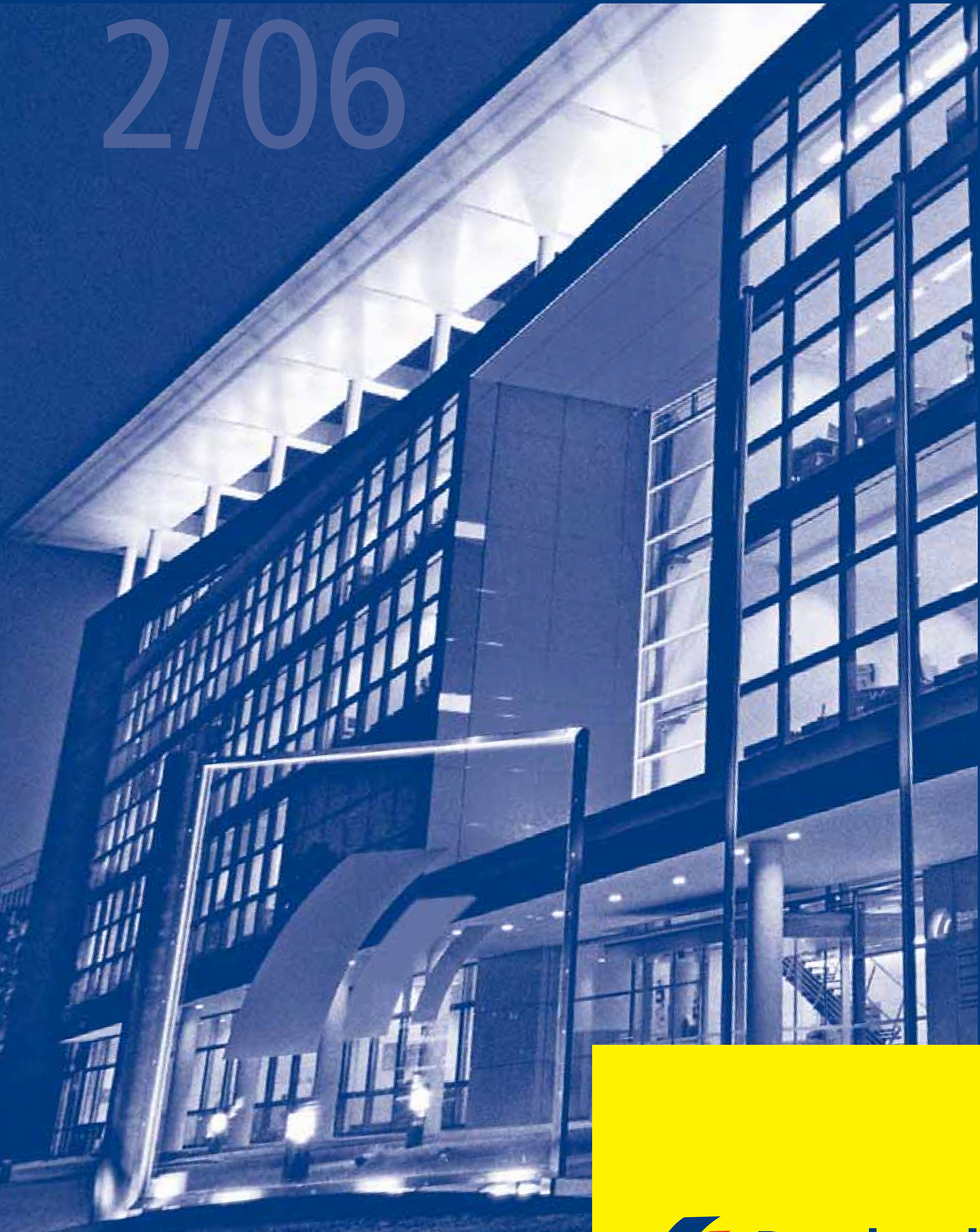
Deutsche Postbank Group
Interim Report as of June 30, 2006

2/06



Postbank

Postbank in figures

		Jan. 1 – June 30	
		2006	2005[1]
Consolidated income statement			
Balance sheet-related revenues	€m	1,300	1,042
Total income	€m	2,003	1,393
Administrative expenses	€m	–1,415	–936
Profit before tax	€m	429	358
Consolidated net profit	€m	277	232
Cost/income ratio	%	70.6	67.2
Cost/income ratio in traditional banking business	%	69.0	64.3
Return on equity			
before tax	%	16.9	14.8
after tax	%	10.9	9.6
Earnings per share	€	1.69	1.41

		June 30, 2006	Dec. 31, 2005
Consolidated balance sheet			
Total assets	€m	183,100	140,280
Customer deposits	€m	87,256	68,418
Customer loans	€m	74,674	44,134
Allowance for losses on loans and advances	€m	1,126	776
Equity	€m	4,709	5,186
BIS regulatory indicators			
Tier 1 ratio	%	5.4	8.3
Capital ratio	%	8.4	10.7
Headcount	thousand	22.25	9.24
Long-term ratings			
Moody's		A 1	A 1
	Outlook	stable	stable
Standard & Poor's		A	A
	Outlook	negative	negative
Fitch		A	A
	Outlook	stable	stable

		June 30, 2006	June 30, 2005
Information on Postbank shares			
Share price at the balance sheet date	€	56.26	40.67
Share price (Jan. 1 – June 30)	high €	64.89	42.50
	low €	48.21	32.16
Market capitalization at the balance sheet date	€m	9,227	6,670
Number of shares	million	164.0	164.0

[1] Prior-period figures restated (see note 2)

Ladies and Gentlemen,

This year, the integration of BHW and the branches takes center stage. In the second quarter, we again stepped up and accelerated numerous affiliated projects. This produced an efficiency and qualification campaign at BHW and in our branches, which we will carry on with in the third quarter of the year. We are investing quite heavily in the performance of our business model, while also taking up a good deal of our employees' time – time that then is not available for customer support and acquisition. Against this backdrop, the strong sales figures generated in the course of the current year, with substantial increases in some product categories, are even more impressive.

We reached the key milestone in the integration of BHW earlier than expected, on July 17. Since then, more than half of the BHW advisers have had access to Postbank customers, due to the merger of BHW's and Postbank's mobile sales forces to form Postbank Finanzberatung AG on this date. This has created the preconditions for significantly improving the penetration of our existing customer base in all product categories, and for lifting earnings per customer. For example, a survey has shown that 17 out of 100 Postbank checking account customers have mortgage loans, but that only three of these are with us. This illustrates the enormous potential that we intend to leverage by building on the experience and dedication of the BHW advisers who have joined us.

The sustained profitability of our customer business is our top priority, even if this means that we have to sacrifice additional volume growth in favor of adequate margins in individual cases. As a result, we once again improved our pre-tax profit, which rose by 20.8% year-on-year to €429 million in H1 2006 and by 21.4% to €221 million in Q2 2006. In fact, the operating figures after adjustment for the non-recurring expenses resulting from the integration of Deutsche Post's retail outlets and of BHW were significantly up on this figure, at €476 million for H1 (+34.1% year-on-year) and €249 million for Q2 (+36.8% year-on-year). Income was up 6% in the first half of the year, and we were even able to cut costs by 0.9%, despite integration expenses. This demonstrates that our proverbial cost-consciousness is already taking hold within the extended Group.

Our share price was volatile, reflecting market developments, although it again hit its strides at the end of the half-year in particular. One supporting factor going forward should be that, due to the early redemption by Deutsche Post of its exchangeable bond issued at the time of our IPO, our free float has increased from 33.3% to slightly less than 50%. This will substantially increase our MDAX® weighting and open up additional development options.

All in all, Postbank has completed another extremely challenging and successful quarter. I would like to extend my warmest thanks to all Postbank staff for this.

I am delighted by the confidence that you have placed and continue to place in us, dear shareholders. My request to you is that you continue along with us on our promising road.

Wulf

Wulf von Schimmelmann
Chairman of the Management Board

Postbank Stock

Outperformance reiterated despite difficult market

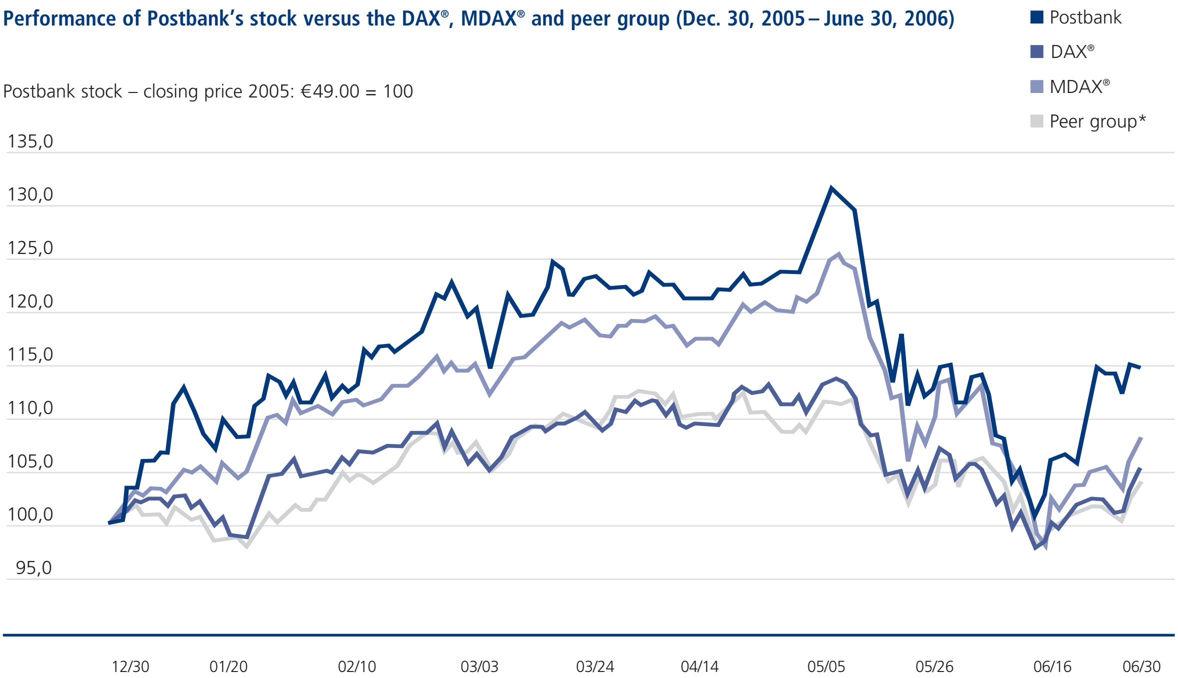
Postbank's second year as a listed company was again a resounding success. Since our IPO on June 23, 2004, our share price has topped the issue price of €28.50 by 97.4%, clearly outperforming the DAX® (+44.5%), the MDAX® (+58.4%) and our peer group of nine leading European retail banks (+27.2%).

In the first half of 2006 alone, the price of Postbank shares rose by 14.8% or €7.26 to €56.26 (DAX® +5.1%, MDAX® +7.9%, peer group +3.8%). Although the stock, like that of other German banks, initially came under pressure during the recent market correction and fell in line with the MDAX®, it subsequently recovered more strongly than the market. This consistent outperformance confirms our growth-oriented yet defensive business model.

Our second Annual General Meeting on May 11, 2006 went over extremely well with shareholders, just as the first had. Once again, over 78% of the voting capital was represented. In addition, our shareholders actively endorsed our business strategy – all agenda items were adopted by large majorities of at least 97.3%. An almost unanimous 99.99% of shareholders present at the meeting voted to distribute an unchanged dividend of €1.25 per share, despite the pressure on equity due to the acquisitions.

Performance of Postbank's stock versus the DAX®, MDAX® and peer group (Dec. 30, 2005 – June 30, 2006)

Postbank stock – closing price 2005: €49.00 = 100



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

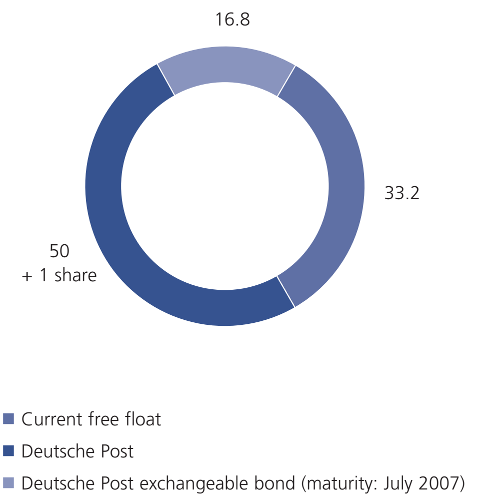
Postbank stock a favorite among international investors

The proportion of international and institutional Postbank shareholders is continuing to increase. The most recent analysis of our shareholder structure revealed that more than 75% (end of 2005: 60%) of the shares in free float are held by foreign investors. US shareholders in particular purchased Postbank shares in the last six months; as a result, their share of the free float rose from 5.3% to 15.4%. In addition, investors with a particularly long-term horizon expanded their holdings.

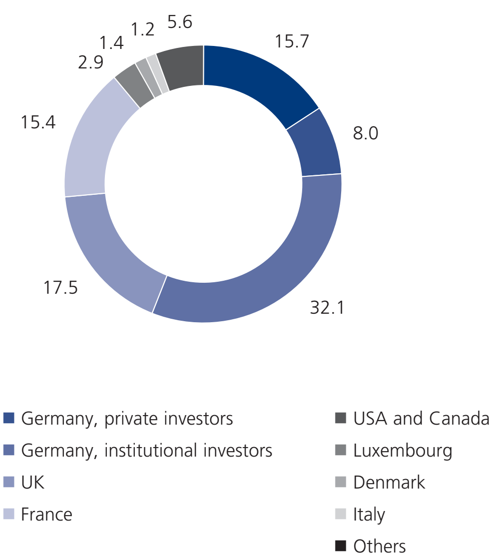
The importance of Postbank's stock will increase further in future as a result of a higher index weighting. Internationally recognized stock indices generally only reflect the current free float in their weightings; in Postbank's case, this was only 33.3% as of the end of June. As a result of the redemption by Deutsche Post of its exchangeable bond, the free float rose to 49.9% as of July 24, 2006. Deutsche Börse will reflect this increased free float in its stock indices as of the end of July. This will make Postbank the largest German company on the MDAX® in terms of free float market capitalization, and will put it at number 28 in the DAX® rating. Assuming that its stock exchange turnover remains high, this means that Postbank is the front-runner for admission to the DAX®.

Free-float allocation as of June 30, 2006

Shareholder structure (in %)



Free-float allocation by country (in %)



Developments in H1

The global economy was in a robust state in H1 2006, with the USA putting on a real growth spurt in the first few months. Then, in the spring, there were increasing signs of a gradual slowdown in the economy. Nevertheless, the US economy continued its growth path. The rate of growth in the euro zone accelerated tangibly in the first half of the year, with corporate sentiment reaching levels nearly as high as those experienced in boom year 2000. In Germany, industrial production in particular expanded dramatically. Manufacturing industry initially profited from a sharp rise in foreign orders. This was followed in the course of H1 by a tangible increase in domestic orders. This indicates that the economic upturn is increasingly spreading to the domestic economy. In Japan, the recovery continued unabated, buoyed up by corporate investment and consumer spending. The US Federal Reserve continued its policy of successive hikes in key interest rates due to the increasing inflation risks. In mid-2006, the key rate was 5.25%. The ECB also felt the necessity to continue tightening its monetary policy due to the more positive economic environment and an inflation rate substantially in excess of 2%. In H1, the refinancing rate rose in two steps to 2.75%. The yield on 10-year bunds rose sharply in the first months of the year, and has been hovering around the four percent mark since May.

Integration work intensified and accelerated

We intensified and accelerated our integration-related activities in the second quarter. This enabled us to complete certain important projects ahead of time, such as the negotiations with the social partners and the founding of Postbank Finanzberatung AG. Things are proceeding so well that we can look forward to finalizing other projects at an early stage as well. On the one hand, this means again moving full-steam ahead on integration in the third quarter, once more tying up extensive resources. On the other, upon concluding the main phases of the integration work and before the year is out, we will be able to give our full energy to customer business, playing off our new sales strength.

Strong new business despite integration and qualification campaign

In Q2 2006, the clear focus of activity was on the integration project's efficiency and qualification campaign in the customer business as well. This represents a substantial investment in the performance and quality of our business model. Despite the fact that an unusually large proportion of resources was tied up in this effort, our new customer business showed good development.

In Q2 2006, we acquired 222,000 new customers for the Postbank Group, for a total increase of 467,200 in the first half of the year. This is an excellent result in comparison to the market as a whole and represents a further increase in our market share. In H1 2005, (pro forma) 492,500 new customers had signed on at Postbank Group. A total of 218,800 new private checking accounts were opened in the first half of 2006, as against 239,000 in the prior-year period. This is an extremely encouraging result given the capacity tied up in the integration and qualification measures. 2.3 million customers have now been registered for online banking, while 3.2 million use telephone banking. Total Retail Banking demand deposits rose from €16.5 billion as of June 30, 2005 to €16.8 billion as of June 30, 2006.

The savings volume including customer mortgage savings deposits as of June 30, 2006 rose to €59.5 billion, compared to €59.2 billion as of June 30 of the previous year (pro forma figures). Particularly favorable terms were implemented for the new "Quartal-Sparen" product and the SparCard Direkt, which is only available online, while the conditions for classic products such as "Sparen 3000 plus" hardly changed. This led to an improvement in margins overall. The new Quartal-Sparen product attracted a total of €1.3 billion overall, with 55% of this figure being new funds. €6.0 billion was invested in the DAX® Sparbuch product and €4.1 billion in the SparCard Direkt.

Securities business continues to grow

The assets managed in our 933,000 customer securities accounts and the corresponding investment accounts amounted to €9.6 billion, with mutual funds accounting for €6.3 billion. Gross inflows into retail funds rose by 36% in H1 2006, to €1.5 billion.

Excellent life insurance business

Thanks to this year's increase in subsidized "Riester pension" contributions, sales volumes in the life insurance business were excellent. New policies worth €1.6 billion were concluded in H1 2006, an increase of 76% as against the comparable prior-year period. We expect to be able to maintain, and in fact to continue growing, this sharply increased level of business. Overall, the Postbank Group's life insurance portfolio is worth €19.5 billion.

New mortgage lending business up – portfolios acquired

As previously announced, our self-generated new mortgage lending business in Q2 2006, at €2.3 billion, was unable to match the record figures achieved in Q1 2006 as a result of one-time factors. All in all, a pro forma year-on-year increase of 8.6% was recorded in the first half of the year, for a total of €6.3 billion. The DSL and Postbank brands contributed €3.8 billion of this figure, and the BHW brand €2.5 billion. This includes the disbursement of home loans as of June 30, 2006 in the amount of €437 million, after €404 million as of the same date last year.

In addition, we purchased portfolios worth €2.0 billion from AHBR; these consist solely of mortgage loans to BHW customers that had been sold to AHBR, which previously belonged to the same group. The total amount of the individual loans for one portfolio worth €1.4 billion has been guaranteed by Kreditanstalt für Wiederaufbau (KfW).

Installment loans increasingly popular

Our new business in installment loans rose 25.5% to €610 million, due in particular to active branch sales. The total volume of installment loans therefore grew by 10.5% to €2.1 billion.

Integration milestone for mobile sales reached: since July 17, BHW's advisers have access to Postbank customers

We reached a milestone in our mobile sales on July 17. Postbank's mobile sales, which has 470 advisers and was previously known as Postbank Vermögensberatung, the BHW sales force with its 4,200 advisers, and the up to 100 mortgage finance experts working as branch office advisers were combined under a single umbrella, Postbank Finanzberatung AG. At the same time – and earlier than originally planned – we implemented one of the key measures in connection with the acquisition of BHW: a total of 2,200 BHW advisers were given access to Postbank's highest-potential customers via a newly developed address distribution system.

Postbank Finanzberatung uses three types of advisers to implement our sales concept: financial managers, investment advisers and mortgage finance advisers. Financial managers (in most cases former BHW advisers) assist customers with retirement provision, asset accumulation, mortgage lending and home loans. In the process, they have access to the same range of products as is available in the branches. The majority of investment advisers are recruited from the ranks of former Postbank Vermögensberatung AG advisers, as well as specially qualified BHW advisers. They provide end-to-end support for the Postbank Group's most demanding customers and offer them a choice of products in the areas of investment funds, insurance and closed-end funds that have been chosen according to the "best-select principle". The mortgage finance advisers are seasoned professionals who assist the Postbank branches in matters of referrals or support for customers who have expressed an interest in such financial products. At present, there are 74 mortgage finance advisers, and this figure is planned to rise to 100 at the end of 2006. Further support for the mortgage lending business conducted in cooperation with the branches will also be provided by the presence of BHW Immobilien GmbH in selected branches. The concept is currently being tested in 20 branches, with a rollout to over 200 branches scheduled to take place by the end of 2006.

Top test results and successful World Cup sponsorship

Not one but two magazines voted Postbank the number one bank. Postbank came top of the test conducted by the weekly magazine "stern" in its April 6, 2006 issue for "offering average consumers the best price-performance ratio". Less than two weeks later, the May issue of the financial magazine "€uro" rated Postbank as Germany's best branch bank.

Postbank's national sponsorship of the soccer World Cup also paid off. In an aided-recall survey a few days after the World Cup, 78% of those surveyed knew the Postbank brand. This is the best result of any national sponsor and puts us in an impressive fifth place among all sponsors overall. Only the global brands Coca Cola, McDonalds and adidas, and the Deutsche Telekom brands, performed better.

Squeeze-out at BHW Holding AG resolved

On July 20 and 21, the Annual General Meeting of BHW Holding AG resolved a squeeze-out of the remaining minority shareholders in return for a cash compensation payment of €15.11 per share. Postbank already holds 98.4% of the shares and in this way will presumably be in a position to acquire the full 100% once the resolution takes effect.

Corporate Banking expanded

In our Corporate Banking business we act as a solutions-oriented finance partner for our customers and are continuing to follow our strategy of risk-adequate growth in our lending business. In the course of the year, we will launch new risk management products to meet our customers' needs, particularly in the fields of interest and exchange rate hedging instruments. We continued to record good results from our pilot investment credit project. This product is designed to provide our middle-market customers with medium- to long-term loans for defined capital goods, which serve as security for the loans. Investment credits also represent a very interesting expansion of our product range from a risk perspective.

Postbank Leasing is continuing its organic growth path, focusing on capital goods for the logistics sector and investments in machinery. PB Factoring further increased both revenues and earnings in H1 2006 and is forecasting a substantial improvement in both these figures for the year as a whole. PB Capital is continuing to perform well. Commercial property finance remains stable despite a slowdown in the market environment.

All in all, loans to corporate customers rose by 15.7% year-on-year to €13.3 billion as of June 30, 2006. PB Capital increased its total credit extended from €1.6 billion to €1.9 billion, while total credit extended by Postbank in London rose from €1.0 billion to €1.8 billion.

New customer for Transaction Banking

The successful expansion of our Transaction Banking business continued. In June, Postbank and HypoVereinsbank have signed a precontract on future cooperation in the area of payment transactions. The planned long-term cooperation, the details of which are currently being worked out, will allow the two banks to leverage synergies in the German payments market. We are aiming for our subsidiary Betriebs-Center für Banken Deutschland GmbH & Co. KG (BCB) to take on HypoVereinsbank's payments processing, and we are currently in discussions with HypoVereinsbank to integrate its payments processing subsidiary, HVB Payments & Services GmbH (PAS). Processed transaction volumes were in line with planning in Q2, at 1.8 billion individual items. In order to adapt capacity to transaction volumes on an ongoing basis and further improve processing efficiency, a reconciliation of interests was performed in the second quarter together with the social partner, the aim being to further optimize locations.

Reorganization of our Luxembourg location

The Luxembourg branch of Deutsche Postbank AG was transferred to Deutsche Postbank International S.A. (PBI) on May 12, 2006. All banking business performed by the Luxembourg business units was bundled into PBI. This will allow us to improve our market presence, to further focus our Corporate Banking business and to optimize our internal processes. All business activities by the branch have been transferred by way of singular succession with each customer or business partner to PBI.

Resources

On June 30, 2006, 22,250 full-time equivalents were employed at the Postbank Group, up from 9,235 at Postbank in its original structure at the year-end.

On May 24, 2006, we agreed a reconciliation of interests with the social partner regarding the integration of the BHW Group and the 850 branches. Key points covered by the agreement are the waiver of termination agreements on economic grounds at BHW in the period up to December 31, 2008, supporting measures designed to facilitate job relocation and to preserve existing pay and conditions, attractive severance and early retirement provisions, and the agreement to the proposed reorganization. This allowed us to start implementing the human resources and organizational measures. As a result, integration is going completely to plan.

The severance payment and early retirement models being offered as part of the integration process are attracting a very positive response. As of June 30, 2006, 225 termination agreements involving severance payments and 134 early retirement contracts had been signed. A further 142 people are interested in severance agreements and 488 in early retirement; a decision on these cases will be made shortly.

Important developments relating to the consolidated income statement

The Postbank Group is continuing its dynamic earnings growth: in the first half of 2006, we managed to increase our pre-tax profit by 19.8%, as against the first six months of 2005, to €429 million.

All other comparisons are based on a pro forma presentation of our disclosures on the H1 results complete with correspondingly adjusted figures for the first half of 2005; this is the same method already adopted in the report on Q1 2006. A 20.8% increase in the pre-tax profit for the comparable prior-year period of €355 million was produced as a result; this figure includes the contributions by BHW and the branches and imputed funding costs. The pre-tax operating profit for the first half of 2006 after adjustment for all non-recurring integration expenses amounted to €476 million, a rise of 34.1%. This figure is important for an assessment of business developments.

Our cost/income ratio fell sharply year-on-year, from 75.6% to 70.6%, despite the non-recurring integration expenses. In our traditional banking business, i.e. excluding Transaction Banking, it fell by 5.2 percentage points from 74.2% to 69.0%.

The return on equity before taxes saw a correspondingly substantial rise from 14.7% to 16.9%.

Total income increased steadily in the first half of 2006 as well, rising by 6.0% to €2,003 million and exceeding the €2 billion mark for a single half-year for the first time.

Balance sheet-related revenues, i.e. the total of net interest income, net income from investment securities and net trading income, rose by an encouraging 8.4% to €1,300 million. Net interest income rose by 6.8% to €1,051 million due to the positive development of our customer business. Net income from investment securities increased by 18.5% to €128 million, while net trading income rose by 13.1% to €121 million.

Net fee and commission income improved by 1.7% to €703 million overall in the first half of 2006. This comparatively slight increase is due to structural reasons that will continue to apply in the coming quarters. Postbank's net fee and commission income is composed of three different components: Transaction Banking with its industrial platforms, our branch business, which is primarily dominated by postal and other services, and our traditional banking business. In the first two areas we are forecasting a drop in fee and commission income, which will be accompanied by resource savings. In the case of Transaction Banking, this is due to the expected decline in labor-intensive paper-based volumes in favor of higher-margin electronic payments, which will lead to an increase in the profitability of the business. In the case of the branches, we are focusing more and more on banking services. In contrast, our traditional banking business – our actual core business – is generating constant increases. In the first half of 2006 we were able to increase the adjusted net fee and commission income by 14.2% to €338 million, despite the challenging capital market environment.

Allowances for losses on loans and advances rose by a moderate 8.4% to €155 million – less than the growth in our credit volume of 14.6%. €1.4 billion of the €2.0 billion mortgage lending portfolios purchased in Q2 2006 does not present any default risk, as the receivables contained have been guaranteed by KfW.

We are particularly satisfied with the development of administrative expenses. Despite non-recurring integration expenses and the steady growth in our customer business, we were able to cut absolute costs by €13 million or 0.9% to €1,415 million. At the same time we achieved initial cost synergies of €9 million from the integration of BHW. Given the steady rise in earnings, our organization's strong cost-consciousness and our efficient workflows are becoming the second driver for the Postbank Group's earnings growth.

Net other income and expenses were down €40 million on the same period of the previous year, at €–4 million. Other expenses comprises integration expenses in the amount of €34 million.

The 20.8% increase in the Postbank Group's pre-tax profit compared with the pro forma H1 2005 figure to €429 million is due to the positive development of all operating segments.

The Retail Banking segment result continued to develop encouragingly, rising by 19.2% in H1 2006 as against the comparable prior-year period to €440 million. Corporate Banking achieved an improvement in pre-tax profit of 14.1% to €81 million and Transaction Banking climbed 20.0% to €12 million. The Financial Markets business division increased its pre-tax profit by 6.9% to €62 million, while the result of the Others segment declined by €13 million to €–166 million.

With a tax rate of 35.4%, the consolidated net profit amounts to €277 million. This corresponds to an increase of 20.4% as against the first half of the previous year. Earnings per share rose from €1.40 in the first half of 2005 to €1.69 in the first half of 2006.

Total assets

Total assets as presented in the pro forma accounts as of June 30, 2006 increased by €2.8 billion compared with December 31, 2005 to €183.1 billion. In addition, we were able to further improve their structure: loans and advances to customers increased by a clear €3.6 billion to €84.1 billion as against year-end 2005. On the one hand this reflects the positive new business in the mortgage lending area, plus the purchase of two portfolios worth €2.0 billion (see comments on the mortgage lending business). On the other hand, we reduced the low-margin public sector receivables also included in this item by €2.0 billion as against year-end 2005, in line with our strategy.

At €21.5 billion, short-term loans to banks were up only slightly (approx. €0.2 billion) on the figure for the year-end. Investment securities declined by €1.5 billion to €60.3 billion; in contrast, trading assets rose by the same amount to €12.1 billion.

On the equity and liabilities side, amounts due to customers increased by €2.1 billion to €101.1 billion as of December 31, 2005. Deposits from other banks rose by €4.6 billion to €45.2 billion. Conversely, we reduced our relatively expensive securitized liabilities by €3.3 billion to €16.8 billion.

At €4.7 billion, equity was around €480 million down on the 2005 year-end closing figure. Following on from the prolonged rise in interest rates in recent months, the figure for the revaluation reserve is now a €–244 million. This is due solely to interest-driven items and hardly represents an economic risk due to the pull-to-par effect and the increase in value of liabilities not carried in the revaluation reserve.

Segment development

As was already the case in Q1 2006, we assigned BHW and the branches to the Retail Banking segment. The prior-year figures in the Others segment contain the pro forma imputed funding costs and consolidation effects. Disclosures for these two segments are therefore also made on a pro forma basis. The remaining segments are not affected by the consolidation of BHW and the branches.

Retail Banking

Pre-tax profit in the Retail Banking segment in the first half of 2006 improved by 19.2% year-on-year to €440 million. Net interest income rose by 7.1% as against H1 2005 to €1,149 million, due above all to the expansion in the volume of customer loans by 14.6% or €7.8 billion to €61.4 billion. Net fee and commission income declined by 2.8% to €517 million year-on-year. One key reason for this is the sales commissions paid in the private mortgage lending business. These rose by €18 million. Another reason is the expected reduction of non-banking services at the branches, which led to a €15 million drop in net fee and commission income. Excluding these one-time factors, segment net fee and commission income for Postbank's traditional banking business rose despite the difficult capital market environment. Total income grew by 3.9% to €1,690 million. A particularly encouraging development is that administrative expenses in this segment were reduced by 6.2% to €1,087 million. Lower costs for branch sales were one contributory factor here. These are due among other things to lower expenses for non-banking services, which are also reflected in lower fee and commission income, and seasonal fluctuations. The cost/income ratio therefore fell significantly from 71.3% in H1 2005 to 64.3% in H1 2006. At the same time, the return on equity before taxes improved from 27.3% to 30.9%.

Corporate Banking

Profit before tax from Corporate Banking rose by 14.1% year-on-year to €81 million. Total income grew by 10.2% to €184 million. This is due primarily to our net interest income, which rose sharply (by 10.5%) in comparison to H1 2005 to a total of €126 million. Administrative expenses rose by 6.3% to €85 million. The cost/income ratio improved slightly in H1 from 47.9% to 46.2%, while the return on equity before taxes improved from 41.8% to 45.3%.

Transaction Banking

The profit before tax recorded by the Transaction Banking segment in the first half of the year improved by 20% in comparison to the prior-year period to €12 million. Although total income declined in H1 2006 by €11 million to €134 million due to expected price and volume reductions, administrative expenses were reduced by €9 million to €125 million. This is mainly due to the ongoing decline in paper-based volumes for payment transactions. The cost/income ratio rose slightly from 92.4% to 93.3%.

Financial Markets

In H1 2006, Financial Markets was able to increase its pre-tax profit by 6.9% to €62 million, and total income by €4 million to €99 million. Administrative expenses were unchanged year-on-year at €39 million, and the cost/income ratio therefore fell from 41.1% to 39.4%. The return on equity before taxes improved to 22.2%, up from 21.5% in H1 2005.

Others

In the Others segment, the pre-tax H1 loss widened year-on-year by €13 million to €166 million. Net interest income fell by €22 million to €–269 million. In contrast, net trading income rose by €16 million to €89 million and net income from investment securities by €18 million to €112 million. Balance sheet-related revenues therefore improved by €12 million to €–68 million and net fee and commission income also narrowed by €27 million to €–36 million, due in particular to the offsetting of sales commissions at Group level, which increased by €18 million. By contrast, administrative expenses widened by €63 million to €79 million. This increase is mainly due to higher remaining expenses at the cost centers.

Outlook

Economic trends are expected to diverge in H2 2006. In the USA, the pace of growth should decline tangibly, with residential construction and consumer spending leading the way. In the euro zone, the upturn is expected to continue until the end of the year. In Germany, pull-forward effects on consumer spending associated with the increase in value added tax that will take effect as of January 1, 2007 might even lead to a temporary growth spurt. However, the VAT increase at the beginning of 2007 is likely to lead to a short-term dip in growth after that. This means that GDP growth clearly in excess of one percent is hardly likely in Germany next year. For the euro zone as a whole, GDP growth is expected to decline from 2.2% to 1.6%. The sharp rise in oil prices will initially lead to sustained inflation pressure. As a result, the Federal Reserve will probably lift key interest rates again to 5.5%, but then abandon its policy of increasing rates in view of the weakening economy. In the euro zone, developments on the oil market and the increase in VAT in Germany mean that inflation is unlikely to drop below the two percent mark in the immediate future. This means that, given the current favorable economic environment, the ECB will probably lift its key rates to 3.5% in the period up to the end of 2006. On the capital markets, the effects of key rate increases and the expected economic slowdown in the coming year should largely cancel each other out. Yields should remain at their current level.

The environment for Postbank remains challenging. Integration of BHW and the branches continues to have top priority for us. We are continuing to drive this process forward and aim to complete it rapidly. We are assuming that we will benefit tangibly from the new Postbank Group's increased selling power once these integration measures are completed ahead of schedule.

We are reiterating our goals of achieving a return on equity before taxes in excess of 20% and a cost/income ratio of less than 63% in 2008.

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Consolidated income statement
for the period January 1 to June 30, 2006

	Note	2006 €m	Jan. 1 – June 30 2005[1] €m	2005[2] pro forma €m
Interest income	(4)	3,738	2,616	3,464
Interest expense	(4)	–2,687	–1,768	–2,480
Net interest income	(4)	1,051	848	984
Allowance for losses on loans and advances	(5)	–155	–103	–143
Net interest income after allowance for losses on loans and advances		896	745	841
Fee and commission income	(6)	807	392	771
Fee and commission expense	(6)	–104	–41	–80
Net fee and commission income	(6)	703	351	691
Net trading income	(7)	121	95	107
Net income from investment securities	(8)	128	99	108
Administrative expenses	(9)	–1,415	–936	–1,428
Other income	(10)	113	49	104
Other expenses	(11)	–117	–45	–68
Profit before tax		429	358	355
Income tax expense		–152	–125	–124
Profit from ordinary activities after tax		277	233	231
Minority interest		0	–1	–1
Consolidated net profit		**277**	**232**	**230**

Earnings per share

The average number of shares outstanding in fiscal year 2006 was 164,000,000.

	2006	Jan. 1 – June 30 2005[1]	2005[2] pro forma
Basic earnings per share (€)	1.69	1.41	1.40
Diluted earnings per share (€)	1.69	1.41	1.40

The diluted earnings per share are the same as the basic earnings per share because, as in the previous year, there were no conversion or option rights outstanding at the balance sheet date, and hence there was no dilutive effect.

[1] Prior-period figures restated (see note 2)

[2] See note 3

Consolidated income statement: Quarterly overview[1]

	2006		2005			
	Q2 €m	Q1 €m	Q4 €m	Q3 €m	Q2 €m	Q1 € m
Interest income	1,867	1,871	1,402	1,332	1,325	1,291
Interest expense	–1,328	–1,359	–982	–925	–899	–869
Net interest income	539	512	420	407	426	422
Allowance for losses on loans and advances	–77	–78	–50	–52	–52	–51
Net interest income after allowance for losses on loans and advances	462	434	370	355	374	371
Fee and commission income	398	409	209	200	196	196
Fee and commission expense	–51	–53	–39	–22	–20	–21
Net fee and commission income	347	356	170	178	176	175
Net trading income	62	59	51	59	64	31
Net income from investment securities	58	70	86	67	38	61
Administrative expenses	–700	–715	–479	–471	–469	–467
Other income	53	60	175	28	25	24
Other expenses	–61	–56	–206	–22	–24	–21
Profit before tax	221	208	167	194	184	174
Income tax expense	–79	–73	–33	–68	–64	–61
Profit from ordinary activities after tax	142	135	134	126	120	113
Minority interest	1	–1	–	–	–	–1
Consolidated net profit	**143**	**134**	**134**	**126**	**120**	**112**

[1] Quarters I to III 2005 restated (see note 2)

Consolidated income statement: Pro forma quarterly overview[1]

	2006		2005			
	Q2	Q1	Q4	Q3	Q2	Q1
	€m	€m	€m	€m	€m	€m
Interest income	1,867	1,871	1,826	1,755	1,749	1,715
Interest expense	–1,328	–1,359	–1,338	–1,279	–1,256	–1,224
Net interest income	539	512	488	476	493	491
Allowance for losses on loans and advances	–77	–78	–70	–73	–72	–71
Net interest income after allowance for losses on loans and advances	462	434	418	403	421	420
Fee and commission income	398	409	399	390	385	386
Fee and commission expense	–51	–53	–59	–42	–39	–41
Net fee and commission income	347	356	340	348	346	345
Net trading income	62	59	58	66	70	37
Net income from investment securities	58	70	91	71	43	65
Administrative expenses	–700	–715	–726	–716	–715	–713
Other income	53	60	202	55	52	52
Other expenses	–61	–56	–217	–33	–35	–33
Profit before tax	221	208	166	194	182	173
Income tax expense	–79	–73	–33	–68	–64	–60
Profit from ordinary activities after tax	142	135	133	126	118	113
Minority interest	1	–1	–	–	–	–1
Consolidated net profit	**143**	**134**	**133**	**126**	**118**	**112**

[1] See note 3

Consolidated balance sheet as of June 30, 2006

Assets	Note	June 30, 2006 €m	Dec. 31, 2005 €m	Dec. 31, 2005 pro forma[1] €m
Cash reserve		1,015	968	1,184
Loans and advances to other banks	(12)	21,502	17,801	21,306
Loans and advances to customers	(13)	84,120	52,873	80,565
Allowance for losses on loans and advances	(15)	–1,126	–776	–1,043
Trading assets	(16)	12,060	10,386	10,513
Hedging derivatives		590	639	639
Investment securities	(17)	60,266	55,423	61,748
Intangible assets	(18)	2,428	223	1,794
Property and equipment	(19)	1,044	825	1,130
Income tax assets		501	434	818
Other assets	(20)	700	1,484	1,644
Total assets		**183,100**	**140,280**	**180,298**

Shareholders' equity and liabilities	Note	June 30, 2006 €m	Dec. 31, 2005 €m	Dec. 31, 2005 pro forma[1] €m
Deposits from other banks	(21)	45,245	30,778	40,582
Due to customers	(22)	101,076	78,481	98,958
Securitized liabilities	(23)	16,805	14,613	20,117
Trading liabilities	(24)	3,679	3,345	4,103
Hedging derivatives		1,077	1,668	1,668
Provisions	(25)	3,620	969	3,064
Income tax liabilities		1,317	1,030	1,413
Other liabilities	(26)	513	427	784
Subordinated debt	(27)	5,059	3,783	4,423
Equity		4,709	5,186	5,186
a) Issued capital		410	410	410
b) Share premium		1,160	1,160	1,160
c) Retained earnings		2,835	3,123	3,123
d) Consolidated net profit		277	492	492
Minority interest		27	1	1
Total liabilities and shareholders' equity		**183,100**	**140,280**	**180,298**

[1] See note 3

Statement of changes in equity[1]

	Issued capital €m	Share premium €m	Retained earnings €m	Currency translation reserve €m	Revaluation reserve €m	Consoli-dated net profit €m	Total €m	Minority interest €m	Total €m
Balance at Jan. 1, 2005	**410**	**1,159**	**2,659**	**–120**	**222**	**435**	**4,765**	**1**	**4,766**
Dividend payment						–205	–205		–205
Appropriation to retained earnings			230			–230	0		0
Currency translation differences				34			34		34
Changes in unrealized gains and losses, net of deferred taxes					163		163		163
Consolidated net profit Jan. 1 – June 30, 2005						232	232	1	233
Treasury shares		1					1		1
Other changes							0	–1	–1
Balance at June 30, 2005	**410**	**1,160**	**2,889**	**–86**	**385**	**232**	**4,990**	**1**	**4,991**
Memo item: Total of items until June 30, 2005 that change shareholders' equity in acc. with IAS 1.96 c				34	163	232	429	1	430
Dividend payment							0		0
Appropriation to retained earnings							0		**0**
Currency translation differences				9			9		9
Changes in unrealized gains and losses, net of deferred taxes					–74		–74		–74
Consolidated net profit July 1 – Dec. 31, 2005						260	260		260
Treasury shares							0		0
Other changes							0		0
Balance at Dec. 31, 2005	**410**	**1,160**	**2,889**	**–77**	**311**	**492**	**5,185**	**1**	**5,186**
Memo item: Total of items between July 1 and Dec. 31, 2005 that change shareholders' equity in acc. with IAS 1.96 c				9	–74	260	195	0	195
Dividend payment						–205	–205		–205
Appropriation to retained earnings			287			–287	0		0
Currency translation differences				–20			–20		–20
Change in unrealized gains and losses, net of deferred taxes					–555		–555		–555
Consolidated net profit Jan. 1 – June 30, 2006						277	277		277
Treasury shares							0		0
Other changes							0	26	26
Balance at June 30, 2006	**410**	**1,160**	**3,176**	**–97**	**–244**	**277**	**4,682**	**27**	**4,709**
Memo item: Total of items until June 30, 2006 that change share-holders' equity in acc. with IAS 1.96 c				–20	–555	277	–298	0	–298

[1] Prior-period figures restated (see note 2)

Consolidated cash flow statement

	Jan. 1 – June 30 2006 €m	2005 €m
Cash and cash equivalents at beginning of period	**968**	**1,125**
Changes in basis of consolidation	216	–
Net cash from/ used in operating activities	–132	1,204
Net cash from investing activities	–622	–801
Net cash used in/from financing activities	538	–22
Effect of exchange differences	47	–8
Cash and cash equivalents at June 30	**1,015**	**1,498**

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 financial statements

(1) Segment reporting

Segment reporting by business division

	Retail Banking Jan.1–June 30 2006 €m	Retail Banking Jan.1–June 30 2005 €m	Corporate Banking Jan.1–June 30 2006 €m	Corporate Banking Jan.1–June 30 2005 €m	Transaction Banking Jan.1–June 30 2006 €m	Transaction Banking Jan.1–June 30 2005 €m	Financial Markets Jan.1–June 30 2006 €m	Financial Markets Jan.1–June 30 2005 €m	Others Jan.1–June 30 2006 €m	Others Jan.1–June 30 2005 €m	Group Jan.1–June 30 2006 €m	Group Jan.1–June 30 2005 €m
Net interest income	1,149	826	126	114	2	2	43	42	–269	–136	1,051	848
Net trading income	13	–	3	–	–	–	16	22	89	73	121	95
Net income from investment securities	11	–	2	3	–1	–	4	2	112	94	128	99
Balance sheet-related revenues	**1,173**	**826**	**131**	**117**	**1**	**2**	**63**	**66**	**–68**	**31**	**1,300**	**1,042**
Net fee and commission income	517	185	53	50	133	143	36	29	–36	–56	703	351
Total income	**1,690**	**1,011**	**184**	**167**	**134**	**145**	**99**	**95**	**–104**	**–25**	**2,003**	**1,393**
Administrative expenses	–1,087	–676	–85	–80	–125	–134	–39	–39	–79	–7	–1,415	–936
Allowances for losses on loans and advances	–124	–74	–19	–17	–	–	2	2	–14	–14	–155	–103
Other income/expense	–39	–	1	1	3	–1	–	–	31	4	–4	4
Profit before tax	**440**	**261**	**81**	**71**	**12**	**10**	**62**	**58**	**–166**	**–42**	**429**	**358**
Cost/income ratio (CIR)	**64.3%**	**66.9%**	**46.2%**	**47.9%**	**93.3 %**	**92.4%**	**39.4%**	**41.1%**	**–**	**–**	**70.6%**	**67.2%**
Return on equity before taxes (RoE)	**30.9%**	**23.7%**	**45.3%**	**41.8%**	**–**	**–**	**22.2%**	**21.5%**	**–26.2%**	**–5.2%**	**16.9 %**	**14.8%**

	June 30 2006 €m	Dec. 31 2005 €m	June 30 2006 €m	Dec. 31 2005 €m	June 30 2006 €m	Dec. 31 2005 €m	June 30 2006 €m	Dec. 31 2005 €m	June 30 2006 €m	Dec. 31 2005 €m	June 30 2006 €m	Dec. 31 2005 €m
Segment assets	**73,553**	**31,762**	**15,241**	**14,580**	**222**	**239**	**27,841**	**23,337**	**61,091**	**66,565**	**177,948**	**136,483**
Segment liabilities	**92,402**	**58,978**	**16,131**	**13,732**	**128**	**143**	**12,803**	**11,957**	**45,341**	**42,407**	**166,805**	**127,217**

Pro forma segment reporting by business segment[1]

	Retail Banking Jan.1–June 30 2006 €m	Retail Banking Jan.1–June 30 2005 €m	Corporate Banking Jan.1–June 30 2006 €m	Corporate Banking Jan.1–June 30 2005 €m	Transaction Banking Jan.1–June 30 2006 €m	Transaction Banking Jan.1–June 30 2005 €m	Financial Markets Jan.1–June 30 2006 €m	Financial Markets Jan.1–June 30 2005 €m	Others Jan.1–June 30 2006 €m	Others Jan.1–June 30 2005 €m	Group Jan.1–June 30 2006 €m	Group Jan.1–June 30 2005 €m
Net interest income	1,149	1,073	126	114	2	2	43	42	–269	–247	1,051	984
Net trading income	13	12	3	–	–	–	16	22	89	73	121	107
Net income from investment securities	11	9	2	3	–1	–	4	2	112	94	128	108
Balance sheet-related revenues	**1,173**	**1,094**	**131**	**117**	**1**	**2**	**63**	**66**	**–68**	**–80**	**1,300**	**1,199**
Net fee and commission income	517	532	53	50	133	143	36	29	–36	–63	703	691
Total income	**1,690**	**1,626**	**184**	**167**	**134**	**145**	**99**	**95**	**–104**	**–143**	**2,003**	**1,890**
Administrative expenses	–1,087	–1,159	–85	–80	–125	–134	–39	–39	–79	–16	–1,415	–1,428
Allowances for losses on loans and advances	–124	–115	–19	–17	–	–	2	2	–14	–13	–155	–143
Other income/expense	–39	17	1	1	3	–1	–	–	31	19	–4	36
Profit before tax	**440**	**369**	**81**	**71**	**12**	**10**	**62**	**58**	**–166**	**–153**	**429**	**355**
Cost/income ratio (CIR)	**64.3%**	**71.3 %**	**46.2%**	**47.9%**	**93.3 %**	**92.4%**	**39.4%**	**41.1%**	**–**	**–**	**70.6%**	**75.6%**
Return on equity before taxes (RoE)	**30.9%**	**27.3%**	**45.3%**	**41.8%**	**–**	**–**	**22.2%**	**21.5%**	**–26.2%**	**–25.2%**	**16.9 %**	**14.7%**

Segment reporting by geographical region

	Assets June 30 2006 €m	Assets Dec. 31 2005 €m	Liabilities June 30 2006 €m	Liabilities Dec. 31 2005 €m	Income Jan. 1 – June 30 2006 €m	Income Jan. 1 – June 30 2005 €m	Profit before tax Jan. 1 – June 30 2006 €m	Profit before tax Jan. 1 – June 30 2005 €m
Germany	147,385	97,408	137,900	89,938	1,892	1,301	350	297
Others	30,563	39,075	28,905	37,279	111	92	79	61
Europe	26,209	35,327	24,872	33,907	71	62	54	43
USA	4,354	3,748	4,033	3,372	40	30	25	18
Total	**177,948**	**136,483**	**166,805**	**127,217**	**2,003**	**1,393**	**429**	**358**

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

[1] See note 3

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 315 a(1) of the HGB (German Commercial Code), 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.

Unless outlined separately below, the same accounting policies used in preparing the 2005 consolidated financial statements were applied in preparing the interim report as of June 30, 2006.

The fair value option was used for the first time for fiscal year 2006. In accordance with this, financial assets or financial liabilities may be designated at fair value through profit or loss, provided one of the following conditions is fulfilled:

i) Elimination or significant reduction of inconsistencies in the measurement or recognition (accounting mismatch) or

ii) Management and performance evaluation of a portfolio on a fair value basis or

iii) To avoid split accounting of embedded derivatives as defined by IAS 39.11A, unless:
  * the embedded derivative does not significantly modify the cash flows or
  * it is clear with little or no analysis that a separation is prohibited.

Postbank uses the fair value option exclusively for specific loan portfolios that are hedged by interest rate derivatives (case i).

They are still presented in the balance sheet under the "Loans and advances to customers" item. Similar to the accounting treatment of fair value hedges, the "Net interest income" item in the income statement contains interest income and expense and changes in fair value ("Net gains/ losses on remeasurement of hedges" under net interest income) for both the loan portfolio and the interest rate derivatives.

From 2005 onwards, Postbank will accrue its selling expenses for mortgage lending in accordance with the matching principle. Under this principle, expenses are not recognized in the income statement until the directly related income has been recognized (Framework F 95).

(3) Basis of consolidation

In addition to the parent company Deutsche Postbank AG, Bonn, 43 (December 31, 2005: 34) subsidiaries and 3 (December 31, 2005: 2) joint ventures, all of which are presented in the "Consolidated companies" overview (note 32), are included in the consolidated interim financial statements as of June 30, 2006.

As part of the transfer of business activities from the Luxembourg branch to Deutsche Postbank International S.A. that has now been completed, PBI implemented a capital increase that was subscribed by Postbank. In addition, there were changes in the shareholders of DPBI Immobilien KGaA, Luxembourg, in the course of the move. Deutsche Postbank International S.A. acquired the limited partner shares held by Deutsche Postbank AG effective May 2, 2006. This means that, from the perspective of the Postbank Group, Deutsche Postbank International S.A. now has a 10.1% stake in DPBI Immobilien KGaA.

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 27 (December 31, 2005: 24) special funds were included as special purpose entities in the consolidated financial statements.

Due to the change in the basis of consolidation, the prior-period balance sheet, income statement and segment reporting figures were supplemented voluntarily by pro forma disclosures to enhance comparability. These contain the companies of the BHW group, adjusted for AHBR effects, Deutsche Post Retail GmbH, simplified pro forma consolidation and pro forma purchase price refinancing, in addition to the previous Postbank Group. The pro forma quarterly income statement disclosures contain ratable values for fiscal year 2005.

On entry into the commercial register on July 17, 2006, the sales division of BHW Bausparkasse AG was hived off to the newly formed Postbank Finanzberatung AG and Postbank Vermögensberatung AG merged into Postbank Finanzberatung AG. The Postbank Group's mobile sales forces are bundled at Postbank Finanzberatung AG.

Purchased companies

(a) BHW Holding AG

On completion of the purchase agreement entered into on October 25, 2005 with BHW Holding AG's former main shareholders, BGAG Beteiligungsgesellschaft der Gewerkschaften AG, BGAG Beteiligungsverwaltungsgesellschaft mbH, NH-Beteiligungsverwaltungsgesellschaft mbH and Deutscher Beamtenwirtschaftsbund (BWB) GmbH, Deutsche Postbank AG acquired 137,581,212 BHW shares on January 2, 2006. This is equivalent – taking into account the capital reduction by BHW Holding AG as of December 31, 2005 by means of retiring treasury shares – to 82.9 % of BHW Holding AG's share capital and voting rights. This acquisition brought Deutsche Postbank AG's investment in BHW Holding AG up to 91.04 % of its share capital and voting rights and, in accordance with IAS 27, gives it control over BHW Holding AG.

In accordance with section 35(2) of the Wertpapiererwerbs- und Übernahmegesetz (WpÜG – German Securities Acquisition and Takeover Act), Deutsche Postbank made a mandatory offer for the remaining shares on January 26, 2006. The mandatory offer is for the acquisition of all no-par value shares of BHW Holding AG. Postbank holds an interest of 98.43 % since that date.

The purchase price for the 98.43 % amounts to €1,734 million plus transaction costs of €19 million. The allocation of the purchase price to the identifiable assets, liabilities and contingent liabilities at fair value uses purchase price allocation in accordance with IFRS 3 (see table on next page).

(b) Deutsche Post Retail GmbH

By purchasing Deutsche Post Retail GmbH, Deutsche Postbank AG took over 850 of Deutsche Post AG's retail outlets with around 9,600 employees as of January 1, 2006.

For the services previously provided to Postbank in the retail outlets, Postbank paid a variable remuneration amounting to €513 million in 2005 and €496 million in 2004. In future, remuneration will only be paid for services provided in the remaining retail outlets of Deutsche Post. Deutsche Post will in future pay remuneration to the Postbank Group for the postal services in the retail outlets that have been taken over.

The purchase price for the retail outlets amounts to €986 million plus transaction costs of €7 million. The allocation of the purchase price to the identifiable assets, liabilities and contingent liabilities at fair value uses purchase price allocation in accordance with IFRS 3 (see table on next page).

1. Goodwill

	a) BHW group Dec. 31, 2005 €m	b) Deutsche Post Retail GmbH Dec. 31, 2005 €m
Purchase price (including transaction costs)	**1,753**	**993**
Purchase price	1,734	986
Costs directly attributable to purchase	19	7
./. Net assets acquired (at fair value)	1,253	0.1
= Goodwill	500	993

2. Net assets acquired

	a) BHW group Dec. 31, 2005 €m		b) Deutsche Post Retail GmbH Dec. 31, 2005 €m
	Fair value	Carrying amount at BHW	Fair value = Carrying amount at Deutsche Post Retail GmbH
Assets			
Cash reserve	99	99	118
Loans and advances to other banks	5,895	5,871	n.a.
Loans and advances to customers	28,382	27,692	n.a.
Allowance for losses on loans and advances	–267	–267	n.a.
Trading assets	127	127	n.a.
Hedging derivatives	n.a.	n.a.	n.a.
Investment securities	6,325	6,325	n.a.
Property and equipment	208	245	60
Income tax assets	384	384	3
Other assets	800	250	58
Total assets	**41,953**	**40,727**	**239**
Shareholders’ equity and liabilities			
Deposits from other banks	9,924	9,804	n.a.
Due to customers	20,648	20,477	n.a.
Securitized liabilities	5,533	5,504	n.a.
Trading liabilities	758	758	n.a.
Hedging derivatives	n.a.	n.a.	n.a.
Provisions	2,296	2,009	86
Income tax liabilities	623	383	–
Other liabilities	204	204	153
Subordinated debt	699	640	n.a.
Total equity and liabilities (excluding equity)	**40,685**	**39,779**	**239**
Net assets	1,268	948	0.1
less minority interest	15	n.a.	n.a.
Net assets acquired	1,253		0.1

Income statement disclosures

(4) Net interest income

	Jan. 1 – June 30 2006 €m	 2005 €m
Interest and current income		
Interest income from:		
Lending and money market transactions	2,482	1,650
Fixed-income and book-entry securities	979	750
Trading operations	122	109
Net gains/losses on remeasurement of hedges	22	–2
	3,605	**2,507**
Current income from:		
Equities and other non-fixed-income securities	133	109
Investments in associates	–	–
	133	**109**
	3,738	**2,616**
Interest expense on:		
Deposits	1,847	1,092
Securitized liabilities	486	369
Subordinated debt	125	80
Swaps (hedge accounting in accordance with IAS 39)	170	148
Trading operations	59	79
	2,687	**1,768**
Total	**1,051**	**848**

(5) Allowance for losses on loans and advances

	Jan. 1 – June 30 2006 €m	 2005 €m
Cost of additions to allowance for losses on loans and advances	201	121
Cost of additions to provisions for credit risks	10	–
Direct loan write-offs	17	6
Income from the reversal of the allowance for losses on loans and advances	66	22
Recoveries on loans previously written off	7	1
Income from the reversal of provisions for credit risks	–	1
Total	**155**	**103**

(6) Net fee and commission income

	Jan. 1 – June 30 2006 €m	2005 €m
Giro business	179	173
Securities business	64	49
Lending and guarantee business	53	25
Branch business	268	–
Other fee and commission income	139	104
Total	**703**	**351**

(7) Net trading income

	Jan. 1 – June 30 2006 €m	2005 €m
Net income from interest rate products	3	35
Net gain on derivatives carried in the trading portfolio and the banking book	114	52
Net income from equities	3	–
Foreign exchange income/loss	2	9
Net fee and commission income – trading portfolio	–1	–1
Total	**121**	**95**

(8) Net income from investment securities

	Jan. 1 – June 30 2006 €m	2005 €m
Net income from bonds and promissory note loans	–29	44
Net income from equities and other non-fixed-income securities	155	56
Net income from investments in associates	2	–
Impairment	–	–1
Total	**128**	**99**

(9) Administrative expenses

	Jan. 1 – June 30 2006 €m	2005[1] €m
Staff costs	695	330
Other administrative expenses	672	575
Depreciation and write-downs of property and equipment	48	31
Total	**1,415**	**936**

[1] Prior-period figures restated (see note 2)

(10) Other income

	Jan. 1 – June 30 2006 €m	2005 €m
Income from property and equipment	12	19
Miscellaneous	101	30
Total	**113**	**49**

(11) Other expenses

	Jan. 1 – June 30 2006 €m	2005 €m
Amortization and write-downs of intangible assets	29	21
Miscellaneous	88	24
Total	**117**	**45**

Balance sheet disclosures

(12) Loans and advances to other banks

	June 30, 2006 €m	Dec. 31, 2005 €m
Payable on demand	1,734	1,153
Other loans and advances	19,768	16,648
Total	**21,502**	**17,801**

(13) Loans and advances to customers

	June 30, 2006 €m	Dec. 31, 2005 €m
Private mortgage lending	55,019	28,953
Home savings loans	3,227	–
Public sector	6,648	8,682
Instalment credits	2,119	1,575
Other loans and advances	17,107	13,663
Total	**84,120**	**52,873**

(14) Total credit extended

	June 30, 2006 €m	Dec. 31, 2005 €m
Loans and advances to other banks	21,502	17,801
Loans and advances to customers	84,120	52,873
Guarantees	3,597	1,804
Total	**109,219**	**72,478**

(15) Allowances for losses on loans and advances

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

	June 30, 2006 €m	Dec. 31, 2005 €m
Specific valuation allowances	1,082	732
Portfolio-based valuation allowances	44	44
Total allowances for losses on loans and advances	**1,126**	**776**
Provisions for credit risks	31	7
Total	**1,157**	**783**

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

	2006 €m	2005 €m
Balance at January 1	**776**	**667**
Changes in basis of consolidation	269	–
Additions		
Allowance charged to the income statement	201	121
Currency translation differences	–	4
Disposals		
Utilization	52	19
Allowance reversed to the income statement	66	22
Currency translation differences	2	–
Balance at June 30	**1,126**	**751**

(16) Trading assets

	June 30, 2006 €m	Dec. 31, 2005 €m
Bonds and other fixed-income securities	8,755	7,284
Equities and other non-fixed-income securities	94	10
Positive fair values of derivatives carried as trading assets	2,759	2,617
Positive fair values of banking book derivatives	452	475
Total	**12,060**	**10,386**

(17) Investment securities

	June 30, 2006 €m	Dec. 31, 2005 €m
Bonds and other fixed-income securities	54,815	49,661
Equities and other non-fixed-income securities	5,296	5,720
Investments in associates	25	15
Investments in unconsolidated subsidiaries	130	27
Total	**60,266**	**55,423**

(18) Intangible assets

	June 30, 2006 €m	Dec. 31, 2005 €m
Originated intangible assets and software	364	16
Acquired software, concessions, industrial rights	392	121
Acquired goodwill	1,544	51
Advance payments on intangible assets and intangible assets under development	128	35
Total	**2,428**	**223**

(19) Property and equipment

	June 30, 2006 €m	Dec. 31, 2005 €m
Land and buildings	885	726
Operating and office equipment	158	92
Advance payments and assets under development	1	7
Total	**1,044**	**825**

(20) Other assets

	June 30, 2006 €m	Dec. 31, 2005 €m
Prepaid expenses	307	280
Receivables from tax authorities	64	50
Miscellaneous	329	1,154
Total	**700**	**1,484**

(21) Deposits from other banks

	June 30, 2006 €m	Dec. 31, 2005 €m
Payable on demand	1,862	585
Other deposits	43,383	30,193
Total	**45,245**	**30,778**

(22) Due to customers

	June 30, 2006 €m	Dec. 31, 2005 €m
Savings deposits	37,914	37,988
Home savings deposits	18,063	–
Other amounts due:		
Payable on demand	21,953	21,940
With an agreed maturity or withdrawal notice	23,146	18,553
	45,099	**40,493**
Total	**101,076**	**78,481**

(23) Securitized liabilities

	June 30, 2006 €m	Dec. 31, 2005 €m
Mortgage bonds	66	67
Public-sector mortgage bonds (*Pfandbriefe*)	166	319
Other debt instruments	16,573	14,227
Total	**16,805**	**14,613**

(24) Trading liabilities

	June 30, 2006 €m	Dec. 31, 2005 €m
Negative fair values of trading derivatives	2,700	2,770
Negative fair values of banking book derivatives	735	571
Delivery obligations under securities sold short	244	4
Total	**3,679**	**3,345**

(25) Provisions

	June 30, 2006 €m	Dec. 31, 2006 €m
Provisions for pensions and other employee benefits	1,094	585
Provisions for insurance premiums	1,372	158
Provisions for home savings business	745	-
Miscellaneous other provisions	409	226
Total	**3,620**	**969**

(26) Other liabilities

	June 30, 2006 €m	Dec. 31, 2005 €m
Trade payables	37	39
Liabilities from other taxes	14	95
Liabilities from income taxes	–	2
Miscellaneous liabilities	414	281
Deferred income	48	10
Total	**513**	**427**

(27) Subordinated debt

	June 30, 2006 €m	Dec. 31, 2005 €m
Subordinated liabilities	2,860	2,020
Hybrid capital instruments	1,045	1,125
Profit participation certificates outstanding	1,101	583
Contributions by typical silent partners	53	55
Total	**5,059**	**3,783**

Other disclosures

(28) Contingencies and other obligations

	June 30, 2006 €m	Dec. 31, 2005 €m
Contingent liabilities		
on guarantees and warranties	3,597	1,804
Other obligations		
Irrevocable loan commitments	19,652	16,583
of which: building loans provided	1,976	–
Total	**23,249**	**18,387**

(29) 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:

	Nominal amounts June 30, 2006 €m	Nominal amounts Dec. 31, 2005 €m	Positive fair values June 30, 2006 €m	Positive fair values Dec. 31, 2005 €m	Negative fair values June 30, 2006 €m	Negative fair values Dec. 31, 2005 €m
Trading derivatives	380,976	361,833	3,211	3,092	3,435	3,341
Hedging derivatives	40,888	41,909	590	639	1,077	1,668
Total	**421,864**	**403,742**	**3,801**	**3,731**	**4,512**	**5,009**

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.

	Nominal amounts		Fair Value			
			Positive fair values		Negative fair values	
	June 30, 2006 €m	Dec. 31, 2005 €m	June 30, 2006 €m	Dec. 31, 2005 €m	June 30, 2006 €m	Dec. 31, 2005 €m
Trading derivatives						
Foreign currency derivatives	11,149	16,078	120	176	145	165
Interest rate derivatives	368,187	344,377	3,071	2,897	3,267	3,151
Equity/index derivatives	482	457	18	16	18	16
Credit derivatives	1,158	921	2	3	5	9
Total holdings of trading derivatives	**380,976**	**361,833**	**3,211**	**3,092**	**3,435**	**3,341**
Hedging derivatives						
Fair value hedges	40,888	41,908	590	639	1,077	1,668
Cash flow hedges	–	1	–	–	–	–
Total holdings of hedging derivatives	**40,888**	**41,909**	**590**	**639**	**1,077**	**1,668**
Total holdings of derivatives	**421,864**	**403,742**	**3,801**	**3,731**	**4,512**	**5,009**

(30) Market price risk from trading activities

	Trading book June 30, 2006 €m	Trading book Dec. 31, 2005 €m
Value at risk	9.15	3.90
Minimum value at risk	2.75	2.65
Maximum value at risk	10.33	13.90
Average value at risk	**5.30**	**6.30**

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. Its regulatory own funds in accordance with the Basel Capital Accord were as follows:

	June 30, 2006 €m	Dec. 31, 2005 €m
Risk-weighted assets	78,460	62,354
Market risk positions	8,675	7,538
Positions for which capital charges are required	87,135	69,892
Tier 1 capital	4,198	5,164
thereof: hybrid capital instruments	1,151	1,151
Tier 2 capital	2,998	2,342
thereof: Profit participation certificates outstanding	1,079	558
thereof: Subordinated liabilities	2,100	1,780
Tier 3 capital	133	–
Eligible own funds	7,329	7,506
Tier 1 ratio (%)	5.4	8.3
Capital ratio (%)	8.4	10.7

(32) Consolidated companies

Name and domicile	Equity interest (%) direct	Equity interest (%) indirect
1) Fully consolidated companies:		
BHW Holding AG, Berlin/Hamelin	98.4	
BHW Bausparkasse AG, Hamelin		100.0
BHW Bank AG, Hamelin		99.8
BHW Lebensversicherung 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 Post Retail GmbH, Bonn	100.0	
Deutsche Postbank International S.A., Munsbach, Luxembourg	100.0	
Deutsche Postbank Asset Management S.A., Munsbach, Luxembourg	100.0	
Deutsche Postbank Capital Management 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	
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		10.1
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	
Postbank Vermögensberatung AG, Bonn	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 am Main GmbH, Frankfurt/Main		100.0
Betriebs-Center für Banken Berlin GmbH, Frankfurt/Main		100.0
Betriebs-Center für Banken Zahlungsverkehrsservice GmbH, Frankfurt/Main		100.0
Betriebs-Center für Banken Payments 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 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	

Name and domicile	Equity interest (%) direct	Equity interest (%) indirect
2) Proportionately consolidated companies:		
PB Lebensversicherung AG, Hilden	50.0	
PB Versicherung AG, Hilden	50.0	
MPSS Modra Pyramida Vseobecna stavebni sporitelna Komercni banky, a.s., Prague		50.0

(33) Members of executive bodies
Management Board

The members of the Management Board are:	
Wulf von Schimmelmann, Bonn (Chairman)	
Dirk Berensmann, Unkel	
Henning R. Engmann, Bonn	since March 10, 2006
Stefan Jütte, Bonn	
Wolfgang Klein, Bonn	
Loukas Rizos, Bonn	
Hans-Peter Schmid, Altdorf	
Ralf Stemmer, Königswinter	

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

1. Shareholder representatives
Klaus Zumwinkel, Chairman of the Board of Management of Deutsche Post World Net, Bonn (Chairman)
Jörg Asmussen, Head of Department, Federal Ministry of Finance, Berlin
Wilfried Boysen, Hamburg
Edgar Ernst, Member of the Board of Management of Deutsche Post World Net, Bonn
Peter Hoch, Munich
Ralf Krüger, management consultant, Professor at the Fachhochschule Wiesbaden, Kronberg
Hans-Dieter Petram, Member of the Board of Management of Deutsche Post World Net, Bonn
Bernd Pfaffenbach, State Secretary, Federal Ministry of Economics and Technology, Berlin
Klaus Schlede, previously Deputy Chairman of the Management Board of Deutsche Lufthansa AG, Cologne
Elmo von Schorlemer, lawyer, Aachen

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, Regional Head of Department, Financial Services, at ver.di Trade Union, Stuttgart
Annette Harms, Deputy Chair of Deutsche Postbank AG’s Works Council, Hamburg Branch, Hamburg
Ralf Höhmann, Chairman 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
Gerd Tausendfreund, trade union secretary of the ver.di Trade Union, Nidderau
Christine Weiler, Chair of Deutsche Postbank AG's Works Council, Munich Branch, Munich

Bonn, July 27, 2006
Deutsche Postbank Aktiengesellschaft

Management Board

Wulf von Schimmelmann

Dirk Berensmann

Henning R. Engmann

Stefan Jütte

Wolfgang Klein

Loukas Rizos

Hans-Peter Schmid

Ralf Stemmer

Financial calendar

Fiscal year 2006

November 7, 2006	Interim Report as of September 30, 2006, analysts' conference call

Fiscal year 2007

March 19, 2007	Financials press conference and analysts' conference on fiscal year 2006
May 10, 2007	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 03
E-mail: ir@postbank.de
www.postbank.com/ir

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