Deutsche Postbank Group
Interim Report as of September 30, 2006

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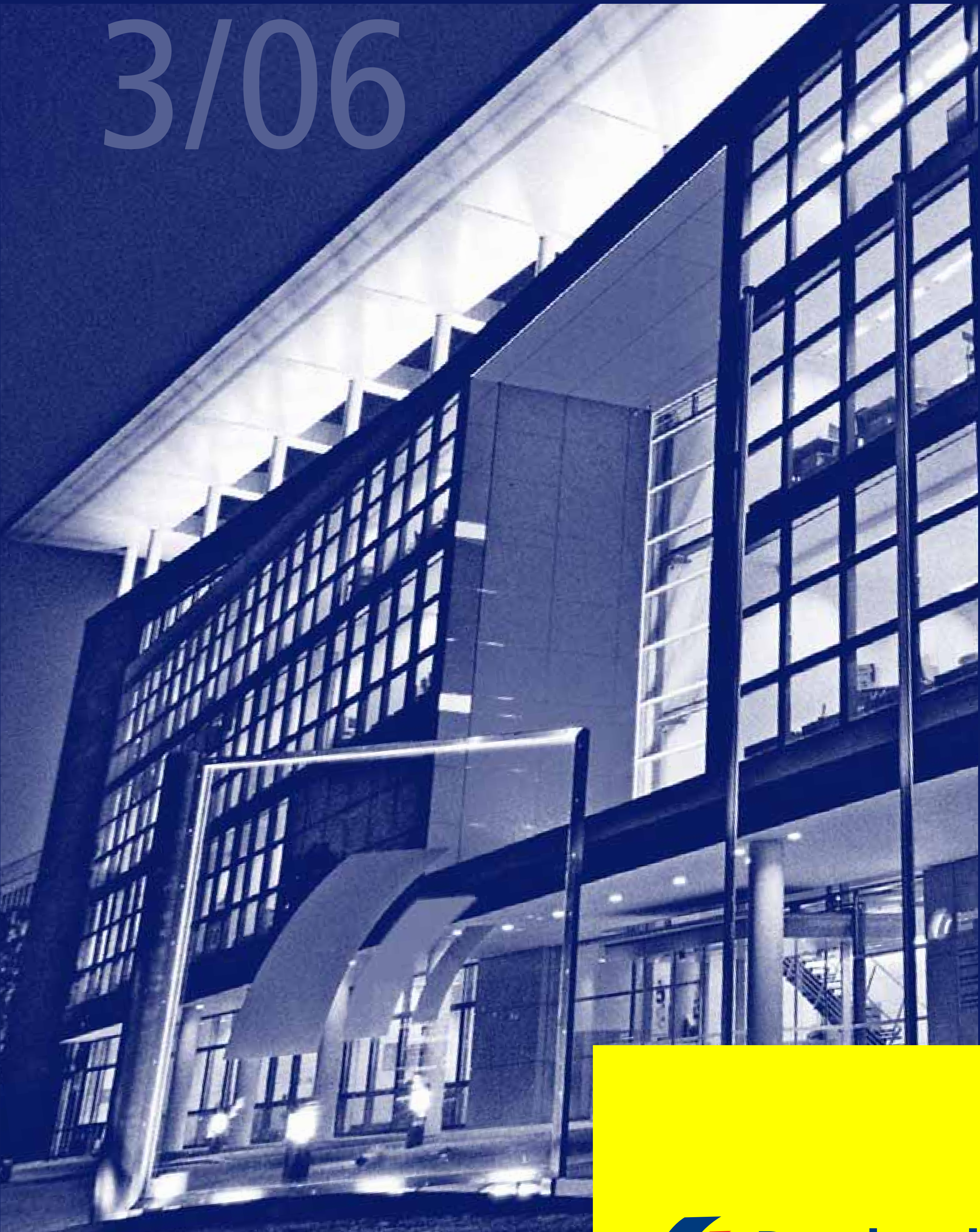


Postbank

Postbank in figures

		Jan. 1 – Sept. 30	
		2006	2005[1]
Consolidated income statement			
Balance sheet-related revenues	€m	1,957	1,575
Total income	€m	3,009	2,104
Administrative expenses	€m	–2,110	–1,407
Profit before tax	€m	651	552
Consolidated net profit	€m	424	358
Cost/income ratio	%	70.1	66.9
Cost/income ratio in traditional banking business	%	68.6	64.2
Return on equity			
before tax	%	17.3	15.0
after tax	%	11.3	9.7
Earnings per share	€	2.59	2.18

		Sept. 30, 2006	Dec. 31, 2005
Consolidated balance sheet			
Total assets	€m	183,392	140,280
Customer deposits	€m	87,755	68,418
Customer loans	€m	76,252	44,134
Allowance for losses on loans and advances	€m	1,167	776
Equity	€m	5,041	5,186
BIS regulatory indicators			
Tier 1 ratio	%	5.6	8.3
Capital ratio	%	8.6	10.7
Tier 1 ratio in accordance with Basel II[2]	%	6.6	–
Headcount	thousand	21.96	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

		Sept. 30, 2006	Sept. 30, 2005
Information on Postbank shares			
Share price at the balance sheet date	€	59.85	45.51
Share price (Jan. 1 – Sept. 30)	high €	64.89	46.55
	low €	48.21	32.16
Market capitalization at the balance sheet date	€m	9,815	7,464
Number of shares	million	164.0	164.0

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

[2] Internal calculation in accordance with the current Solvabilitätsverordnung (Solvency Ordinance) draft dated March 31, 2006 and the KWG (German Banking Act) draft dated February 2, 2006 without taking cap on RWA savings into account

Ladies and Gentlemen,

The third quarter of the year was again dominated by the integration of BHW and the former Deutsche Post retail outlets. However, we made much better and smoother progress than originally expected and were thus able to conclude the main integration project on September 30, 2006. This puts us three months ahead of our original schedule. All necessary measures have been resolved and initiated and are now being anchored in our day-to-day activities at the operating units – to the extent that this has not already happened. As a result, the additional burden will gradually ease.

We were able to generate tangible results most rapidly in our branch sales. The new structures have now been fully implemented and the training measures executed in the second and third quarters are already having a positive impact on product sales and advisory expertise.

The new structure for the BHW sales force has also been established. After what were in some cases radical adjustments and the frictional losses caused by the integration process, sales figures for Q3 now show an encouraging recovery, with figures up substantially quarter-on-quarter and approaching those for the prior-year period.

Good progress is also being made with respect to headcount adjustments. The early retirement and severance packages we are offering are attracting considerable interest, which means that more than half the workforce adjustments envisaged until late 2007 have already been agreed.

Despite the integration expenses, we recorded a 14.4 % increase in profit before tax in the third quarter to €222 million. This corresponds to an increase of 18.6 % to €651 million for the year to date as against the prior-year period, based on the pro forma figures in both cases.

Two years after Postbank’s IPO we achieved a further milestone: on September 18, Postbank shares were included in the DAX® Index – an extremely gratifying confirmation of our business model and, at the same time, an incentive to continue driving forward Postbank’s successful development.

I would like to thank all our employees warmly for their extremely hard work and would ask them to maintain their efforts to ensure Postbank’s continued progress. I would like to thank you, our valued shareholders, for your confidence and hope that you will continue to place your trust in us in future.

Wulf von Schimmelmann
Chairman of the Management Board

Postbank Stock

Inclusion in DAX® reflects strong price and business performance

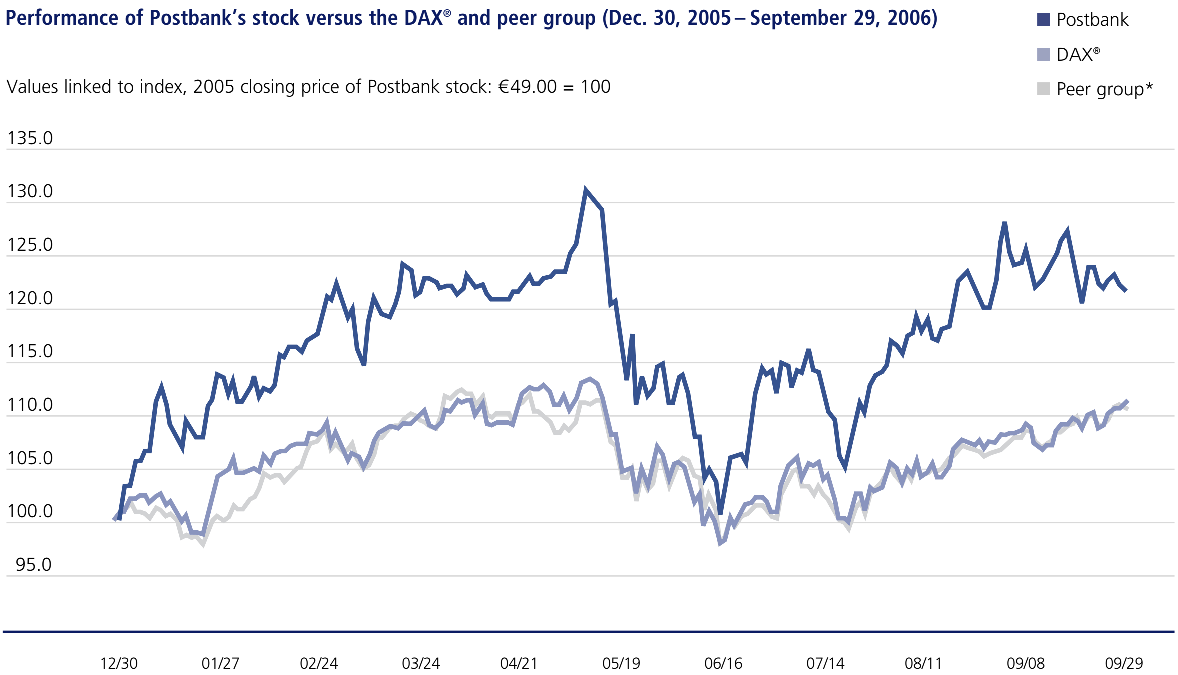
Since September 18, 2006, Deutsche Postbank's shares have been included in the DAX®, the premier league of Germany's stock corporations. Postbank's overall market capitalization had already more than doubled in the period since its IPO to €9.8 billion – putting Postbank at no. 24 among the 30 DAX® stocks. However, when selecting DAX® members Deutsche Börse only takes their free float weighted market capitalization into account. As a result, only approximately 33 % of Postbank's market capitalization was previously taken into consideration. This changed in July, when Deutsche Post called the exchangeable bond on Postbank stock prior to maturity because of our shares' good price performance. The free float rose substantially, with the result that 50 % (less one share) of our total market capitalization is now counted and Postbank consequently ranked 28th according to this DAX® criterion as of the end of August. Due to its takeover by Bayer, Schering was replaced by Postbank during the annual index adjustment in September.

In addition to its market capitalization, Postbank also achieved a strong position with regard to the second DAX® criterion, market turnover. After ranking 35th in Deutsche Börse's August listing, which was decisive for inclusion in the DAX®, Postbank improved to 33rd position in September. This positive trend also continued in October. Overall, Postbank occupies an attractive position in the DAX® – despite the fact that EADS and Depfa have also been included in Deutsche Börse's rankings for the first time since September.

Our share price continued to perform exceptionally well in the course of the year. In the first nine months, Postbank stock rose by 22.1 % or €10.85 to €59.85 – clearly outperforming the DAX® and our peer group of leading European

Performance of Postbank's stock versus the DAX® and peer group (Dec. 30, 2005 – September 29, 2006)

Values linked to index, 2005 closing price of Postbank stock: €49.00 = 100



*Banco Popular Espagnol, Banco Populare di Verona e Novara, Swedbank, Svenska Handelsbanken, Alliance & Leicester, Banco Espirito Santo, Erste Bank, Unicredito, RBOS retail banks, which both rose by 11.0 %. This outperformance reflects our sustained positive business development.

Equities analysts confirm the strong business outlook for the substantially larger Postbank Group with their their predominantly positive assessments. In addition, several analysts raised their share price forecasts after publication of the figures for the first half of the year. You can find a current overview of analyst recommendations on our Investor Relations Internet pages at www.postbank.com/ir. Postbank's Management Board and Investor Relations team are in constant close contact with investors and analysts. The focus of attention in the period under review – in addition to earnings and business developments – was on integration issues relating to BHW and the branches. Our active participation in institutional investor conferences and retail investor events, as well as numerous roadshows, have helped further intensify the dialog with our shareholders.

Key Developments in the First Nine Months of 2006

Although global growth rates remained fairly strong overall, economic developments in individual regions were ultimately mixed. In the USA, consumer spending has eased to a more moderate pace. Fears that the price correction on the US real estate market could trigger a recession have not materialized to date. Rather, early indicators are suggesting a soft landing in the USA, with continuing strong wage growth and the strong rise in corporate profits providing important support for the economy.

Economic growth in the euro zone is still near its cyclical high. Growth rates, driven by strong investment activity, are substantially above their long-term averages. Following relatively disappointing consumer spending in the first half of the year, indicators are pointing to a marked rise in consumption for the rest of the year. In Japan, recent economic data was weak in some areas. Nevertheless, here too, the economy is trending upwards, buoyed by strong domestic demand and stable contributions to growth by exports.

Recent inflation data is looking more positive, due to the decline in oil prices. The Federal Reserve did not raise key interest rates any further, while the European Central Bank (ECB) continued its policy of cautious rate rises. At the beginning of October, key rates in the euro zone were 3.25 %.

Yields for 10-year bunds initially declined over the summer months to 3.65 % on the back of a fall in US yields. However, warnings by a number of ECB Council members of the dangers of inflation in the euro zone and diminishing fears of a US recession recently led to an upward correction in long-term yields.

Following on from their good fiscal year of 2005, German banks were able to continue the positive trend in the first half of 2006. However, the sector is still characterized by extremely fierce competition, which is reflected among other things in declining margins and ongoing restructuring measures.

Integration project completed ahead of schedule

At Postbank, the third quarter was once again dominated by the integration of BHW and the retail outlets acquired from Deutsche Post. The corresponding centrally managed integration project achieved its objectives on September 30, three months earlier than originally planned. All structural decisions have been taken and implemented and all major integration measures executed or initiated. The operating units are now expanding on their new strengths. These investments in a new structure for the future are decreasing from quarter to quarter; in parallel, the amount of time dedicated to operational customer business will rise again considerably. For further details, see the corresponding sections of this interim report.

The “Filiale im Wandel” project

The integration of the 850 retail outlets acquired from Deutsche Post at the beginning of the year went smoothly. One key focus was on the training measures implemented in the areas of investments and private loans. Once again, the cascade principle was adopted – i.e., all executives, from the Management Board downwards, train the sales levels that report directly to them. This concept has already proven its value on many occasions and plays an important role in staff motivation. The product training sessions held in the second and third quarters have already had a clear positive effect on sales figures, particularly in the areas of private loans, the “Riester pension” coupled with our retirement provision account, retail funds, and our “Quartal-Sparen” product. These benefits have materialized more rapidly than had originally been expected. New checking accounts are also a focus of attention again. On average, sales by advisers increased by 17.2 % following the training measures implemented to date.

In the third quarter, we launched the “Filiale im Wandel” (Changing Branches) project. This aims to optimize all sales processes at Postbank branches and to develop new branch models. Among other things, this includes further intensifying over-the-counter contacts with customers and substantially cutting waiting times.

Streamlining of mobile sales

On July 17, as already mentioned briefly in the last interim report, the BHW and Postbank mobile sales forces were combined in the newly founded Postbank Finanzberatung AG. The former BHW advisers are now acting as financial managers. In this context, we adopted strict selection criteria and reduced the workforce to 3,850 advisers. These are complemented by 453 investment advisers from the Postbank mobile sales force and 120 specialized mortgage finance advisers who are assigned to the branches. Overall, Postbank Finanzberatung is a powerful sales unit with more than 4,400 mobile advisers. Around 2,700 of them have access to Postbank customers.

In the coming months, we aim to further improve the advisory skills of our mobile sales force. We will recruit new expert advisers while parting company with those financial managers who do not fully meet our standards. The total number of advisers is expected to remain more or less constant.

New customers and new checking accounts on the rise again

The number of new customers rose to 248,000 in the third quarter, following a weaker Q2 with 222,000 new customers. This means that 715,000 new customers opted for Postbank in 2006 to date, making us optimistic that we will hit our target of 900,000 new customers for the year as a whole.

The number of new checking accounts also rose in Q3 to 136,000, up from 98,000 in the previous quarter. This brings the total number of new checking accounts opened in the first nine months to 355,000 – only slightly fewer than the 369,000 recorded in the prior-year period, despite the integration process. Our mobile advisers are playing a steadily increasing role here.

Online banking was used by 2.4 million customers, while 3.3 million customers were registered for telephone banking, up from 2.1 million and 3.1 million respectively as of September 30, 2005.

Differentiated pricing for savings business retained

Given the ongoing flattening of the yield curve, we are maintaining our differentiated pricing strategy for our savings business. All in all, average deposit interest increased only slightly over the course of the year, a development that had a correspondingly positive effect on margins. At the same time, we managed to maintain savings volumes, including home savings deposits, at an almost constant level year-on-year, at €59.0 billion in comparison to €59.6 billion. The increased differentiation of our products in response to different customer needs led as planned to slight declines in the volumes of certain product variants; however, we have consciously accepted this development in view of our continuing surplus of deposits. On the other hand, we succeeded in acquiring €1.2 billion in Q3 with innovative products such as the Postbank "Quartal-Sparen" product, which has been on offer since April; this brings the total amount currently invested in this savings variant to €2.5 billion. We intend to continue expanding these product innovations. This includes, for example, the introduction of additional attractive offerings such as the "Zinssammler" ("Interest Collector") certificate, which offers guaranteed interest in its first year of 6 % in the case of a six-year term, and – from November onwards – the "Börsensieger" ("Stock Exchange Winner") savings product, which allows savers to benefit risk-free from rising international stock market indices. The "Tagesgeldkonto" call money deposit account that we launched at the beginning of July also attracted substantial customer interest, generating a total volume of €472 million in the period up to September 30.

Rising proportion of own products in securities business

In our securities business, the number of securities accounts totaled 921,000 as of September 30. This represents a slight decline on the prior-year figure of 937,000, resulting from adjustments made for inactive accounts in Luxembourg. 470,000 securities accounts were managed online via Easytrade. Total securities accounts holdings, plus the liquidity on our investment accounts, amounted to €9.9 billion, 13.8 % more than in the previous year. New business in the retail funds area, including certificates and our retirement provision account, rose by 25.9 % year-on-year to €1.97 billion. The proportion of Postbank funds distributed increased significantly from 38 % in the prior-year period to 44 %, since on the one hand cash inflows into open-ended real estate funds – which we do not offer ourselves but distribute exclusively for third parties – declined in line with market developments, while on the other hand these by definition conservative investments could be channeled into our own guarantee funds, and in particular into the newly launched "Dynamik Garant" fund.

"Riester pension" drives life insurance business

The revised "Riester pension" continued to sell extremely well in the third quarter, and was one of the main reasons for the 46.7 % increase in life insurance sales volumes year-on-year, to €2.2 billion. The life insurance portfolio rose by 3.7 % as against September 30, 2005, to €19.6 billion.

Mortgage lending: goal of €10 – €12 billion in new business well within reach for 2006

In the first nine months of the current year, new mortgage lending business amounted to €8.5 billion, after €8.9 billion in the prior-year period. The DSL sales force again increased new business by an encouraging 10 %, to €4.4 billion. The branches are successively discontinuing the sale of Postbank brand mortgage finance products, which means that only €0.1 billion was generated in 2006, after €0.2 billion in the prior-year period. Due to the integration work and the radical restructuring of BHW's mobile sales force (see above), sales via this channel were down year-on-year at €4.0 billion including home savings loans (prior-year period: €4.7 billion). As expected, sales performance improved again as the intensity of the integration measures decreased: whereas only 78 % of the prior-year volume was generated in Q2, this figure recover-ed again to 90 % in Q3. In fact, Q3 figures (€1.5 billion) improved on the prior quarter by 19 % in terms of volume.

All in all, Postbank had €59.7 billion of private mortgage loans on its books at the quarter-end, after €52.4 billion as of the same date in the previous year. This corresponds to an encouraging increase of 14 %.

Revised home savings offering

In April of this year, BHW fully revamped its home savings products for new business, now exclusively offering the new Dispo maXX with a variable savings rate and cap. The interest rate payable on the loan extended later is still specified when the contract is signed. Our discontinuation of the bonus interest rate products has reduced the interest rate risk for BHW Bausparkasse. However, this also entails refocusing sales efforts away from an emphasis on high savings rates and back towards underscoring the attractive construction loan. Despite this significant challenge, which comes on top of the mobile sales force integration measures, the tangible decline in sales figures experienced immediately after the change in the offering has now improved substantially. In a year-on-year comparison, we are already generating 96 % of our former sales performance.

Home savings also play a major role as an alternative means of redeeming our mortgage loans. By combining these products, customers can hedge against interest rate risk when the fixed-interest rate period of their financing expires. At the same time, the contribution margin from the additional product sale increases earnings for the Bausparkasse and hence helps cushion it against the current margin competition in private mortgage lending.

Retail business booming

New private loans business climbed 33 % in the first nine months to €1,011 million, bringing the total portfolio to just under €2.3 billion. The fourth quarter should also be extremely positive due to pull-forward effects connected with the VAT increase that will take effect on January 1, 2007, before easing off again as a result of this increase in the new year. In the medium term, we consider that this product area offers considerable potential. We aim to increase new business in 2008 to up to €2 billion, not least as a result of the strong sales successes recorded by our branches.

Steady growth in Corporate Banking

We are actively addressing the changing requirements of Germany's middle market by judiciously expanding our product portfolio that is speci-ally tailored to the needs of these customers. This includes in particular the service offerings for payment transactions and commercial real estate finance.

In addition to the successful launch of our investment credit product, we will shortly start brokering development loans from well-known public development agencies for our corporate customers, thus including another important component in our product range. Other products in the area of risk management, and in particular interest rate and currency hedging instruments, will follow. We aim to use these measures to strengthen our existing ties with middle market companies and assume a stronger core bank function in the mid-term future. The goal is to stabilize and boost our existing income from Corporate Banking.

We aim to continue growing our commercial real estate finance operations and in particular to expand our business in international markets. On the one hand, we will assist selected customers in their business abroad and support them in the financing of real estate there. On the other, our locations in London and New York provide us with direct representation in the key real estate markets of the United Kingdom and North America.

Overall, loans to corporate customers rose to €13.2 billion at the end of the quarter, i.e. up 14.7 % year-on-year or up 4.8 % as against December 31, 2005.

More efficient loan processing in Transaction Banking

In future, the Transaction Banking segment will consist of two strong domains. In addition to our traditional strength in payment transactions, we are building a highly efficient loan processing platform with BHW.

This will allow us to handle lending business in a cost-effective and efficient way, both for ourselves and for third parties. We are systematically turning our Hamelin location into a powerful loan factory. The "NeuBau" ("new construction") project launched three years ago was nearly completed in July, and mortgage loan processing successfully migrated to SAP standard software. This allows us to substantially improve efficiency with regard to processing costs and capacity. This already makes our loan factory in Hamelin one of the world's largest users of this software today. In addition, we have standardized the structures in our lending organization throughout the group, after a preparatory period of only nine months. BHW's previous loan processing structures were highly regional; these have now been changed to a process-based workflow. Since October 1, loan processing is performed centrally for all of Germany, which will lead to a sustained increase in efficiency.

Headcount reductions continue in socially responsible manner

Calculated in terms of full-time equivalents, 21,963 people were employed at Postbank as of September 30 – around 300 fewer than on June 30, 2006. Following the agreement on socially responsible headcount reductions reached with our negotiating partners on May 24, as already reported, the early retirement and severance packages offered have met with very good acceptance. In the period up to September 30, 2006, severance arrangements were agreed with 650 employees.

Important developments relating to the consolidated income statement

We were able to continue our profit growth in the first nine months of 2006. Profit before tax rose by 17.9 % as against the first nine months of 2005, to €651 million.

As in the previous quarters of 2006, we are presenting the other figures on a pro forma basis, i.e., as against the results for the first nine months of 2005 after the addition of the acquisition of BHW and the branches, including imputed refinancing costs. Calculated in this way, our pre-tax profit rose by 18.6 % to €651 million as against the prior-year figure of €549 million. In fact, the pre-tax operating profit after adjustment for all one-time factors, and especially for those resulting from the integration process, rose in the first nine months of 2006 by 31.1 % to €720 million, reflecting our strong business performance.

We further reduced the cost/income ratio from 75.2 % to 70.1 %. In our traditional banking business, i.e. excluding Transaction Banking, it fell from 74.0 % to 68.6 %.

The return on equity before taxes saw a further rise from 14.9 % to 17.3 %.

Total income grew by a further 5.5 % to €3,009 million. Balance sheet-related revenues, i.e. the total of net interest income, net income from investment securities and net trading income, rose encouragingly by 8.0 % to €1,957 million. Net interest income remains the main growth driver here and in fact increased its rate of growth in a nine-month comparison, rising thanks to our differentiated pricing on the deposits side and the increase in the volume of customer loans by 9.1 % to €1,593 million. Net income from investment securities increased by 2.2 % to €183 million, while net trading income rose by 4.6 % to €181 million.

As expected, total net fee and commission income increased only slightly (by 1.3 %) in the first nine months of 2006, to €1,052 million. As planned, labor-intensive and therefore low-margin paper-based payment transactions in the Transaction Banking segment continued to decline, leading to a reduction in fee and commission income. In the case of the branches, we are focusing more and more strongly on the sale of banking services. Income from the remaining services is therefore declining slightly. However, resource savings in both cases mean that profitability is hardly affected. In our traditional banking business, by contrast, we were again able to lift our net fee and commission income substantially. It rose by 12.5 % to €504 million.

At 8.3 %, the allowance for losses on loans and advances again rose by less than the increase in the credit volume of 13.9 %. It amounted to €234 million in the first nine months.

The Postbank Group's strict cost culture is becoming more and more of a key earnings driver: despite the integration process and the steady growth in our customer business, we were able to cut administrative expenses by €34 million or 1.6 % year-on-year, to €2,110 million. €13 million of this figure represents cost synergies from the integration of BHW.
In this way, we are ensuring that the encouraging growth in income also increases profits in full.

Net other income and expenses were down €72 million on the same period of the previous year, at €–14 million. This figure includes integration costs of €50 million in the period under review.

Viewed at a segment-specific level, Retail Banking's profit before tax rose by 16.2 % to €659 million in the first nine months of 2006 as against the comparable prior-year period, despite the fact that this segment is bearing the entire burden of the integration expenses. Corporate Banking improved by 14.0 % to €122 million, while Transaction Banking declined slightly by €1 million to €19 million. The Financial Markets business division increased its pre-tax profit by 4.5 % to €93 million, while the result of the Others segment declined by €8 million to €–242 million.

Given a tax rate of 35.0 %, the consolidated net profit for the period amounted to €424 million, an increase of 19.1 % on the previous year. As a result, earnings per share were €2.59, after €2.17 in the first nine months of 2005.

Total assets

Total assets amounted to €183.4 billion on September 30, 2006, slightly higher than the pro forma figure of €180.3 billion at year-end 2005. The clear structural improvements on the assets side are worth mentioning: we reduced low-margin short-term loans and advances to other banks by a further €2.3 billion as against year-end 2005 to €19.0 billion, while increasing higher-margin loans and advances to customers by €4.7 billion to €85.3 billion. Investment securities declined slightly by €0.4 billion to €61.3 billion; in contrast, trading assets rose by €1.4 billion to €11.9 billion.

On the equity and liabilities side of the balance sheet, deposits from other banks rose by €3.2 billion as against the pro forma 2005 year-end figures, to €43.8 billion. Amounts due to customers also grew, by €2.7 billion to €101.7 billion. As with the assets side of the balance sheet, we improved the structure and replaced more expensive refinancing funds with cheaper instruments. For example, we reduced our securitized liabilities by €3.2 billion to €16.9 billion.

At €5.0 billion, equity was down slightly (€145 million) on the 2005 year-end closing figure. The revaluation reserve, which amounted to €–244 million at the end of the first half of the year, recovered substantially as a result of the favorable interest rate and capital market environment, to close at €–34 million.

Segment development

As in the previous quarters of 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 made on a pro forma basis. The remaining segments are not affected by the consolidation of BHW and the branches.

Retail Banking

Profit before tax in the Retail Banking segment improved in the first nine months of 2006 by 16.2 % year-on-year to €659 million. Net interest income rose by 5.9 % to €1,714 million as against the first nine months of 2005, helped by our differentiated pricing strategy in the savings business. Net fee and commission income declined by 4.4 % year-on-year to €774 million. This is due among other things to the increase in sales commission paid in the private mortgage lending business, which rose by €14 million to €64 million, and the expected decline in non-banking services in the branches, which led to a drop in net fee and commission income of €20 million. Total income grew by 2.1 % to €2,511 million.

A particularly encouraging development is that administrative expenses in this segment were reduced by 6.9 % to €1,622 million. The decline in income from non-banking services is reflected in lower administrative costs. What is particularly noteworthy is that this improvement in results was achieved despite the financial burden of the integration process that was borne by the segment: total administrative expenses relating to the integration in the first nine months of the current year amounted to €52 million, of which €50 million is accounted for by Other expenses.

The cost/income ratio in Retail Banking declined sharply, from 70.8 % in the first nine months of 2005 to 64.6 % in the same period of 2006. The return on equity before taxes improved in line with this, from 27.5 % to 31.2 %.

Corporate Banking

We managed to increase profit before tax at Corporate Banking by 14.0 % year-on-year, to €122 million. Net interest income rose by a significant 8.0 % to €190 million in comparison to the first nine months of the previous year, lifting total income by 7.4 % to €277 million. The increase in administrative expenses slowed significantly to a mere 0.8 % for a total of €127 million, after a rise of 6.3 % in H1 2006; as a result, the cost/income ratio improved tangibly from 48.8 % to 45.8 %. The return on equity before taxes rose from 41.4 % to 46.4 %.

Transaction Banking

Profit before tax in the Transaction Banking segment declined by 5.0 % in the first nine months, to €19 million. The ongoing reduction in the number of paper-based payment transactions led to an 8.2 % drop in total income to €201 million. Administrative expenses did not fall quite so sharply, declining by 6.1 % to €185 million; this is due to preparations for our next outsourcing customer, HVB. As a result, the cost/income ratio rose from 90.0 % to 92.0 %.

Financial Markets

Profit before tax in the Financial Markets segment rose by 4.5 % in the first nine months of 2006 to €93 million. This is due above all to the 3.3 % decline in administrative expenses to €59 million, whereas total income remained almost unchanged (+0,7 %), at €149 million. The increase of 20.0 % in net fee and commission income to €54 million, which is primarily due to the expanded funds business, is especially noteworthy. The cost/income ratio improved substantially from 41.2 % to 39.6 %, while the return on equity before taxes was 22.3 %, up from 22.1 %.

Others

Profit before tax in the Others segment fell slightly by comparison with the first nine months of 2005, by 3.4 % to €–242 million. Net interest income improved by 4.5 % to €–382 million. Balance sheet-related revenues increased by a total of 39.5 % to €–75 million. The negative figure for net fee and commission income – which among other things contains a substantial structural negative component as a result of the consolidation of internal fees and commissions in Transaction Banking – narrowed by 51 % to €–54 million. This is primarily due to the offsetting effect of third-party sales commission for private mortgage lending, which lifted this income component by €14 million. By contrast, the rise in the remaining expenses at the cost centers increased administrative expenses by €99 million to €–117 million.

Outlook

2.4 % GDP growth for 2006 and 1.4 % for 2007 expected in Germany

The positive economic trend in the USA should continue into next year, albeit at a slower pace. Despite substantial price corrections on the US housing market, which are related to a sharp fall in construction investment, a recession remains unlikely. After increasing by 3.3 % this year, real gross domestic product (GDP) in the USA is still expected to grow by 2.6 % in 2007. The economy in the euro zone should slow slightly at the beginning of 2007, when the VAT increase in Germany comes into force. However, the economic upturn is expected to continue over the rest of the year on the back of robust domestic demand. In 2007, real GDP is forecast to grow by 1.8 % in the euro zone and by 1.4 % in Germany, after 2.6 % and 2.4 % respectively this year. Japan should profit from the continued strong expansion of its Asian trade partners, although domestic demand will also remain dynamic. GDP growth is likely to fall from 2.7 % this year to 1.9 % next year.

Cycle of interest rate rises likely to continue

The signs suggest that the improvement in inflation rates in the key currency areas will be short-lived. Inflation in the euro zone is expected to increase towards the end of the year, and to settle above the ECB limit of 2 %. The European Central Bank is therefore likely to continue its cycle of interest rate increases on the basis of strong economic data. We expect a key interest rate of 3.5 % at the end of 2006, followed by a further increase of a quarter of a percentage point in 2007. In the USA, we believe that a marginal reduction in key interest rates is likely in the first half of 2007. Taking a 12-month perspective, long-term yields should increase to at least 4 % in the euro zone and to around 5 % in the USA.

Competition on the German banking market remains extremely fierce

Following on from their good fiscal year of 2005, most German banks again presented attractive results in the first half of the current year. However, the sector is still characterized by extremely fierce competition, which is reflected among other things in declining margins and ongoing restructuring measures. Competition between banks is expected to continue unabated in the coming quarters, although the moderate increase in the yield curve that we anticipate in the coming year should ease the pressure on interest margins slightly. In addition, banks' earnings could be boosted by a sustained moderate upturn in the lending business in Germany.

Postbank expects further improvement in results in Q4

In the deposit business, Postbank will retain its differentiated pricing strategy for the rest of 2006 and beyond. Volumes will remain less important than margins due to the Bank's continued deposit surplus. The sales successes achieved in the life insurance business are likely to continue as a result of the revised "Riester pension".

The increased competition in the mortgage lending business and the related pressure on margins will continue in the coming quarters. However, we still expect to achieve our target corridor for new private mortgage lending business of €10 – €12 billion in 2006. We also expect Postbank's volume of new business to pick up again as the amount of time required for our integration work decreases. Our quality initiatives in mobile sales, our extended range of products and access to Postbank's customer base should have an increased effect in the coming months. The 3 percent increase in VAT from the beginning of 2007 will probably lead to pull-forward effects in consumer spending in the fourth quarter, which should also boost our private lending business.

As the early retirement contracts and termination agreements signed in recent months gradually take effect, we anticipate a further decline in the number of employees by the end of the year.

Overall, we aim to achieve a healthy further development in our results for the coming quarter.

We will complete our operational integration measures in 2007. We are forecasting a net expense of around €37 million for this and are therefore exactly on track.

The announced rise in VAT is likely to increase our administrative expenses by around €25 million from 2007. To offset this effect as far as possible starting from 2008, we aim to identify additional potential cost synergies, define the required measures and investments and implement these in 2007.

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

Table of contents

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

	Note	Jan. 1 – Sept. 30 2006 €m	2005[1] €m	2005[2] pro forma €m
Interest income	(4)	5,652	3,948	5,219
Interest expense	(4)	–4,059	–2,693	–3,759
Net interest income	(4)	1,593	1,255	1,460
Allowance for losses on loans and advances	(5)	–234	–155	–216
Net interest income after allowance for losses on loans and advances		1,359	1,100	1,244
Fee and commission income	(6)	1,209	592	1,161
Fee and commission expense	(6)	–157	–63	–122
Net fee and commission income	(6)	1,052	529	1,039
Net trading income	(7)	181	154	173
Net income from investment securities	(8)	183	166	179
Administrative expenses	(9)	–2,110	–1,407	–2,144
Other income	(10)	160	77	159
Other expenses	(11)	–174	–67	–101
Profit before tax		651	552	549
Income tax expense		–228	–193	–192
Profit from ordinary activities after tax		423	359	357
Minority interest		1	–1	–1
Consolidated net profit		**424**	**358**	**356**

Earnings per share

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

	Jan. 1 – Sept. 30 2006	2005[1]	2005[2] pro forma
Basic earnings per share (€)	2.59	2.18	2.17
Diluted earnings per share (€)	2.59	2.18	2.17

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			
	Q3 €m	Q2 €m	Q1 €m	Q4 €m	Q3 €m	Q2 €m	Q1 € m
Interest income	1,914	1,867	1,871	1,402	1,332	1,325	1,291
Interest expense	–1,372	–1,328	–1,359	–982	–925	–899	–869
Net interest income	542	539	512	420	407	426	422
Allowance for losses on loans and advances	–79	–77	–78	–50	–52	–52	–51
Net interest income after allowance for losses on loans and advances	463	462	434	370	355	374	371
Fee and commission income	402	398	409	209	200	196	196
Fee and commission expense	–53	–51	–53	–39	–22	–20	–21
Net fee and commission income	349	347	356	170	178	176	175
Net trading income	60	62	59	51	59	64	31
Net income from investment securities	55	58	70	86	67	38	61
Administrative expenses	–695	–700	–715	–479	–471	–469	–467
Other income	47	53	60	175	28	25	24
Other expenses	–57	–61	–56	–206	–22	–24	–21
Profit before tax	222	221	208	167	194	184	174
Income tax expense	–76	–79	–73	–33	–68	–64	–61
Profit from ordinary activities after tax	146	142	135	134	126	120	113
Minority interest	1	1	–1	–	–	–	–1
Consolidated net profit	**147**	**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			
	Q3 €m	Q2 €m	Q1 €m	Q4 €m	Q3 €m	Q2 €m	Q1 €m
Interest income	1,914	1,867	1,871	1,826	1,755	1,749	1,715
Interest expense	–1,372	–1,328	–1,359	–1,338	–1,279	–1,256	–1,224
Net interest income	542	539	512	488	476	493	491
Allowance for losses on loans and advances	–79	–77	–78	–70	–73	–72	–71
Net interest income after allowance for losses on loans and advances	463	462	434	418	403	421	420
Fee and commission income	402	398	409	399	390	385	386
Fee and commission expense	–53	–51	–53	–59	–42	–39	–41
Net fee and commission income	349	347	356	340	348	346	345
Net trading income	60	62	59	58	66	70	37
Net income from investment securities	55	58	70	91	71	43	65
Administrative expenses	–695	–700	–715	–726	–716	–715	–713
Other income	47	53	60	202	55	52	52
Other expenses	–57	–61	–56	–217	–33	–35	–33
Profit before tax	222	221	208	166	194	182	173
Income tax expense	–76	–79	–73	–33	–68	–64	–60
Profit from ordinary activities after tax	146	142	135	133	126	118	113
Minority interest	1	1	–1	–	–	–	–1
Consolidated net profit	**147**	**143**	**134**	**133**	**126**	**118**	**112**

[1] See note 3

Consolidated balance sheet as of September 30, 2006

Assets	Note	Sept. 30, 2006 €m	Dec. 31, 2005 €m	Dec. 31, 2005 pro forma[1] €m
Cash reserve		1,012	968	1,184
Loans and advances to other banks	(12)	19,004	17,801	21,306
Loans and advances to customers	(13)	85,254	52,873	80,565
Allowance for losses on loans and advances	(15)	–1,167	–776	–1,043
Trading assets	(16)	11,856	10,386	10,513
Hedging derivatives		480	639	639
Investment securities	(17)	61,337	55,423	61,748
Intangible assets	(18)	2,421	223	1,794
Property and equipment	(19)	1,021	825	1,130
Income tax assets		479	434	818
Other assets	(20)	641	1,484	1,644
Groups of assets held for sale		1,054	–	–
Total assets		**183.392**	**140,280**	**180,298**

Shareholders' equity and liabilities	Note	Sept. 30, 2006 €m	Dec. 31, 2005 €m	Dec. 31, 2005 pro forma[1] €m
Deposits from other banks	(21)	43,765	30,778	40,582
Due to customers	(22)	101,723	78,481	98,958
Securitized liabilities	(23)	16,911	14,613	20,117
Trading liabilities	(24)	3,345	3,345	4,103
Hedging derivatives		930	1,668	1,668
Provisions	(25)	3,694	969	3,064
Income tax liabilities		1,323	1,030	1,413
Other liabilities	(26)	536	427	784
Subordinated debt	(27)	5,101	3,783	4,423
Groups of liabilities held for sale		1,023	–	–
Equity		5,041	5,186	5,186
a) Issued capital		410	410	410
b) Share premium		1,159	1,160	1,160
c) Retained earnings		3,046	3,123	3,123
d) Consolidated net profit		424	492	492
Minority interest		2	1	1
Total liabilities and shareholders' equity		**183,392**	**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	–		
Currency translation differences				35			35		35
Changes in unrealized gains and losses, net of deferred taxes					231		231		231
Consolidated net profit Jan. 1 – September 30, 2005						358	358	1	359
Treasury shares		1					1		1
Other changes							–	–1	–1
Balance at September 30, 2005	**410**	**1,160**	**2,889**	**–85**	**453**	**358**	**5,185**	**1**	**5,186**
Memo item: Total of items until September 30, 2005 that change shareholders' equity in acc. with IAS 1.96 c				35	231	358	624	1	625
Dividend payment							–		–
Appropriation to retained earnings							–		
Currency translation differences				8			8		8
Changes in unrealized gains and losses, net of deferred taxes					–142		–142		–142
Consolidated net profit Oct. 1 – Dec. 31, 2005						134	134		134
Treasury shares							–		–
Other changes							–		–
Balance at Dec. 31, 2005	**410**	**1,160**	**2,889**	**–77**	**311**	**492**	**5,185**	**1**	**5,186**
Memo item: Total of items between Oct. 1 and Dec. 31, 2005 that change shareholders' equity in acc. with IAS 1.96 c				8	–142	134	–	–	–
Dividend payment						–205	–205		–205
Appropriation to retained earnings			287			–287	–		
Currency translation differences				–19			–19		–19
Change in unrealized gains and losses, net of deferred taxes					–345		–345		–345
Consolidated net profit Jan. 1 – September 30, 2006						424	424	–1	423
Treasury shares		–1					–1		–1
Other changes							–	2	2
Balance at September 30, 2006	**410**	**1,159**	**3,176**	**–96**	**–34**	**424**	**5,039**	**2**	**5,041**
Memo item: Total of items until September 30, 2006 that change shareholders' equity in acc. with IAS 1.96 c				–19	–345	424	60	–1	59

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

Consolidated cash flow statement

	Jan. 1 – Sept. 30 2006 €m	Jan. 1 – Sept. 30 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	1,098	3,870
Net cash from investing activities	–1,956	–4,321
Net cash used in/from financing activities	584	–35
Effect of exchange differences	43	–9
Changes in cash and cash equivalents in accordance with IFRS 5	59	–
Cash and cash equivalents at September 30	**1,012**	**630**

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		Corporate Banking		Transaction Banking		Financial Markets		Others		Group	
	Jan.1–Sept. 30		Jan.1–Sept. 30		Jan.1–Sept. 30		Jan.1–Sept. 30		Jan.1–Sept. 30		Jan.1–Sept. 30	
	2006 €m	2005 €m	2006 €m	2005 €m	2006 €m	2005 €m	2006 €m	2005 €m	2006 €m	2005 €m	2006 €m	2005 €m
Net interest income	1,714	1,248	190	176	3	4	68	61	–382	–234	1,593	1,255
Net trading income	12	–	3	–1	–	–	22	41	144	114	181	154
Net income from investment securities	11	–	4	4	–	–	5	1	163	161	183	166
Balance sheet-related revenues	**1,737**	**1,248**	**197**	**179**	**3**	**4**	**95**	**103**	**–75**	**41**	**1,957**	**1,575**
Net fee and commission income	774	289	80	79	198	215	54	45	–54	–99	1,052	529
Total income	**2,511**	**1,537**	**277**	**258**	**201**	**219**	**149**	**148**	**–129**	**–58**	**3,009**	**2,104**
Administrative expenses	–1,622	–1,018	–127	–126	–185	–197	–59	–61	–117	–5	–2,110	–1,407
Allowances for losses on loans and advances	–187	–114	–29	–28	–	–	2	2	–20	–15	–234	–155
Other income/expense	–43	–1	1	3	3	–2	1	–	24	10	–14	10
Profit before tax	**659**	**404**	**122**	**107**	**19**	**20**	**93**	**89**	**–242**	**–68**	**651**	**552**
Cost/income ratio (CIR)	**64.6 %**	**66.2 %**	**45.8 %**	**48.8 %**	**92.0 %**	**90.0 %**	**39.6 %**	**41.2 %**	**–**	**–**	**70.1 %**	**66.9 %**
Return on equity before taxes (RoE)	**31.2 %**	**24.4 %**	**46.4 %**	**41.4 %**	**–**	**–**	**22.3 %**	**22.1 %**	**–25.7 %**	**–5.2 %**	**17.3 %**	**15.0 %**

	Sept. 30 2006 €m	Dec. 31 2005 €m	Sept. 30 2006 €m	Dec. 31 2005 €m	Sept. 30 2006 €m	Dec. 31 2005 €m	Sept. 30 2006 €m	Dec. 31 2005 €m	Sept. 30 2006 €m	Dec. 31 2005 €m	Sept. 30 2006 €m	Dec. 31 2005 €m
Segment assets	**75,359**	**31,762**	**16,082**	**14,580**	**171**	**239**	**27,098**	**23,337**	**58,741**	**66,565**	**177,451**	**136,483**
Segment liabilities	**92,989**	**58,978**	**17,348**	**13,732**	**82**	**143**	**10,686**	**11,957**	**44,639**	**42,407**	**165,744**	**127,217**

Pro forma segment reporting by business segment[1]

	Retail Banking		Corporate Banking		Transaction Banking		Financial Markets		Others		Group	
	Jan.1–Sept. 30		Jan.1–Sept. 30		Jan.1–Sept. 30		Jan.1–Sept. 30		Jan.1–Sept. 30		Jan.1–Sept. 30	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Net interest income	1,714	1,619	190	176	3	4	68	61	–382	–400	1,593	1,460
Net trading income	12	19	3	–1	–	–	22	41	144	114	181	173
Net income from investment securities	11	12	4	4	–	–	5	1	163	162	183	179
Balance sheet-related revenues	**1,737**	**1,650**	**197**	**179**	**3**	**4**	**95**	**103**	**–75**	**–124**	**1,957**	**1,812**
Net fee and commission income	774	810	80	79	198	215	54	45	–54	–110	1,052	1,039
Total income	**2,511**	**2,460**	**277**	**258**	**201**	**219**	**149**	**148**	**–129**	**–234**	**3,009**	**2,851**
Administrative expenses	–1,622	–1,742	–127	–126	–185	–197	–59	–61	–117	–18	–2,110	–2,144
Allowances for losses on loans and advances	–187	–176	–29	–28	–	–	2	2	–20	–14	–234	–216
Other income/expense	–43	25	1	3	3	–2	1	–	24	32	–14	58
Profit before tax	**659**	**567**	**122**	**107**	**19**	**20**	**93**	**89**	**–242**	**–234**	**651**	**549**
Cost/income ratio (CIR)	**64.6 %**	**70.8 %**	**45.8 %**	**48.8 %**	**92.0 %**	**90.0 %**	**39.6 %**	**41.2 %**	**–**	**–**	**70.1 %**	**75.2 %**
Return on equity before taxes (RoE)	**31.2 %**	**27.5 %**	**46.4 %**	**41.4 %**	**–**	**–**	**22.3 %**	**22.1 %**	**–25.7 %**	**–25.6 %**	**17.3 %**	**14.9 %**

Segment reporting by geographical region

	Assets		Liabilities		Income		Profit before tax	
	Sept. 30	Dec. 31	Sept. 30	Dec. 31	Jan. 1 – Sept. 30		Jan. 1 – Sept. 30	
	2006	2005	2006	2005	2006	2005	2006	2005
	€m	€m	€m	€m	€m	€m	€m	€m
Germany	143,534	97,408	133,604	89,938	2,838	1,957	531	454
Others	33,917	39,075	32,140	37,279	171	147	120	98
Europe	29,299	35,327	27,897	33,907	107	97	82	69
USA	4,618	3,748	4,243	3,372	64	50	38	29
Total	**177,451**	**136,483**	**165,744**	**127,217**	**3,009**	**2,104**	**651**	**552**

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 September 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 this leads – among other things – to elimination or significant reduction of inconsistencies in the measurement or recognition (accounting mismatch). Postbank uses the fair value option exclusively for specific loan portfolios that are hedged by interest rate derivatives.

They are 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, 41 (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 September 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.

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.

Deutsche Post Retail GmbH was renamed in "Postbank Filialvertrieb AG". The new name took effect on entry into the commercial register on July 26, 2006.

On entry into the commercial register on September 5, 2006, Betriebs-Center für Banken Berlin GmbH and Betriebs-Center für Banken Frankfurt am Main GmbH were merged into BCB Deutschland GmbH & Co. KG retrospectively as from January 1, 2006.

In October, BHW Holding AG sold its 50 % stake in MPSS Modra Pyramida Vseobecna stavebni sporitelna Komercni banky, a.s., Prague. As a result, the groups of assets and liabilities held for sale were reported as such in the balance sheet as of September 30, 2006.

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 26 (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.

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. Since the date of the mandatory offer Postbank holds an interest of 98.43 %.

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
(renamed Postbank Filialvertrieb AG)

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 for Postbank in the retail outlets, Postbank paid a variable remuneration amounting to €513 million in 2005 and €496 million in 2004. Since then, remuneration has only been paid for services provided in the remaining retail outlets of Deutsche Post. Deutsche Post pays 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)	1,276	0.1
= Goodwill	477	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	594	383	–
Other liabilities	204	204	153
Subordinated debt	699	640	n.a.
Total equity and liabilities (excluding equity)	**40,656**	**39,779**	**239**
Net assets	1,297	948	0.1
less minority interest	21	n.a.	n.a.
Net assets acquired	1,276		0.1

Income statement disclosures

(4) Net interest income

	Jan. 1 – Sept. 30 2006 €m	2005 €m
Interest and current income		
Interest income from:		
Lending and money market transactions	3,799	2,540
Fixed-income and book-entry securities	1,510	1,140
Trading operations	171	155
Net gains/losses on remeasurement of hedges	6	–7
	5,486	**3,828**
Current income from:		
Equities and other non-fixed-income securities	165	119
Investments in associates	1	1
	166	**120**
	5,652	**3,948**
Interest expense on:		
Deposits	2,751	1,711
Securitized liabilities	727	548
Subordinated debt	195	124
Swaps (hedge accounting in accordance with IAS 39)	219	216
Trading operations	167	94
	4,059	**2,693**
Total	**1,593**	**1,255**

(5) Allowance for losses on loans and advances

	Jan. 1 – Sept. 30 2006 €m	2005 €m
Cost of additions to allowance for losses on loans and advances	286	180
Cost of additions to provisions for credit risks	13	–
Direct loan write-offs	23	11
Income from the reversal of the allowance for losses on loans and advances	78	31
Recoveries on loans previously written off	10	4
Income from the reversal of provisions for credit risks	–	1
Total	**234**	**155**

(6) Net fee and commission income

	Jan. 1 – Sept. 30 2006 €m	2005 €m
Giro business	271	261
Securities business	91	81
Lending and guarantee business	77	42
Branch business	403	–
Other fee and commission income	210	145
Total	**1,052**	**529**

(7) Net trading income

	Jan. 1 – Sept. 30 2006 €m	2005 €m
Net income from interest rate products	16	48
Net gain on derivatives carried in the trading portfolio and the banking book	169	90
Net income from equities	5	9
Foreign exchange income/loss	–7	9
Net fee and commission income – trading portfolio	–2	–2
Total	**181**	**154**

(8) Net income from investment securities

	Jan. 1 – Sept. 30 2006 €m	2005 €m
Net income from bonds and promissory note loans	–64	59
Net income from equities and other non-fixed-income securities	245	108
Net income from investments in associates	2	–
Impairment	–	–1
Total	**183**	**166**

(9) Administrative expenses

	Jan. 1 – Sept. 30 2006 €m	2005[1] €m
Staff costs	1,035	491
Other administrative expenses	1,004	870
Depreciation and write-downs of property and equipment	71	46
Total	**2,110**	**1,407**

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

(10) Other income

	Jan. 1 – Sept. 30 2006 €m	Jan. 1 – Sept. 30 2005 €m
Income from property and equipment	26	25
Miscellaneous	134	52
Total	**160**	**77**

(11) Other expenses

	Jan. 1 – Sept. 30 2006 €m	Jan. 1 – Sept. 30 2005 €m
Amortization and write-downs of intangible assets	45	32
Miscellaneous	129	35
Total	**174**	**67**

Balance sheet disclosures

(12) Loans and advances to other banks

	Sept. 30, 2006 €m	Dec. 31, 2005 €m
Payable on demand	1,336	1,153
Other loans and advances	17,668	16,648
Total	**19,004**	**17,801**

(13) Loans and advances to customers

	Sept. 30, 2006 €m	Dec. 31, 2005 €m
Private mortgage lending	56,480	28,953
Home savings loans	3,182	–
Public sector	6,046	8,682
Instalment credits	2,308	1,575
Other loans and advances	17,238	13,663
Total	**85,254**	**52,873**

(14) Total credit extended

	Sept. 30, 2006 €m	Dec. 31, 2005 €m
Loans and advances to other banks	19,004	17,801
Loans and advances to customers	85,254	52,873
Guarantees	1,479	1,804
Total	**105,737**	**72,478**

(15) Allowances for losses on loans and advances

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

	Sept. 30, 2006 €m	Dec. 31, 2005 €m
Specific valuation allowances	1,123	732
Portfolio-based valuation allowances	44	44
Total allowances for losses on loans and advances	**1,167**	**776**
Provisions for credit risks	29	7
Total	**1,196**	**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	286	180
Currency translation differences	–	3
Disposals		
Utilization	84	36
Allowance reversed to the income statement	78	31
Currency translation differences	2	–
Balance at September 30	**1,167**	**783**

(16) Trading assets

	Sept. 30, 2006 €m	Dec. 31, 2005 €m
Bonds and other fixed-income securities	8,845	7,284
Equities and other non-fixed-income securities	23	10
Positive fair values of derivatives carried as trading assets	2,420	2,617
Positive fair values of banking book derivatives	568	475
Total	**11,856**	**10,386**

(17) Investment securities

	Sept. 30, 2006 €m	Dec. 31, 2005 €m
Bonds and other fixed-income securities	55,705	49,661
Equities and other non-fixed-income securities	5,477	5,720
Investments in associates	25	15
Investments in unconsolidated subsidiaries	130	27
Total	**61,337**	**55,423**

(18) Intangible assets

	Sept. 30, 2006 €m	Dec. 31, 2005 €m
Originated intangible assets and software	373	16
Acquired software, concessions, industrial rights	385	121
Acquired goodwill	1,528	51
Advance payments on intangible assets and intangible assets under development	135	35
Total	**2,421**	**223**

(19) Property and equipment

	Sept. 30, 2006 €m	Dec. 31, 2005 €m
Land and buildings	879	726
Operating and office equipment	140	92
Advance payments and assets under development	2	7
Total	**1,021**	**825**

(20) Other assets

	Sept. 30, 2006 €m	Dec. 31, 2005 €m
Prepaid expenses	315	280
Receivables from tax authorities	54	50
Miscellaneous	272	1,154
Total	**641**	**1,484**

(21) Deposits from other banks

	Sept. 30, 2006 €m	Dec. 31, 2005 €m
Payable on demand	1,770	585
Other deposits	41,995	30,193
Total	**43,765**	**30,778**

(22) Due to customers

	Sept. 30, 2006 €m	Dec. 31, 2005 €m
Savings deposits	37,108	37,988
Home savings deposits	17,934	–
Other amounts due:		
Payable on demand	23,354	21,940
With an agreed maturity or withdrawal notice	23,327	18,553
	46,681	**40,493**
Total	**101,723**	**78,481**

(23) Securitized liabilities

	Sept. 30, 2006 €m	Dec. 31, 2005 €m
Mortgage bonds	56	67
Public-sector mortgage bonds (*Pfandbriefe*)	134	319
Other debt instruments	16,721	14,227
Total	**16,911**	**14,613**

(24) Trading liabilities

	Sept. 30, 2006 €m	Dec. 31, 2005 €m
Negative fair values of trading derivatives	2,303	2,770
Negative fair values of banking book derivatives	906	571
Delivery obligations under securities sold short	136	4
Total	**3,345**	**3,345**

(25) Provisions

	Sept. 30, 2006 €m	Dec. 31, 2006 €m
Provisions for pensions and other employee benefits	1,104	585
Provisions for insurance premiums	1,449	158
Provisions for home savings business	747	–
Miscellaneous other provisions	394	226
Total	**3,694**	**969**

(26) Other liabilities

	Sept. 30, 2006 €m	Dec. 31, 2005 €m
Trade payables	27	39
Liabilities from other taxes	13	95
Liabilities from income taxes	–	2
Miscellaneous liabilities	456	281
Deferred income	40	10
Total	**536**	**427**

(27) Subordinated debt

	Sept. 30, 2006 €m	Dec. 31, 2005 €m
Subordinated liabilities	2,844	2,020
Hybrid capital instruments	1,086	1,125
Profit participation certificates outstanding	1,117	583
Contributions by typical silent partners	54	55
Total	**5,101**	**3,783**

Other disclosures

(28) Contingencies and other obligations

	Sept. 30, 2006 €m	Dec. 31, 2005 €m
Contingent liabilities		
on guarantees and warranties	1,479	1,804
Other obligations		
Irrevocable loan commitments	19,922	16,583
of which: building loans provided	1,835	–
Total	**21,401**	**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		Positive fair values		Negative fair values	
	Sept. 30, 2006 €m	Dec. 31, 2005 €m	Sept. 30, 2006 €m	Dec. 31, 2005 €m	Sept. 30, 2006 €m	Dec. 31, 2005 €m
Trading derivatives	417,732	361,833	2,988	3,092	3,209	3,341
Hedging derivatives	34,901	41,909	480	639	930	1,668
Total	**452,633**	**403,742**	**3,468**	**3,731**	**4,139**	**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.

			Fair Value			
	Nominal amounts		Positive fair values		Negative fair values	
	Sept. 30, 2006 €m	Dec. 31, 2005 €m	Sept. 30, 2006 €m	Dec. 31, 2005 €m	Sept. 30, 2006 €m	Dec. 31, 2005 €m
Trading derivatives						
Foreign currency derivatives	14,591	16,078	121	176	118	165
Interest rate derivatives	401,437	344,377	2,842	2,897	3,065	3,151
Equity/index derivatives	426	457	23	16	21	16
Credit derivatives	1,278	921	2	3	5	9
Total holdings of trading derivatives	**417,732**	**361,833**	**2,988**	**3,092**	**3,209**	**3,341**
Hedging derivatives						
Fair value hedges	34,901	41,908	480	639	930	1,668
Cash flow hedges	–	1	–	–	–	–
Total holdings of hedging derivatives	**34,901**	**41,909**	**480**	**639**	**930**	**1,668**
Total holdings of derivatives	**452,633**	**403,742**	**3,468**	**3,731**	**4,139**	**5,009**

(30) Market price risk from trading activities

	Trading book	
	Sept. 30, 2006 €m	Dec. 31, 2005 €m
Value at risk	5.94	3.90
Minimum value at risk	2.75	2.65
Maximum value at risk	10.33	13.90
Average value at risk	**5.15**	**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:

	Sept. 30, 2006 €m	Dec. 31, 2005 €m
Risk-weighted assets	79,468	62,354
Market risk positions	9,975	7,538
Positions for which capital charges are required	89,443	69,892
Tier 1 capital	4,447	5,164
thereof: hybrid capital instruments	1,151	1,151
Tier 2 capital	3,160	2,342
thereof: Profit participation certificates outstanding	1,079	558
thereof: Subordinated liabilities	2,225	1,780
Tier 3 capital	54	–
Eligible own funds	7,661	7,506
Tier 1 ratio (%)	5.6	8.3
Capital ratio (%)	8.6	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		98.4
BHW Bank AG, Hamelin		98.3
BHW Lebensversicherung AG, Hamelin		98.4
BHW Gesellschaft für Wohnungswirtschaft mbH, Hamelin		98.4
BHW Gesellschaft für Wohnungswirtschaft mbH & Co. Immobilien-verwaltungs KG, Hamelin		98.4
BHW Gesellschaft für Vorsorge mbH, Hamelin		98.4
BHW Immobilien GmbH, Hamelin		98.4
Postbank Finanzberatung AG, Hamelin	23.3	75.5
Postbank Filialvertrieb AG, 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	
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 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		49.2

(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	
Mario Daberkow, Bonn	since November 1, 2006

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, November 6, 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 | Mario Daberkow

Financial calendar

Fiscal year 2007

March 19, 2007	Financials press conference and analysts' conference on fiscal year 2006
May 10, 2007	Annual General Meeting
May 14, 2007	Interim Report for the first quarter, analyst conference call
August 2, 2007	Interim Report for the first half-year, analyst conference call
November 7, 2007	Interim Report for the third quarter, analyst conference call

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

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This Interim Report contains forward-looking statements that relate to macroeconomic developments (in particular the development of money and capital market rates), the business and the net assets, financial position and results of operations of the Postbank Group. Forward-looking statements are not historical facts and are in some instances indicated by words such as "believe", "anticipate", "predict", "plan", "estimate", "aim", "expect", "assume" and similar expressions. Forward-looking statements are based on the Company's current plans, estimates, projections and forecasts and are therefore subject to risks and uncertainties that could cause actual development or the actual results or performance to differ materially from the development, results or performance expressly or implicitly assumed in these forward-looking statements.

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

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