Deutsche Postbank Group
Interim Report as of March 31, 2008

1/08

Postbank

Postbank Group in figures

		Jan. 1 – March 31, 2008	Jan. 1 – March 31, 2007
Consolidated income statement			
Balance sheet-related revenues	€m	567	674
Total income	€m	926	1,031
Administrative expenses	€m	–684	–715
Profit before tax	€m	166	222
Consolidated net profit	€m	116	144
Total cost/income ratio	%	73.9	69.4
Cost/income ratio in traditional banking business	%	71.8	67.3
Return on equity			
before tax	%	13.2	17.0
after tax	%	9.2	11.1
Earnings per share	€	0.71	0.88

		March 31, 2008	March 31, 2007
Consolidated balance sheet			
Total assets	€m	221,907	202,991
Customer deposits	€m	88,556	89,703
Customer loans	€m	89,909	89,622
Risikovorsorge	€m	1,169	1,154
Equity	€m	4,771	5,311
Tier 1 ratio in accordance with Basel II (excluding CAP)	%	6.7	6.9
Headcount (FTEs)	thousand	21.59	21.47
Long-term ratings			
Moody's		Aa2	Aa2
	Outlook	stable	stable
Standard & Poor's		A–	A–
	Outlook	stable	stable
Fitch		A	A
	Outlook	stable	stable
Information on Postbank shares		March 31, 2008	March 31, 2007
Share price at the balance sheet date	€	60.47	65.27
Share price (Jan. 1 – March 31)	high €	67.10	68.18
	low €	46.64	58.54
Market capitalization on March 31	€m	9,917	10,704
Number of shares	million	164.0	164.0

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Ladies and Gentlemen,

At Postbank, the first quarter of the new fiscal year was shaped by two key developments. Firstly, we began driving forward the implementation of our "Next Step" strategic program, which we presented at the end of 2007, and have achieved visible progress at a structural level. Against this background, our customer business has continued to perform well and we recorded a healthy trend in our operating profit for the first three months. Secondly, developments on the capital markets again dominated the first quarter in the entire sector, with in some cases significant financial effects on German and international financial institutions.

Our Retail Banking initiatives centered on focusing our sales capacity with the goal of strengthening our role as the number 1 in liquidity and financial management. Going forward, Postbank will concentrate in particular on its core customers and aims to substantially increase their number and product usage. As part of our increased customer orientation, we have already assigned more than half of our core customers a permanent adviser in our branch-based or mobile sales organization. This process is being accompanied by a comprehensive training campaign and the continuous optimization of our sales platform.

On this basis, we can report another encouraging performance by our major core retail banking products in the first quarter despite the ongoing difficult environment in the German retail banking business. We again recorded high growth in checking accounts – our anchor product in retail banking. Consumer finance trends are increasingly indicating that German private households are upbeat about the future. We have strengthened our leading position in the German market and proved our ability to generate profitable growth even in a competitive environment that remains extremely fierce. We aim to further increase our already high market share by continuing to achieve above-average growth over the coming years.

We also accelerated our strategic initiatives in the other segments. In Corporate Banking, we intend to be one of our key customers' top five banks. In this context, we are aiming to expand our middle-market lending business and our commercial real estate finance activities in a risk-conscious manner. The first quarter has shown that we are on the right track. We are using our consolidation expertise in Transaction Banking to examine the opportunities for leveraging growth potential in the rest of Europe, among other things. The Financial Markets segment proved its important role as an innovation driver for developing products for our private and corporate customers.

As is known, we were able to keep the impact of the capital market developments on our earnings situation within moderate limits in 2007 due to the strong overall quality of our structured credit portfolio. In the first quarter, the negative trend on the capital markets again accelerated significantly. The original subprime crisis has long spread to other asset classes, leading to irrational speculative exaggerations in some cases.

Postbank, too, is not immune to this broad deterioration in the market environment. This is why we forecast additional financial burdens in 2008 when we presented our 2007 results. However, we again experienced fluctuations in value in the first quarter, which to a large extent were temporary in nature, while long-term impairment losses were moderate in comparison.

Despite the impact of capital market developments on its income statement, Postbank achieved relatively positive results overall, with profit before tax of €166 million. This was due to our strong operating business. After adjustment for the negative effects, we significantly outperformed the prior-year quarter.

The suspicion I expressed in my letter to you, our shareholders, in our 2007 Annual Report has been confirmed: 2008 will not be an easy year for the banking sector and Postbank, too, cannot rule out further financial effects caused by market turbulence in the coming quarters. Nevertheless I remain upbeat. Despite the challenging conditions on the capital markets and continued tough competition in the German market, we remain on track after the first quarter with our strategy of orienting Postbank's operating business on adding value. This gives us confidence for the tasks that lie ahead and our ambitious medium-term financial targets.

Postbank is in an excellent position to further extend its strong position in the German retail banking business. We will continue to systematically shape our future path on the basis of our strategic action program and proven business model.

Bonn, May 8, 2008

Sincerely,

Wolfgang Klein
Chairman of the Management Board

Shareholders and Stock:
Postbank stock stable despite weak stock markets

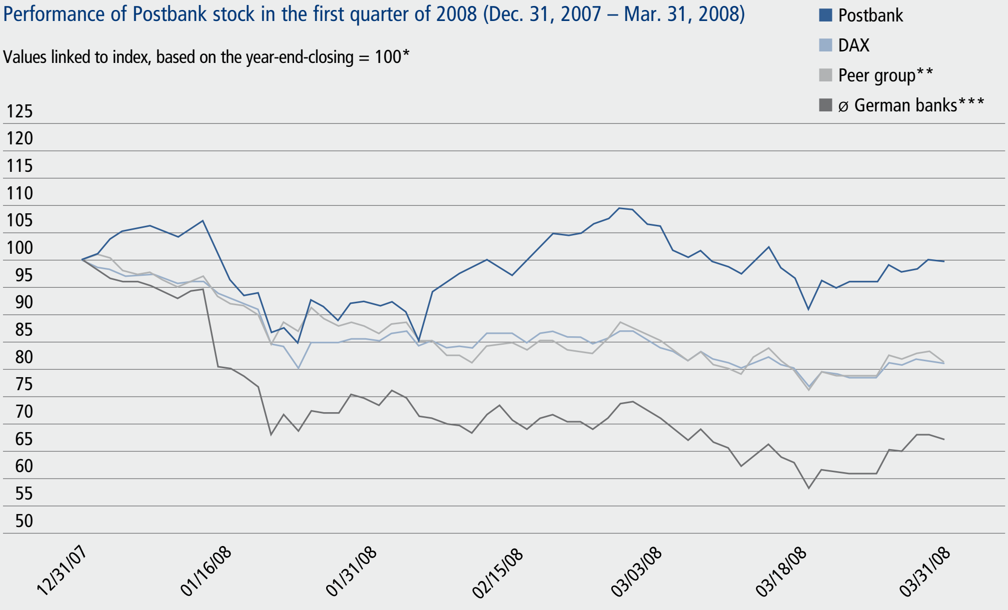
The performance of the international stock markets in the first months of 2008 was again overshadowed by the financial market crisis. More negative news from the financial sector put pressure on share prices until the middle of March. Many international banks announced further write-downs and the need to raise additional capital. Industrial companies also increasingly warned that the crisis is impacting their prospects. One of the lowest points of the financial market crisis to date came when the then fifth-largest US investment bank ran into liquidity problems in March. However, financial stocks and the market as a whole recovered as a result of the bailout involving the Fed. Overall, the DAX recorded a loss of around 19% in the first three months.

By contrast, Postbank stock closed the quarter at €60.47, almost equaling the year-end price for 2007 (–0.5 %). This means that our stock also significantly outperformed our most important peer group of nine leading European retail banks, outstripping them by almost 20 percentage points.

As a result of the general uncertainty on the capital markets, Postbank pulled forward the publication of key data from its 2007 financial statements to February 15, 2008. Analysts and investors welcomed this action and largely described the results as "solid" and "without any surprises." In particular, the analysts praised the trend in net interest income and net fee and commission income, both of which are important operating income items. In addition, the impact of the financial market crisis in the fourth quarter of 2007 was less severe than many analysts had expected.

Performance of Postbank stock in the first quarter of 2008 (Dec. 31, 2007 – Mar. 31, 2008)

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



Source: Bloomberg, Postbank

* Performance of Postbank stock, peer group and stocks of German banks excluding dividend
** Banco Popular, Banco Popolare, Swedbank, Svenska Handelsbanken, Alliance & Leicester, Banco Espirito Santo, Erste Bank, Unicredito, Royal Bank of Scotland
*** Commerzbank, Deutsche Bank, Hypo Real Estate

These positive fundamentals and continued M&A speculation led to Postbank significantly outperforming the sector and the market as a whole. In addition, we further improved transparency in our credit substitute business (structured credit portfolio) and also published detailed information on Postbank's stable commercial real estate business. Transparency inspires confidence and contributes towards lower volatility of our stock price.

The majority of analysts continue to give Postbank stock a positive rating. At the end of April, analysts had issued 16 buy and 13 hold recommendations, compared with only 5 sell recommendations. You can access the list of current recommendations on our Investor Relations pages on the Internet at www.postbank.com/IR by selecting the Analyst Recommendations menu item under the Postbank Share & Bonds heading. Our Web pages also offer detailed information for private and institutional investors along with a facility for ordering publications.

Our stock data		Q1/2008	Q1/2007
Closing price	€	60.47	65.27
High	€	67.10	68.18
Low	€	46.64	58.54
Q1 earnings per share	€	0.71	0.88
Number of shares	million	164.0	164.0
Market capitalization at the end of quarter	€m	9,917	10,704
Beta factor (relative to the DAX)		1.14	0.85
Equity at the end of quarter	€m	4,771	5,246
Return on equity before taxes	%	13.2	17.0
Total cost/income ratio	%	73.9	69.4
Cost/income ratio in traditional banking business	%	71.8	67.3

Developments in Q1/2008:
Solid first quarter for customer business

In the first three months of the current year, Postbank increased sales of checking and savings products. Our portfolio of mortgage loans also grew despite the weak market trend. In personal loans, we set a record for new business.

Implementation of the "Next Step" strategic program proceeding as planned

In the first quarter of 2008 we began implementing our "Next Step" strategic program, which we unveiled at the end of 2007, on schedule. This program aims to drive Postbank's value-oriented development and to expand our strong position in the German retail banking business. A key element of "Next Step" is to focus sales channels more strongly on our 4.6 million core customers. We plan to gradually assign our customer potential to the approximately 2,000 financial service specialists at the 855 Postbank branches and our more than 4,000 mobile advisers in order to increase the intensity of customer care and product use. Our goal is first to increase the proportion of core customers who use three or more of our products and services from the current 40 % to 47 % by 2010. Secondly, we intend to increase the number of core customers to 5.2 million in the same period. We have made good progress toward reaching this goal since the beginning of the year.

Our strategic program also involves focusing even more squarely on our innovative ability. We want Postbank's 14.4 million customers to enjoy the benefits of our efficient processes and wide range of high-performance products. One example of this is "Postbank Vermögensmanagement Plus," an umbrella fund successfully launched in the last quarter of 2007 that allows customers to choose between three investment strategies for asset management.

We are confident that "Next Step" will make a significant contribution to further reinforcing Postbank's strong position in the retail banking sector. In the interest of ensuring transparency with respect to the progress achieved in implementing the strategy program and the performance of our customer business, we have introduced a range of key performance indicators. In the following, we describe how these KPIs performed and report on the results of our customer business in the first quarter of 2008.

Branch training programs show clear success

Our "Filiale im Wandel" (Changing Branches) project, which is part of our strategic program, has been designed to steadily increase the level of service offered at our branches and the productivity of our advisers. One of this project's components involves reorganizing our branches with the aim of giving them a more modern and customer-friendly appearance. Surveys have confirmed the success of this endeavor: Both current and potential customers show an increased awareness of our banking services at the six pilot branches that have already been redesigned.

During the first quarter, we successfully focused sales activities in our branches on the sale of new checking accounts. The branches also significantly increased new business in the areas of personal loans and home savings in comparison with the prior year. These positive trends testify, among other things, to the success of our ongoing training programs, with which we are continuously equipping our advisers to actively sell our extensive range of products.

The sale of financial services products at the branches is tracked at regular intervals using a key performance indicator (KPI). At 112 at the end of the first quarter, this index was well over the base year's level (2006 = 100 %). However, it failed to match the previous year's level of 147 % – a peak value resulting from a very successful campaign in the first quarter of 2007 to increase new savings business with correspondingly high levels of product sales.

As expected, demand for postal services continued to decline in comparison with the first quarter of 2007, with the end of the mail monopoly at the start of the year only having a slight impact. With regard to new services offered at our branches to round out our range of products, our collaboration with Faber Lotto ended in the first quarter due to a legislative change. These last two factors led to a decrease in our net fee and commission income.

A new internal control system with optimized sales incentives was introduced in the branches at the start of 2008 with a view to further increasing productivity. Daily reporting, which illustrates all activities and results down to the branch level, is one of the components that make a significant contribution to improving transparency and sales management.

Improving mobile sales quality

We plan to further increase the quality of our mobile sales as part of our strategic program. Our goal is to bring together 5,000 mobile sales experts at Postbank Finanzberatung by 2010 and to significantly increase the number of multi-category sellers as well. We are making good progress in this area. At the end of March 2008, the number of finance managers who sell three to five product categories – a key performance indicator that measures qualitative developments in the mobile sales area – was approximately 31 %, exceeding the level of 27 % recorded in the base year (2006). The number of mobile advisers was just under 4,180 as of March 31, 2008, slightly below the year-end level of 4,260. This change represents standard fluctuation at the beginning of a fiscal year. Since the beginning of the year, we have been running a broad-based training campaign to give all our sales executives, in particular, even more intensive training with a view toward our long-term goals and to continuously enhance our holistic approach to advisory service. We expect this to further boost the quality of our advisory services and multi-category sales.

Our mobile sales force was particularly successful in the home savings business during the first three months of 2008. Applications for home savings volumes in excess of €2.3 billion surpassed the prior year's figure by 6.4 %. Mobile sales of checking accounts also continued to develop encouragingly: nearly 11,000 new checking accounts were opened, a rise of 44 % over the first quarter of 2007. The KPI productivity index fell slightly to 90 in the first quarter of 2008 as a result of seasonal, countercyclical fluctuations in the base year 2006. We anticipate that this figure will rise considerably in the coming months.

Ongoing rise in sales of checking accounts

Competition for checking accounts continues unabated, with a tendency toward providing more and more extra services at no cost. In addition to no-fee bank accounts, the ability to use a credit card for free cash withdrawals worldwide is becoming established as a marketing tool, particularly among direct banks. This makes it all the more encouraging that Postbank achieved a sales increase of approximately 13.7 % in the first quarter of 2008; the number of new private checking accounts opened was 133,000. This performance benefited not only from the sound levels of new business acquired by our branches and our mobile sales organization, but also from Postbank's "Happy Hour," which offers special conditions for checking accounts opened via the Internet, as well as our cooperation business, which performed very well. As of March 31, 2008, we maintained a total of 4.9 million private checking accounts for our customers. This gives us a market share of 6.7 %.

The use of overdraft facilities linked to checking accounts also increased considerably. At €1 billion, the volume was approximately 7 % over year-end 2007.

Postbank has thus proven its selling power and its ability to keep growing in the face of intense competition.

Implementation of new strategy in the savings business begins to bear fruit

Postbank is the largest provider in the German retail banking business with a total savings volume of more than €61 billion. We are aiming for value-driven volume expansion as part of the strategy for the savings business we announced at the end of 2007. We launched, for example, a nationwide marketing campaign in mid-March 2008 to acquire new savings deposits with our "Quartal-Sparen" (Quarterly Savings) product, which offers attractive bonus interest payments. We took in roughly €260 million in only two weeks, which enabled us to increase the total volume of savings deposits by approximately €0.5 billion, compared with year-end 2007, to €44.4 billion. This increase is all the more pleasing in light of the fact that market volumes in the savings business in the first two months of 2008 (more recent data unavailable) fell by 1.4 %. The volume of home savings deposits remained stable, as expected, at approximately €16.7 billion.

One-time factors impact the fund and insurance business

The fund and securities business performed moderately due to the difficult capital market environment. Including the guarantee fund, Postbank Dynamik Best Garant, which was offered for subscription in February and March and issued on April 3, 2008, other securities reported gross cash inflows of €706 million, only slightly below the previous year's level. Postbank's new proprietary products proved to be successful: "Postbank Vermögensmanagement Plus", an umbrella fund with three different investment strategies that has seen inflows of €260 million since its launch last November, and "Dynamik Best Garant", the guarantee fund mentioned above that achieved a sales volume of € 101 million. These product launches underscore Postbank's innovative ability and testify to the successful transfer of expertise from Financial Markets to the customer segments.

We are expecting the fund business to pick up in the course of 2008 due to introduction of the flat tax (Abgeltungssteuer) in 2009. We have already begun appropriate advisory initiatives in our sales channels.

Volumes in our securities accounts fell in concert with the sharp decline in share prices, dropping from €11.5 billion at year-end 2007 to €10.7 billion as of March 31, 2008.

Our life insurance business fell slightly by €10 million over the prior year to €270 million.

New mortgage lending business down year-on-year in line with the market

The market for mortgage lending again suffered in January 2008 (latest figures not yet available) from a lower number of building permits for residential construction, which declined 4.6 % from the first quarter of 2007.

In addition, Q1 2007 was dominated by follow-on effects from the VAT increase at the end of 2006. Therefore, this figure can only be compared with the first quarter of 2008 to a limited extent. At €2.4 billion, new business in Q1 2008 was approximately 21 % below the figure for Q1 2007. However, it surpassed the figures for the third (+15 %) and fourth (+23 %) quarters of 2007, which represent a more meaningful basis of comparison, by a wide margin.

Third-party sales generated by the DSL brand contributed approximately €1.4 billion to the volume of new business. We sold a volume of over €1 billion under the BHW brand, which is offered primarily via our mobile sales organization. The proportion of small-scale loans for modernization and/or energy-saving measures was encouraging. This segment now makes up nearly 40% of Mobile Sales' new business.

Postbank's private mortgage lending volume increased by approximately €0.6 billion over the year-end 2007 figure to €68.6 billion as of the end of March. This enabled us to further increase our market share in this division, which at 8.7 % was 0.3 percentage points and therefore well over the figure as of March 31, 2007.

Strong home savings business in a stable overall market

New home savings contracts in the amount of €2.8 billion were concluded in the first quarter of 2008, an increase of 2.4 % over the first three months of 2007. Home savings deposits fell by € 0.1 million year-on-year to €16.7 billion as of March 31, 2008. Thus, our market share remained unchanged at 13.7 %.

A positive trend was also seen in paid home savings loans, which increased year-on-year by 12 % to €265.9 million.

The anticipated inclusion of owner-occupied residential property in government-supported pensions („Wohn-Riester") in the second half of 2008 should have a slight positive impact in the long term on new business in the mortgage lending and home financing product areas. This effect is likely to be countered in the home savings business by the introduction of earmarking (housing bonuses required to be used for housing-related costs).

Retail Banking information

New business		2007	2006	Q1 2008	Q1 2007
New customers	thousand	1,000	962	196	262
New checking accounts	thousand	587	469	133	117
New mortgage lending business incl. portfolio acquisitions	€bn	12.4	14.0	2.4	5.7
New private lending business*	€bn	1,132	1,064	380	220
Total home savings – written	€bn	11.2	11.6	2.8	2.7
New securities business	€bn	3.1	2.6	0.687	0.681
Book		**2007**	**2006**	**Q1 2008**	**Q1 2007**
Customers	million	14.5	14.6	14.4	14.6
Checking accounts	million	4.9	4.7	4.9	4.7
Savings deposits	€bn	43.9	42.1	44.4	43.7
Home savings deposits	€bn	16.6	16.7	16.7	16.8
Private mortgage lending book incl. portfolio acquisitions	€bn	68.0	62.3	68.6	65.9
Private loan book*	€bn	2.3	1.9	2.46	1.93
Volume of securities accounts	€bn	11.5	10.5	10.7	10.9

*excluding BHW Bank

Installment loan business sees record growth in first quarter

Postbank Privatkredit (personal loans) registered the highest volume of new business since we introduced this product, climbing nearly 73 % over Q1/2007 to €380 million. The total volume of personal loans amounted to €2.46 billion as of March 31, 2008, a rise of 7.4 % over the volume at year-end 2007. This success is thanks in part to a new product launched at the end of November, "Postbank Minutenkredit", with loan amounts of between €1,500 and €2,999, as well as to the option for immediate cash payments at Postbank Finance Centers.

New credit card products introduced

In mid-March, we responded to increased customer demand for credit cards with the introduction of VISA Card PLATINUM, VISA Card GOLD, and VISA Card Prepaid. We sold a total of 38,000 credit cards in the first quarter of 2008 (Q1/2007: 42,000 credit cards), meaning that a total of 1.0 million Postbank credit cards are currently in circulation.

Core bank for SMEs

We are making excellent progress toward positioning ourselves as a core bank for the middle market in our German Corporate Banking business. In addition to overdraft facilities, investment loans, and money market loans, our product range for SMEs includes development loans from KfW Bankengruppe, which have performed encouragingly since they were launched in 2007. The total Corporate Banking loan portfolio was unchanged as against the end of last year, at €17.6 billion. Year-end 2007 saw high drawings on overdraft facilities and money market loans for technical closing date reasons. The volume of SME loans (KPI) was nearly unchanged as well at €3.4 billion.

In addition, we offer our customers a wide range of investment and risk management products as well as real estate-related products. Our medium-term goal in implementing these measures is to become one of the five core banks for 3,000 of our total of 30,000 corporate customers. Our systematic drive to expand our sales organization for this is already evident in the greater intensity of customer care and stronger customer ties. This is reflected in a significant rise in the KPI for Corporate Banking sales productivity, which equaled 117 as of the end of the first quarter (base year 2005 = 100 %), up significantly from 110 in the previous year.

Adjusted for the negative effects of the capital market crisis, Corporate Banking income (KPI) also performed well to reach €112 million, approximately 12 % over the prior year's figure. We plan to increase Corporate Banking income to €500 million by 2010 by consistently implementing the measures described.

Steady expansion of Transaction Banking

In the payment transactions area, the first quarter of 2008 was dominated by the successful launch of SEPA on January 28. We successfully completed the integration of HypoVereinsbank (HVB)'s payments operations, and made further improvements to our growth-oriented organizational structures.

Transactions processed in the first three months of the year by Postbank's payment transactions operations, including BCB client business, amounted to nearly 2 billion, or roughly 5 % more than in Q1/2007.

In our Credit Services, we further optimized our industrialized, standardized, and highly efficient credit processing operations by introducing, among other things, new software for online processing of mortgage loan applications.

Interim Management Report

Business Environment

Significant events at Postbank in the first quarter of 2008

On January 9, 2008, Postbank launched its first jumbo mortgage Pfandbrief with a volume of €1.5 billion. Despite the difficult market environment, the issue was decidedly successful. The mortgage bond was placed with a wide group of investors in Germany and abroad at very attractive conditions for Postbank. The issue of Pfandbriefe puts our refinancing structure on an even broader base. As a firmly entrenched player in the covered bond market, Postbank intends to make regular use of the ensuing opportunities in the future.

The squeeze-out of minority shareholders of BHW Holding was entered in the commercial register on February 12, 2008, upon which all shares of minority shareholders became the property of Postbank. Pursuant to the resolution to transfer shares, the former shareholders receive a cash payment of €15.11 per no-par value share.

On February 19, 2008, Klaus Zumwinkel resigned his position as Chairman of the Supervisory Board of Postbank. He played a decisive part in making Postbank the leading retail bank in Germany. During his time in office as Chairman of the Supervisory Board, he and the Management Board of Postbank made decisive contributions to setting a course that will lead the Bank to further sustainable growth in the future. At its meeting on March 3, the Supervisory Board of Postbank was reconstituted, and Frank Appel was elected Chairman.

Macroeconomic environment

The global economy continued on its growth course at the beginning of 2008. However, the trend was quite mixed in the various world regions. The United States experienced a pronounced economic downturn. Retail spending suffered from high oil prices and the uncertainty resulting from the prolonged, significantly intensified turmoil on the financial markets. In addition, the sharp decline in residential construction spending persisted. Foreign trade continued to prop up the US economy, however. In Asia, the strong economic upturn continued. China kept its lead, with GDP growth slowing only slightly from its very high level. In Japan, the pace of growth slowed at the start of the year in response to a strong final quarter in 2007. Nonetheless, the positive trend in exports and corporate investment remained. In the euro zone, the upswing continued at a moderate pace at the start of 2008 despite the strong euro and the international financial crisis. The European industrial sector proved to be in particularly strong health. The German economy also saw positive development. Export demand stayed buoyant, and domestic demand for capital goods remained at a very high level. This is an indication that companies will continue to substantially increase investment in machinery and equipment. Thus it appears that the business tax reform will be less of a burden on investment growth this year than we previously thought. However, no noticeable revival of private consumption has materialized as yet in Germany in spite of the sustained favorable trend on the labor market. In other respects, the direction and extent of economic trends for Q1 in the above-named regions largely corresponded to our expectations as published in the last report.

Owing to fears of recession and the ongoing crises in the US financial system, the Federal Reserve cut its key interest rate three times in the first quarter by a total of 2 percentage points to 2.25 %. By contrast, the European Central Bank kept its rate constant at 4 % in view of the rise in both economic and inflationary risks. While the development of the key interest rate in the euro zone corresponded with our expectations, the Fed eased its monetary policy more quickly than we had projected. Against this backdrop, long-term capital market returns in the euro zone declined in the first quarter of 2008, whereas we had anticipated sideways movement.

Sector situation

Similar to 2007, the first quarter of 2008 was also dominated by the crisis on the global capital markets. Driven by a number of speculative excesses, the situation intensified dramatically to spill over to numerous other asset classes. These developments even affected European government bonds as well as prime-rated bank and corporate bonds. Financial institutions worldwide have already taken very substantial writedowns on their structured credit products since the start of the crisis. German banks in the private, public, and cooperative sectors have also been confronted with high financial losses, some in the billions of euros. Mid-March 2008 marked the peak of the financial crisis to date, when a major US investment bank nearly collapsed before being rescued in a joint rescue plan by the U.S. Fed and another major U.S. bank. With regard to the rest of the year, it cannot be ruled out that German banks will also suffer additional financial losses resulting from developments on the capital markets.

Net Assets, Financial Position, and Results of Operations

Income statement

The first quarter of the current fiscal year was dominated by continued fierce competition in the German retail banking sector and by the acceleration and spreading of the negative developments on the capital markets mentioned above. By leveraging its strong customer base even more intensively and continuing to acquire new customers at an encouraging rate, Postbank further cemented its pole position in key areas of the market. The optimization of its sales channels in terms of both quality and quantity and extensive marketing campaigns also contributed to this. Postbank systematically drove forward the implementation of its strategic action program in all business divisions.

Against this background, Postbank recorded a positive trend in its Q1 operating profit. At the same time, it was not immune to the financial effects of developments on the capital markets, although these primarily comprised temporary fluctuations in value rather than long-term impairments. Compared with the previous year, Postbank increased its core operating income figures – net interest income and net fee and commission income. However, the impact of the market turbulence led to a decline in net trading income (due to the measurement of embedded derivatives in the credit substitute business that are not related to Postbank's underlying net trading income) and in net income from investment securities. As forecast, administrative expenses fell significantly as a result of further efficiency gains and continued strict cost discipline. Despite the growth in the Bank's total credit extended, the allowance for losses on loans and advances was well below the prior-year level due to the strong economic environment in Germany.

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

In the first quarter of 2008, profit before tax fell by 25.2 % year-on-year to €166 million due to the effects of capital market turbulence. The return on equity before taxes therefore decreased from 17.0 % as of March 31, 2007 to 13.2 % as of March 31, 2008. The cost/income ratio for the Bank as a whole rose to 73.9 %, compared with 69.4 % in the first quarter of the previous year, and reached 71.8 % (previous year: 67.3 %) in our traditional banking business, i. e. excluding Transaction Banking, during the same period. After adjustment for the financial effects of the capital market crisis, Postbank recorded substantial year-on-year improvements in profit before tax, return on equity, and the cost/income ratio in the first three months.

Despite the challenges posed by a continued flat – and at times inverted – yield curve, net interest income increased by 2.6 % year-on-year in the first quarter to €557 million. While interest income rose overall as a result of the Bank's positive volume performance, current income decreased in the first quarter due to the significant reduction in holdings of equities and other non-fixed-income securities. Our new savings strategy is reflected in the higher interest expense, in particular from liabilities. As in the whole of 2007, we continued to offer our customers attractive conditions by further increasing the average interest earned in the first quarter of 2008, thus strengthening our lead in the highly competitive savings business. Thanks to Postbank's strong deposit base, the sharp increase in capital market interest rates triggered by the financial market crisis resulted in only a moderate increase in our interest expenses during refinancing.

Compared with the first three months of 2007, net income from investment securities fell from €70 million to €1 million. Here on the one hand we were able to again generate a positive earnings contribution by actively managing our financial investments within the steering of our balance sheet-related revenues. On the other hand, this item includes – based on a cautious measurement policy – impairment losses of €48 million on the portfolios impacted by the effects of the capital market crisis. This volume of impairment losses, which continues to be comparatively moderate, once again underlines the healthy structure of our investments.

Overall, net trading income fell from €61 million in the prior-year quarter to €9 million in Q1/2008 due in part to temporary effects from the measurement of embedded derivatives from the credit substitute business amounting to €126 million, which are not related to Postbank's underlying net trading income. After adjustment for these effects, net trading income increased – in particular because long-term yields declined in the first three months of the current year. This had a positive effect on the measurement of our trading portfolios of German government bonds, which we deliberately increased as a natural hedge in view of the capital market crisis and the widening of spreads in other asset classes. We also recorded positive earnings contributions from the derivatives that we use as part of asset/liability management.

Net fee and commission income amounted to €359 million in the first three months, up slightly on the first quarter of 2007 (€357 million). As expected, the substantial increase in net fee and commission income in our banking business was offset by a continued decline in income from the sale of postal services and new services at our branches as part of our greater focus on financial services and from transaction banking.

Total income in the first three months fell by 10.2 % year-on-year, to €926 million. Balance sheet-related revenues, comprising net interest income, net trading income and net income from investment securities, decreased by 15.9 % to €567 million. These developments are almost exclusively attributable to the effects of the capital market turbulence. After adjustment for these effects, the two income items would have increased significantly as against the first quarter of 2007, in particular due to the high underlying net trading income.

At €75 million in Q1/2008, the allowance for losses on loans and advances fell by €15 million or 16.7 % as against the same quarter of 2007. However, total credit extended to customers rose sharply by 7.8 % in the same period. This underlines our conservative risk profile and our continued prudent lending policy, as well as the robust macroeconomic development in Germany.

Administrative expenses developed very satisfactorily. As forecast, total costs fell significantly by €31 million or 4.3 % in the first three months to €684 million. Postbank thus again proved that it can continuously increase volumes in its customer business while maintaining costs at very stable levels. We are profiting from the effects of the efficiency initiatives that we have implemented over the past years, the realization of the full synergy potential from the integration of BHW.

Net other income and expenses amounted to €–1 million, following €–4 million in the previous year.

With a tax rate of slightly below 30 %, the consolidated net profit amounted to €116 million, down 19.4 % year-on-year (€144 million). This corresponds to earnings per share of €0.71, after €0.88 in Q1/2007.

Segment reporting

Retail Banking

Profit before tax in the Retail Banking segment increased by 20.1 % year-on-year to €257 million. This improvement was primarily attributable to the good performance of net fee and commission income, a reduced allowance for losses on loans and advances, and lower administrative expenses.

As expected, net interest income for the segment declined by 1.7 % to €575 million in the first quarter as a result of Postbank's new strategy to acquire savings accounts by offering attractive conditions for new deposits. We are expecting this strategy to have a positive impact in the first half of 2009, by which time the effects of newly generated volumes will have more than offset the strain on margins. Balance sheet-related revenues fell by 3.4 % to €576 million.

With respect to net fee and commission income, the increase in income from the sale of financial services – for instance the slight improvement in net fee and commission income from securities and the insurance business – more than compensated for the expected €12 million decrease in income from the sale of postal services and third-party services. As a result, net fee and commission income rose by a total of €10 million, or 4 %, to €260 million. Total income decreased slightly by 1.2 % to €836 million.

Administrative expenses performed very satisfactorily, declining by 2.9 % from Q1/2007 to €533 million. This figure was positively impacted by the now completed integration of BHW and the branches. The sale of Postbank's insurance equity investments in the third quarter of 2007 also had a positive effect on administrative expenses in a year-on-year comparison.

Allowances for losses on loans and advances declined by €10 million to €59 million in view of the positive macroeconomic environment in Germany.

The cost/income ratio improved slightly from 64.9 % to 63.8 %, while the return on equity before taxes rose from 29.2 % in Q1/2007 to 41.3 %.

Corporate Banking

The Corporate Banking business recorded profit before tax of €7 million in the first quarter of 2008, down from €45 million in the first quarter of 2007. Adjusted for the effects of the financial market crisis, profit before tax for this segment would have exceeded the previous year's figure by a wide margin. The operating profit trend, therefore, remains positive. One indication of this is the increase in net interest income by 26.9 % year-on-year to €85 million. By contrast, net trading income and net income from investment securities experienced a substantial drop of €64 million year-on-year to €–58 million (cumulative) for the above-mentioned reasons.

At the same time, administrative expenses improved by €2 million to €41 million. The cost/income ratio was 73.2 % after 43.0 % in the first quarter of 2007, and the return on equity before taxes fell to 7.0 % from 49.6 % in the prior year.

Transaction Banking

In the Transaction Banking segment, profit before tax rose by €1 million to €10 million in the first quarter. Net fee and commission income fell by €3 million to €87 million, largely due to the continuing increase in the proportion of paperless transactions, while administrative expenses remained stable at last year's level of €82 million for the same reason. The cost/income ratio increased slightly from 90.1 % to 93.2%.

Financial Markets

The Financial Markets segment benefited from the sharp increase in market volatility ensuing from the financial market crisis with an improvement in earnings of €20 million, or nearly 56 %, to €56 million. Net trading income rose from €13 million to €33 million, and net interest income was up €5 million to €30 million. Total income thus increased by 41.1% to €79 million. Administrative expenses grew by €3 million to €23 million. As a result, the cost/income ratio improved markedly from 35.7 % to 29.1 %. The return on equity before taxes rose from 25.4 % to 32.0 %.

Others

The loss recorded by the Others segment increased from €82 million in the first quarter of 2007 to €164 million in the first quarter of 2008. This development can be attributed in particular to the effects of the capital market crisis described above. Balance-sheet related revenues declined by €65 million to €–100 million, and total income decreased by €71 million to €–133 million. This includes net trading income of €15 million (down €24 million from 2007), net income from investment securities of €19 million (down €42 million), and net interest income, which was nearly unchanged from the prior year at €–134 million.

Administrative expenses, however, improved by €16 million to just €–5 million, while net other income and expenses declined from €11 million to €–17 million.

Total Assets

Total assets rose from €203.0 billion at the end of 2007 to €221.9 billion as of March 31, 2008. On the asset side, this was mainly due to the significant increase in loans and advances to customers and higher investment securities. On the liabilities side, a rise in deposits from other banks and a slight increase in amounts due to customers were recorded. At the same time, the scheduled reduction of relatively expensive securitized legacy liabilities continued. Now that Postbank has reduced its historical deposit surplus, it has a balanced, well-diversified balance sheet.

Loans and advances to customers increased by an encouraging €1.9 billion as against the end of 2007 to €94.0 billion. This growth was driven by the Corporate Banking business on the one hand and private mortgage loans and consumer finance on the other. We continued to reduce our legacy portfolios of low-margin public-sector receivables in fiscal year 2007 as scheduled by €0.3 billion to €3.2 billion.

Loans and advances to other banks were approximately €6.5 billion higher than at year-end 2007 (€24.6 billion), as we used our comfortable liquidity situation to take advantage of interbank lending opportunities. Against the backdrop of turbulence on the capital markets, we made additions to our portfolio of German government bonds and, among other things, prime-rated *Pfandbriefe* (mortgage bonds) based on their function as a "safe haven". This led to an increase in investment securities of €9.3 billion in the first three months of 2008 to €77.9 billion. However, trading assets also increased in the first quarter. They amounted to €12.5 billion as of March 31, 2008, up some €2.5 billion from year-end 2007. This made a crucial contribution to stabilizing net trading income.

On the liabilities side, amounts due to customers rose by €1.9 billion to €112.6 billion. We expanded deposits from other banks by €15.5 billion to €76.7 billion in connection with the above-mentioned increase in our portfolio of highly liquid, low-risk investment securities as a precautionary measure to additionally strengthen our liquidity position. Securitized liabilities also increased, rising €1.3 billion to €10.8 billion, which reflects, among other things, our successful *Pfandbrief* issue with a volume of €1.5 billion at the start of 2008. Trading liabilities increased by €0.5 billion to €6.1 billion.

At €4.8 billion, equity as of March 31, 2008 was down €0.5 billion from the 2007 year-end closing figure of €5.3 billion. In this context, the revaluation reserve fell from €-523 million at the end of 2007 to €–1,152 million as of March 31, 2008. This development can be attributed primarily to interest-bearing items in our investment portfolio. During the quarter under review, the financial market crisis intensified dramatically and spilled over to numerous other asset classes. The resulting massive widening of credit spreads led to a temporary decrease in the present value of financial investment instruments. As a result of speculative excesses, this even affected, for example, some prime-rated European government bonds and mortgage bonds, for which no permanent loss in value is likely, either. Securities in Postbank's portfolio of structured credit products also experienced changes in present value. After detailed analysis, we are maintaining our assumption that based on the overall good credit quality, these impairments will be temporary, too, in light of the credit substitutes held to maturity.

It should also be noted that the increases in the present value of our liability items, such as demand deposits and savings deposits, do not have a positive effect on the revaluation reserve due to IFRS measurement requirements.

The Tier 1 ratio in accordance with Basel II was 6.7 % as of March 31, 2008, following 6.9 % at year-end 2007. We are reiterating our goal of increasing this ratio to 7.5 % by year-end 2009.

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

Risk Report

Organization of risk management

The Postbank Group has established a risk management organization as the basis for risk- and earnings-oriented overall bank management. The risk management system aims to accept normal banking risk within a defined framework reflecting the Bank's risk-bearing capacity, so as to leverage the resulting opportunities for generating returns.

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

The organizational framework of risk management has not changed in principle since the last management report. In Q1/2008, Postbank enhanced its internal reporting system to include further information on the monitoring and limiting of liquidity risk at Group level. In addition, a project was launched, as planned, in the first quarter with the aim of also using the market risk model – which has already been implemented for internal risk management purposes – for regulatory capital requirements for market risk positions in accordance with the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation). Following regulatory approval, Postbank also plans to use the internal market risk model for regulatory purposes starting in 2010.

No further significant modifications to the Postbank Group's risk management system are planned for fiscal year 2008. However, the methods, systems, and processes discussed here and in the 2007 Annual Report are subject to continuous review and enhancement in order to meet business and regulatory requirements.

Risk types

The Postbank Group distinguishes between the following risk types:

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

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

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

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

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

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

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

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

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

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

Risk capital and risk limiting

The Bank's risk-bearing capacity is assessed from the perspective of investor protection and serves as the foundation for the system used to limit material risks.

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

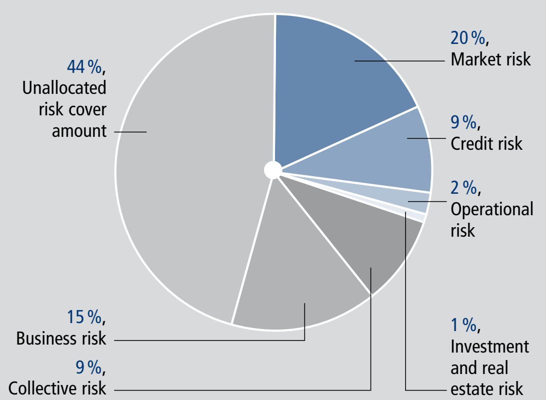
Risk capital by risk types		
Capital and risk components	Allocated risk capital	
	Mar. 31, 2008 €m	Dec. 31, 2007 €m
Market risk	2,266	2,044
Credit risk	1,191	1,191
Operational risk	635	635
Investment and real estate risk	126	126
Collective risk	1,000	1,000
Business risk	1,893	1,893
Total before diversification	7,111	6,889
Diversification effects	1,293	1,276
Total after diversification	5,818	5,613
Unallocated risk cover amount	4,537	4,678
Total risk cover amount	10,355	10,291

Because of the full integration of spread risk into the ongoing calculation of market risk in the fourth quarter of 2007, the risk capital made available for market risk was increased by €222 million at the beginning of 2008.

The uncertainty unleashed on the financial markets by the US mortgage crisis and the related widening of spreads accelerated appreciably in the first quarter of 2008. This affected almost all asset classes. In some areas, such as European government bonds, this led to speculative excesses that do not reflect the actual credit risk inherent in these investments. Consequently, we recorded mainly temporary declines in the fair value of our portfolios. The utilization of the risk cover amount by the risk capital allocated thus rose slightly by around two percentage points compared with December 31, 2007; the share of the total risk capital accounted for by market risk also increased slightly as a result. However, at no time was the risk-bearing capacity of the Postbank Group negatively impacted by the effects of the crisis on the capital markets.

The percentage allocation of the Postbank Group's risk cover amount by risk type after factoring in correlation effects is as follows for the first quarter of 2008 (calculated as of March 31, 2008):

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



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

Market risk for both the core business and for own-account transactions is managed by allocating limits for the relevant portfolios. For loans to banks, companies, and sovereigns (central and regional governments and local authorities), credit risk is managed by investing in a target portfolio that has been optimized to reflect risk and earnings aspects, in addition to risk limitation at portfolio level.

Risks are only assumed within limits that are in line with the Bank's risk-bearing capacity in order to generate yields, taking risk/return aspects into account. This aims to ensure that risks that could jeopardize the Bank's existence are avoided. As of March 31, 2008, risk capital utilization was 46 % for market risk and 60 % for credit risk.

Regulatory requirements: Solvency Regulation

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

On March 5, 2008, Postbank published its first disclosure report in accordance with the SolvV (Pillar III report under Basel II) on its website.

Market risk

Market risk management

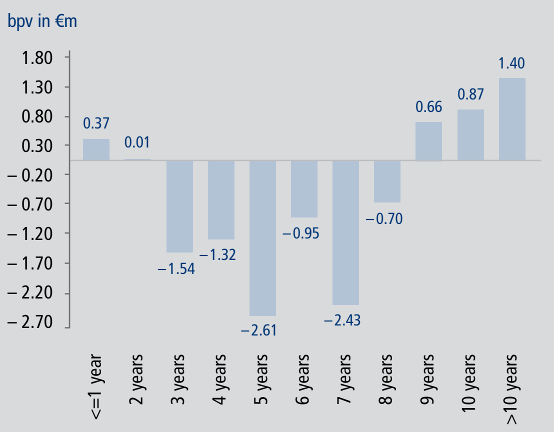
Postbank makes use of a combination of risk, earnings, and other parameters to manage its market risk. Changes in the value of market risk are derived from daily marking to market, independently of their measurement for financial accounting purposes. The management of market risk positions from an earnings perspective focuses both on specific periods and on the present value. All market risk is measured on a value at risk basis. Sensitivity indicators and gap structures are included as further management parameters.
In addition, market risk positions are subjected to regular scenario analyses and stress tests, which analyze the impact of unusual market movements on present values and on the income statement and balance sheet items.

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

Interest rate risk – a significant component of market risk – is the term used to denote the changes in the fair value of interest-sensitive financial instruments resulting from a change in market rates of interest. Interest rate risks arise where there are differences in the amounts and interest rates of the interest-sensitive assets and liabilities for individual maturity buckets. In addition to standardized approaches for quantifying interest rate risk, Postbank also employs internally developed statistical models. Deposit transactions bearing variable rates of interest and the home savings collective are of particular significance to Postbank in this context. Special modeling rules and deposit base definitions are used as the basis for a modern risk management concept.

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

The Postbank Group's interest rate positions (bpv) as of March 31, 2008



The chart shows that the surplus of assets as of March 31, 2008 is primarily concentrated in the medium maturity range.

Monitoring market risk

In the Postbank Group, market risk is monitored using a system of risk limits based on the value at risk methodology. Operational management in the Postbank Group's banking book is based on a confidence level of 99% and a holding period of 10 days. By contrast, operational management for the trading book assumes a holding period of one day, together with the same confidence level of 99%. The risk limits derived when the risk-bearing capacity is calculated are scaled accordingly. The aggregate limits are set by the Group Management Board and allocated by the Market Risk Committee to the individual operating units as sublimits. These are dynamic outcome-based limits; any losses incurred reduce the limit, while gains replenish it, at a maximum, to the originally defined level. Risk measurement and monitoring are end-of-day for the whole bank; additional intra-day monitoring is carried out for the trading portfolios.

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

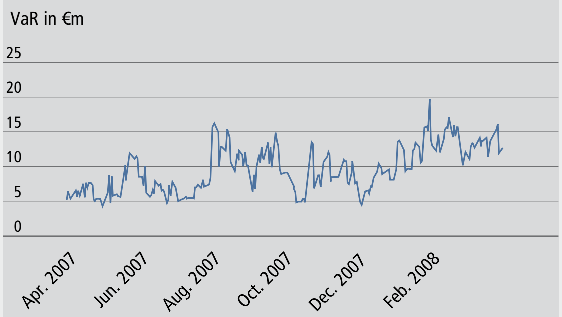
Risk indicators

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

Value at risk, trading portfolio	Q1/2008 €m	Q4/2007 €m
VaR at end of quarter	12.5	7.9
Minimum VaR	9.3	4.5
Maximum VaR	19.6	13.4
Average VaR	13.1	8.2

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

Value at risk (trading portfolio) for the period April 1, 2007 to March 31, 2008



In Q1/2008, the substantial market volatility was exploited flexibly to take short-term positions on the stock market in particular. VaR in the first quarter, which saw substantial fluctuations, was slightly higher than in Q4/2007 due to the in some cases considerable increase in risk parameters as a result of the significant increase in market volatility.

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

The value at risk for the banking book (99%, 10 days) amounted to €242.6 million as of March 31, 2008 (€208.5 million as of December 31, 2007). The calculation incorporates all risk-bearing positions in the banking book.

Credit risk

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

Monitoring and managing credit risk

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

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

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

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

The most important parameters for describing the credit risks for the various profit centers as of March 31, 2008 (calculated on February 29, 2008) as compared to the end of 2007 are shown in the following table. The volume for the Group loan portfolio reported in this table deviates from the „maximum counterparty risk" shown further below due to two factors: firstly, the date used for calculating CVaR is the last day of the preceding month, and secondly, carrying amounts, fair values, or credit equivalent values are used to fully quantify the credit risk when calculating CVaR, depending on the item.

Credit risk	Volume		Expected loss		Credit VaR*	
	Mar. 31, 2008 €m	Dec. 31, 2007 €m	Mar. 31, 2008 €m	Dec. 31, 2007 €m	Mar. 31, 2008 €m	Dec. 31, 2007 €m
Corporate Banking	19,876	18,670	57	55	184	181
Retail Banking	42,660	42,380	166	173	151	133
Financial Markets	135,192	112,494	114	109	654	606
Others (banks/local authorities)	7,117	7,828	5	4	111	121
BHW	42,271	41,965	66	73	58	57
Total (incl. portfolio effect)	247,115	223,337	409	414	685	661

* 99.93 % confidence level

Compared with the 2007 year-end, a significant increase in Group loans in the Financial Markets division and an increase in loans to private and corporate customers can be observed. The increase in the overall loan portfolio from €223 billion to €247 billion is accompanied by a 1.2 % decrease in the expected loss and a 3.6 % increase in the unexpected loss.

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

Maximum counterparty risk

Risk-bearing financial instruments	Maximum counterparty risk exposure	
	Mar. 31, 2008 €m	Dec. 31, 2007 €m
Trading assets	12,462	9,936
Held for trading	12,462	9,936
Hedging derivatives	315	421
Held for trading	315	421
Loans and advances to other banks	31,126	24,581
Loans and receivables	31,126	24,581
Available for sale	0	0
Forderungen an Kunden	94,018	92,725
Loans and receivables	86,086	85,159
Designated at fair value	7,497	7,110
Held to maturity	435	456
Available for sale	0	0
Investment securities	77,903	68,606
Loans and receivables	25,069	26,600
Designated at fair value	0	0
Held to maturity	657	730
Available for sale	52,177	41,276
Subtotal	215,824	196,269
Contingent liabilities from guarantees	1,206	1,428
Other liabilities (irrevocable loan commitments)	23,055	23,480
Total	240,085	221,177

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

Sector structure of the loan portfolio

The sector distribution of the credit-risk bearing instruments, measured in terms of volume, has a balanced structure and continues to present a stable picture. The following table illustrates the concentration of risk by sector and borrower group, broken down by risk category:

Risk concentration by sectors and borrower groups

Risk-bearing financial instruments	Retail customers		Banks/ insurers/ financial services		Sovereigns		Services/wholesale and retail		Industry		Other sectors		Total	
	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m
Trading assets	212	209	11,056	9,267	772	14	135	148	152	165	135	133	12,462	9,936
Held for trading	212	209	11,056	9,267	772	14	135	148	152	165	135	133	12,462	9,936
Hedging derivates	0	0	279	385	23	26	9	5	0	0	4	5	315	421
Held for trading	0	0	279	385	23	26	9	5	0	0	4	5	315	421
Loans and advances to other banks	0	0	31,126	24,581	0	0	0	0	0	0	0	0	31,126	24,581
Loans and receivables	0	0	31,126	24,581	0	0	0	0	0	0	0	0	31,126	24,581
Available for sale	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans and advances to customers	72,317	68,230	7,615	7,723	3,909	4,643	3,715	3,938	3,489	2,705	2,973	5,486	94,018	92,725
Loans and receivables	64,820	61,120	7,609	7,716	3,709	4,427	3,653	3,873	3,333	2,546	2,962	5,477	86,086	85,159
Designated at fair value	7,497	7,110	0	0	0	0	0	0	0	0	0	0	7,497	7,110
Held to maturity	0	0	6	7	200	216	62	65	156	159	11	9	435	456
Available for sale	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Investment securities	0	0	45,857	46,402	25,489	15,085	950	740	3,845	4,050	1,762	2,329	77,903	68,606
Loans and receivables	0	0	21,599	22,276	2,015	2,014	237	119	1,025	1,258	193	933	25,069	26,600
Designated at fair value	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Held to maturity	0	0	636	709	21	21	0	0	0	0	0	0	657	730
Available for sale	0	0	23,622	23,417	23,453	13,050	713	621	2,820	2,792	1,569	1,396	52,177	41,276
Subtotal	72,529	68,439	95,933	88,358	30,193	19,768	4,809	4,831	7,486	6,920	4,874	7,953	215,824	196,269
Contingent liabilities	285	252	632	891	24	22	174	172	23	16	68	75	1,206	1,428
Other liabilities	19,329	19,113	407	34	34	35	790	971	652	667	1,843	2,660	23,055	23,480
Total	92,143	87,804	96,972	89,283	30,251	19,825	5,773	5,974	8,161	7,603	6,785	10,688	240,085	221,177

The Group's loan portfolio consists mainly of loans to retail customers with a focus on private mortgage lending, as well as loans and advances to banks, insurers, and financial services in the Financial Markets division. A target portfolio has been defined as part of the credit risk strategy that has been optimized in terms of diversification and serves to manage investments in the non-retail area.

Regional distribution of the loan portfolio

Risk concentration by geographical region								
Risk-bearing financial instruments	Germany		Western Europe		Other regions		Total	
	Mar. 31, 2008 €m	Dec. 31, 2007 €m	Mar. 31, 2008 €m	Dec. 31, 2007 €m	Mar. 31, 2008 €m	Dec. 31, 2007 €m	Mar. 31, 2008 €m	Dec. 31, 2007 €m
Trading assets	7,052	5,125	4,267	3,738	1,143	1,073	12,462	9,936
Held for trading	7,052	5,125	4,267	3,738	1,143	1,073	12,462	9,936
Hedging derivatives	73	67	156	275	86	79	315	421
Held for trading	73	67	156	275	86	79	315	421
Loans and advances to other banks	15,202	13,937	13,623	8,348	2,301	2,296	31,126	24,581
Loans and receivables	15,202	13,937	13,623	8,348	2,301	2,296	31,126	24,581
Available for sale	0	0	0	0	0	0	0	0
Loans and advances to customers	80,718	80,724	10,046	9,219	3,254	2,782	94,018	92,725
Loans and receivables	72,786	73,158	10,046	9,219	3,254	2,782	86,086	85,159
Designated at fair value	7,497	7,110	0	0	0	0	7,497	7,110
Held to maturity	435	456	0	0	0	0	435	456
Available for sale	0	0	0	0	0	0	0	0
Investment securities	27,309	23,878	42,169	36,438	8,425	8,290	77,903	68,606
Loans and receivables	14,164	14,971	8,059	8,618	2,846	3,011	25,069	26,600
Designated at fair value	0	0	0	0	0	0	0	0
Held to maturity	642	666	15	16	0	48	657	730
Available for sale	12,503	8,241	34,095	27,804	5,579	5,231	52,177	41,276
Subtotal	130,345	123,731	70,261	58,018	15,209	14,520	215,824	196,269
Contingent liabilities	1,049	1,130	89	235	68	63	1,206	1,428
Other liabilities	21,470	21,989	696	345	889	1,146	23,055	23,480
Total	152,873	146,850	71,046	58,598	16,166	15,729	240,085	221,177

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

Credit structure of the loan portfolio

The distribution of rating categories in the Group loan portfolio demonstrates the conservative orientation of the Postbank Group. The following table shows the credit quality of the risk-bearing financial instruments for Postbank's non-retail business that were neither past due nor for which impairment losses had been recognized as of the March 31, 2008 reporting date (with the exception of "contingent liabilities" and "other amounts due"). The higher rating categories predominate: 95 % of the rated portfolio is classified as investment grade.

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

Risk-bearing financial instruments	AAA		AA		A		BBB		< BBB		Not rated		Total	
	Mar. 31, 2008 €m	Dec. 31, 2007 €m	Mar. 31, 2008 €m	Dec. 31, 2007 €m	Mar. 31, 2008 €m	Dec. 31, 2007 €m	Mar. 31, 2008 €m	Dec. 31, 2007 €m	Mar. 31, 2008 €m	Dec. 31, 2007 €m	Mar. 31, 2008 €m	Dec. 31, 2007 €m	Mar. 31, 2008 €m	Dec. 31, 2007 €m
Trading assets	3,728	2,446	6,682	5,038	1,163	1,622	198	180	191	206	288	235	12,250	9,727
Held for trading	3,728	2,446	6,682	5,038	1,163	1,622	198	180	191	206	288	235	12,250	9,727
Hedging derivatives	29	39	248	331	18	32	10	10	6	4	4	5	315	421
Held for trading	29	39	248	331	18	32	10	10	6	4	4	5	315	421
Loans and advances to other banks	132	936	14,394	7,985	15,454	13,753	886	387	22	38	238	1,482	31,126	24,581
Loans and receivables	132	936	14,394	7,985	15,454	13,753	886	387	22	38	238	1,482	31,126	24,581
Available for sale	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans and advances to customers	725	820	2,115	3,042	3,837	3,648	7,145	7,868	4,867	5,904	394	83	19,083	21,365
Loans and receivables	640	730	2,006	2,927	3,756	3,563	7,066	7,787	4,786	5,819	394	83	18,648	20,909
Designated at fair value	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Held to maturity	85	90	109	115	81	85	79	81	81	85	0	0	435	456
Available for sale	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Investment securities	32,753	25,358	26,172	20,879	12,588	15,640	1,980	1,743	1,402	1,485	2,351	2,682	77,246	67,787
Loans and receivables	11,688	11,850	6,957	7,040	4,821	5,342	707	628	682	645	14	955	24,869	26,460
Designated at fair value	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Held to maturity	602	590	21	92	34	48	0	0	0	0	0	0	657	730
Available for sale	20,463	12,918	19,194	13,747	7,733	10,250	1,273	1,115	720	840	2,337	1,727	51,720	40,597
Total	37,367	29,599	49,611	37,275	33,060	34,695	10,219	10,188	6,488	7,637	3,275	4,487	140,020	123,881

No significant changes have arisen in the rating structure of the loan portfolio compared with the 2007 year-end. The current rating distribution for loans and advances to banks, companies, and sovereigns is slightly in excess of the target rating distribution in line with the credit risk strategy.

Similarly, the following table illustrates the credit quality of the risk-bearing financial instruments for Postbank's retail business that were neither past due nor for which impairment losses had been recognized as of the March 31, 2008 reporting date (with the exception of „contingent liabilities" and „other amounts due").

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

Risk-bearing financial instruments	AAA		AA		A		BBB		< BBB		Basel II pool rating/ not rated		Total	
	Mar. 31, 2008 €m	Dec. 31, 2007 €m	Mar. 31, 2008 €m	Dec. 31, 2007 €m	Mar. 31, 2008 Mio €	Dec. 31, 2007 €m	Mar. 31, 2008 €m	Dec. 31, 2007 €m	Mar. 31, 2008 €m	Dec. 31, 2007 €m	Mar. 31, 2008 €m	Dec. 31, 2007 €m	Mar. 31, 2008 €m	Dec. 31, 2007 €m
Trading assets	0	0	3	4	24	20	71	69	111	110	3	6	212	209
of which: held for trading	0	0	3	4	24	20	71	69	111	110	3	6	212	209
Loans and advances to customers	2,443	2,189	5,424	4,853	6,378	5,660	11,060	9,871	13,766	12,597	33,246	33,060	72,317	68,230
of which: loans and receivables	2,440	2,187	5,377	4,812	6,104	5,423	9,920	8,869	11,787	10,818	29,192	29,011	64,820	61,120
of which: designated at fair value	3	2	47	41	274	237	1,140	1,002	1,979	1,779	4,054	4,049	7,497	7,110
Total	2,443	2,189	5,427	4,857	6,402	5,680	11,131	9,940	13,877	12,707	33,249	33,066	72,529	68,439

Postbank's retail business shows a solid credit structure. Legacy retail business portfolios (mainly mortgage loans extended before August 2004) and purchased loans and advances are reported using pool ratings. In other words, homogeneous pool ratings are established by segment and are measured individually according to the relevant Basel II parameters. The relative and absolute proportion of portfolios covered by these pool ratings is declining gradually since each new transaction in the retail segment is rated on an individual basis. Basel II-compliant pool estimate procedures for default probabilities and the expected loss rates were developed for homogeneous subportfolios of the vast majority of these unrated loans.

Loans past due and impaired

The following table shows those risk-bearing financial instruments that were past due in an amount of at least €100 but not impaired as of March 31, 2008:

Time bands for financial instruments past due but not impaired

Risk-bearing financial instruments and collateral	Financial instruments past due but not impaired: Past due ≤ 3 months		Past due > 3 months, ≤ 6 months		Past due > 6 months, ≤ 1 year		Past due > 1 year		Total		Fair value of the collateral for financial instruments past due but not impaired	
	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m	Dec. 31, 2008 €m	Dec. 31, 2007 €m
Loans and advances to customers	515	940	118	174	71	89	68	50	772	1,253	795	1,290
of which: loans and receivables	515	940	118	174	71	89	68	50	772	1,253	795	1,290
Total	515	940	118	174	71	89	68	50	772	1,253	795	1,290

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

Impaired financial instruments

Impaired risk-bearing financial instruments and collateral	Carrying amount before impairment		Amount of impairment		Carrying amount after impairment		Fair value of collateral for impaired instruments	
	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m
Loans and advances to customers	1,846	1,877	1,076	1,154	770	723	1,048	922
of which: loans and receivables	1,846	1,877	1,076	1,154	770	723	1,048	922
Investment securities	657	819	179	130	478	689	–	–
of which: loans and receivables	200	140	128	67	72	73	–	–
of which: available for sale	457	679	51	63	406	616	–	–
Total	2,503	2,696	1,255	1,284	1,248	1,412	1,048	922

Securitization

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

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

Investor:

In the course of credit substitute transactions, Postbank has invested in structured credit products, among other things. Specifically, these relate to asset-backed securities (ABSs), collateralized debt obligations (CDOs), collateralized loan obligations (CLOs), residential mortgage-backed securities (RMBSs), and commercial mortgage backed securities (CMBSs). The portfolio had a total volume of €6.0 billion as of March 31, 2008.

We have been closely monitoring the turmoil on the capital markets arising from the developments on the US real estate market with regard to potential defaults in our structured credit portfolio. We have continued to systematically analyze our holdings and test them for impairment. Based on a detailed assessment of the portfolio, an impairment loss totaling €48 million was recognized in the first quarter of 2008. Since the crisis emerged in mid-2007, we have therefore recognized impairment losses in the income statement on the holdings affected by the crisis amounting to €160 million.

Originator:

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

PB Domicile 2006-1	€2,339 million	(Deutsche Postbank AG)
Provide Blue 2005-1	€1,175 million	(BHW Bausparkasse AG)
Provide Blue 2005-2	€2,762 million	(BHW Bausparkasse AG)
PB Domicilio 2007-1	€1,289 million	(BHW Bausparkasse AG)

Liquidity risk

Despite the tougher market conditions due to the financial market crisis, the liquidity position of the Postbank Group remains solid – thanks in particular to its deposit business – and no shortfalls have been identified for the observation period of one year.

The following table shows the financial liabilities as of March 31, 2008 and December 31, 2007, broken down into residual maturity bands. The undiscounted contractual cash flows from on- and off-balance sheet liabilities have been assigned to the respective categories. The information presented in this table fulfills the accounting requirements to be met by the Postbank Group in accordance with IFRS 7 with regard to reporting liquidity risk. In conformity with these requirements, the contractual cash flows of the financial liabilities are presented in accordance with the worst-case scenario, meaning that if the financial liabilities involve options or termination rights that could affect their maturity date, the most unfavorable case from a liquidity perspective is assumed.

Liabilities by remaining maturity

Liabilities	≤ 1 month		> 1 month and ≤ 3 months		> 3 months and ≤ 1 year		> 1 year and ≤ 5 years		> 5 years		Total	
	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m
Deposits from other banks	1,293	2,668	61,179	44,849	7,253	3,916	4,484	4,307	3,803	4,558	78,011	60,298
Due to customers	24,572	25,684	53,917	47,273	23,404	22,056	2,591	3,008	999	1,103	105,483	99,124
Securitized liabilities	96	0	775	2,042	4,176	1,445	7,370	8,374	2,407	3,931	14,823	15,792
Trading liabilities	14	0	627	487	180	953	2,810	1,935	2,344	2,446	5,974	5,822
Hedging derivatives	0	0	65	81	121	106	882	619	1,282	1,417	2,350	2,222
Subordinated debt	6	0	8	27	218	89	591	689	10,540	14,887	11,363	15,692
Other liabilities	30	0	368	186	17	326	34	66	23	25	472	602
Irrevocable loan commitments	20,730	23,480	822	0	0	0	0	0	0	0	21,552	23,480
Total	46,741	51,832	117,761	94,945	35,368	28,891	18,763	18,998	21,397	28,367	240,030	223,033

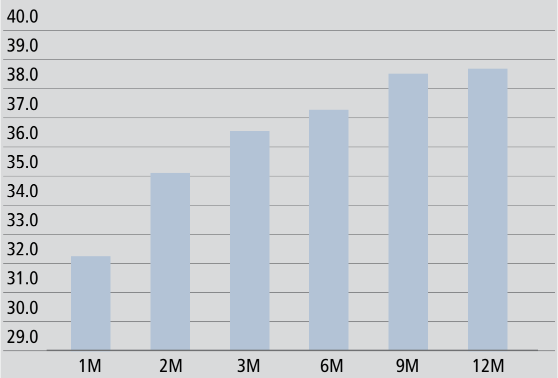
In contrast to the presentation of the contractual cash flows of the financial liabilities, the following overview of the liquidity status of the Postbank Group as of March 31, 2008 presents the expected cash inflows/outflows and the available liquidity sources on a cumulative basis in accordance with the principles of internal liquidity management within a one-year horizon.

The expected values for cash outflows from liabilities with no fixed capital commitment, such as savings and checking accounts, the probability of utilization of irrevocable loan commitments, and the quality of the available fungible assets for ensuring liquidity are based in part on observed historical data and in part on assumptions that are subjected to regular validation.

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

Liquidity status of the Postbank Group

€bn



Presentation of the risk position: Disclosures on types of risk with no material change, material new risks, and risks that could jeopardize the Group's continued existence
Besides the market, credit, and liquidity risks that are described in detail in this risk report and managed operationally, there are other risks (operational risk, real estate and investment risk, collective risk, and business risk) for the remaining months of fiscal year 2008 whose assessment has not changed significantly since the end of 2007. According to our current assessment, these risks will not change significantly over the remaining months of fiscal year 2008.

The Bank will continue to place its strategic focus on its core business areas. The consistent implementation of this strategy will result in new earnings opportunities for the Postbank Group from the customer groups it considers relevant.

At present, no negative developments are known to the Bank that will lead to a shift in strategy in the remaining months of fiscal year 2008.

No risks that could impair the Postbank Group's development or even jeopardize its continued existence have been identified among the above-mentioned risk types.

Report on Expected Developments

Macroeconomic environment
Uncertainty about the outlook for the global economy remains unusually high. On the one hand, the global economy is still in robust health so far. On the other, worldwide growth is likely to weaken this year due to continuing tension in the financial markets and high oil prices. The International Monetary Fund has lowered its forecast for global economic output from 4.1 % to 3.7 %. Due to the negative economic conditions mentioned, we are expecting the US economy to see a very weak first half. Starting in mid-2008, however, the expansionary monetary and fiscal policy initiatives should show results. We also anticipate that residential construction spending will stabilize at a low level in the second half of the year. We are maintaining our forecast of growth of 2.2 % in US GDP in 2008. We continue to take an upbeat view of China's economic prospects. There are still no signs of a noticeable slowdown in the rapid economic growth.

The upturn in the euro zone should continue at a more subdued pace in 2008, driven primarily by domestic demand. By contrast, exports are no longer expected to fuel growth due to the slight easing in the pace of global economic growth and the strength of the euro. We continue to predict that at 2.0 %, GDP in the euro zone will not grow as strongly as in 2007. The German economy is also expected to continue growing in 2008. However, economic output will probably not reach the high level of the previous year with a projected increase of 2.1 %. The impetus from exports is expected to abate. While demand will continue to increase, the strength of the euro will act as a brake on its growth. Capital expenditure is likely to grow more slowly than in the previous year. By contrast, in light of the continuing decrease in unemployment and faster income growth, we are projecting a noticeable upturn in retail spending.

Since our last report, we have lowered our forecast for key interest rates in the United States. We now expect the Fed to cut rates again to 1.75% in the first half of the year. Rates should remain at this level for the rest of the year. The European Central Bank, however, is likely to keep interest rates steady at 4% as it navigates a course between the risk of inflation and the uncertain economic environment. In the US, capital market rates should pick up perceptibly over the course of the year as the economy regains momentum. We anticipate a moderate rise in long-term yields in the euro zone. This means that the yield curve in the euro zone will probably remain relatively flat in 2008.

Competition
Two factors will serve as a brake on the growth of German banks in 2008: firstly, the continuing flat yield curve, and secondly, the global financial crisis, the possible effects of which are expected to be felt through the rest of the year. This is likely to result in a challenging environment for German banks in terms of earnings trends. However, we expect the moderate upturn in lending that we are forecasting for Germany to have a positive effect.

The German banking landscape continues to feature a three-pillar structure consisting of private banks, savings banks, and cooperative banks, as well as a large number of credit institutions compared with other European countries (December 31, 2007: 2,277 institutions compared with 2,301 institutions as of the end of 2006). Mergers and acquisitions have only happened within the individual pillars to date. In the initial months of 2008, the Spanish Banco Santander took over the German activities of GE Money and the Royal Bank of Scotland.

Outlook: Postbank

We aim to secure further progress in making Postbank more value-oriented by continuing to implement our "Next Step" strategic program over the course of 2008. We particularly want to sustainably expand our selling power in the German market by systematically gearing all of our value creation structures to the customer. To this end, we have set ambitious targets for our key performance indicators. We presented these targets – which we intend to achieve by 2010 – at our Capital Markets Day in December 2007, and they are also described in detail in our current Annual Report.

In Retail Banking, we will focus continuously on anchoring our core customer concept. We want to substantially increase the number of core customers and their use of our products, and raise productivity in our distribution channels in the process. Since the start of the year, we have, among other things, been realigning our strategy in the savings business to enable us to keep expanding our position in the increasingly competitive German market. As early as next year we aim to be able to offer our customers even more attractive conditions based on significant growth in volume, while nonetheless generating positive effects on earnings. We are also pursuing the goal of gaining further market share by achieving above-average growth in all other core products in Retail Banking.

In the Corporate Banking business, we intend to become the core bank for our most important 3,000 customers and to position ourselves in this segment too as specialists in liquidity and financial management. This process will be accompanied by the steady yet prudent expansion of our portfolio in the area of lending to SMEs and commercial real estate finance. This is expected to increase the earnings contribution of the Corporate Banking business to €500 million by 2010.

In Transaction Banking, we are reviewing, among other things, our opportunities for tapping the growth potential of the European market for payment transactions. We want to expand our highly efficient loan processing structures to build in multiclient facilities and thus create additional sources of income. The contribution of Transaction Banking to Postbank's profit before tax is expected to increase to €50 million by 2010.

For the current year, we are assuming that – due among other things to ongoing tough competition in the German retail market, flat yield curves, and the initial effects of the new savings account strategy – operational earnings will only increase moderately in comparison with 2007, whereas administrative expenses should decline tangibly. We expect the allowance for losses on loans and advances to perform satisfactorily in view of the robust domestic economy, and despite the planned increase in the lending volume.

In light of these assumptions, we already issued a more precise forecast for operating profit before tax at €1.1 billion to €1.2 billion for the current year on the occasion of our Capital Markets Day in December 2007. After the first quarter, we see ourselves as well on our way to reaching this goal. Our projection of an overall profit before tax of €1,220 million includes the operating profit mentioned and special factors such as sales gains from restructuring our investment portfolio on the one hand, and negative effects, in particular those resulting from the capital market crisis on the other. It is still too early to make a definite projection in this regard, for example because not all decisions concerning our equity investments have been made. The same applies to any additional financial consequences of market developments in the coming quarters, during which we must continue to reckon with high volatility.

Assuming that the market environment will not worsen further, we anticipate that our Tier 1 ratio will reach 7.5 % by 2009.

Postbank is furthermore planning to lift its profit before tax substantially in the period up to 2010 to between €1,400 million and €1,450 million, and its profit after tax to between €980 million and €1,015 million. These projections are based on a moderate but steady rise in earnings and continued strict cost management. The cost/income ratio (in the Bank´s traditional banking business) should improve to below 58 % by 2010.

Contents

Consolidated Income Statement for the period January 1 to March 31, 2008

	Note	Jan. 1 – March 31, 2008 €m	Jan. 1 – March 31, 2007 €m
Interest income	(4)	2,317	1,987
Interest expense	(4)	–1,760	–1,444
Net interest income	(4)	557	543
Allowance for losses on loans and advances	(5)	–75	–90
Net interest income after allowance for losses on loans and advances		482	453
Fee and commission income	(6)	419	419
Fee and commission expense	(6)	–60	–62
Net fee and commission income	(6)	359	357
Net trading income	(7)	9	61
Net income from investment securities	(8)	1	70
Administrative expenses	(9)	–684	–715
Other income	(10)	42	24
Other expenses	(11)	–43	–28
Profit before tax		166	222
Income tax		–49	–77
Profit from ordinary activities after tax		117	145
Minority interest		–1	–1
Consolidated net profit		116	144

Earnings per share

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

Earnings per share were as follows:

	Jan. 1 – March 31, 2008	Jan. 1 – March 31, 2007
Basic earnings per share (€)	0.71	0.88
Diluted earnings per share (€)	0.71	0.88

Consolidated Income Statement: Quarterly Overview

	2008	2007			
	Q1 €m	Q4 €m	Q3 €m	Q2 €m	Q1 €m
Interest income	2,317	2,215	2,101	2,081	1,987
Interest expense	–1,760	–1,613	–1,561	–1,526	–1,444
Net interest income	557	602	540	555	543
Allowance for losses on loans and advances	–75	–70	–92	–86	–90
Net interest income after allowance for losses on loans and advances	482	532	448	469	453
Fee and commission income	419	436	424	396	419
Fee and commission expense	–60	–60	–67	–57	–62
Net fee and commission income	359	376	357	339	357
Net trading income	9	26	95	108	61
Net income from investment securities	1	2	184	38	70
Administrative expenses	–684	–728	–706	–707	–715
Other income	42	71	36	29	24
Other expenses	–43	–81	–64	–42	–28
Profit before tax	166	198	350	234	222
Income tax	–49	–29	56	–83	–77
Profit from ordinary activities after tax	117	169	406	151	145
Minority interest	–1	0	0	0	–1
Consolidated net profit	116	169	406	151	144

Consolidated Balance Sheet as of March 31, 2008

Assets	Note	March 31, 2008 €m	Dec. 31, 2007 €m
Cash reserve		2,414	3,352
Loans and advances to other banks	(12)	31,126	24,581
Loans and advances to customers	(13)	94,018	92,130
Allowance for losses on loans and advances	(15)	–1,169	–1,154
Trading assets	(16)	12,462	9,936
Hedging derivatives		315	421
Investment securities	(17)	77,903	68,606
Intangible assets	(18)	2,422	2,425
Property and equipment	(19)	914	927
Investment property		73	73
Current tax assets		101	117
Deferred tax assets		684	483
Other assets	(20)	644	529
Assets held for sale		–	565
Total assets		221,907	202,991

Equity and Liabilities	Note	March 31, 2008 €m	Dec. 31, 2007 €m
Deposits from other banks	(21)	76,681	61,146
Due to customers	(22)	112,600	110,696
Securitized liabilities	(23)	10,821	9,558
Trading liabilities	(24)	6,112	5,594
Hedging derivatives		1,283	873
Provisions	(25)	2,113	2,107
Current tax liabilities		116	122
Deferred tax liabilities		1,164	1,102
Other liabilities	(26)	508	835
Subordinated debt	(27)	5,738	5,603
Liabilities directly related to assets held for sale		–	44
Equity		4,771	5,311
a) Issued capital		410	410
b) Share premium		1,161	1,160
c) Retained earnings		3,082	2,869
d) Consolidated net profit		116	870
Minority interest		2	2
Total equity and liabilities		221,907	202,991

Statement of Changes in Equity

	Issued capital €m	Share premium €m	Retained earnings €m	Currency translation reserve €m	Revaluation reserve €m	Consoli-dated net profit €m	Equity before minority interest €m	Minority interest €m	Total €m
Balance at Jan. 1, 2007	410	1,160	3,051	–117	6	695	5,205	2	5,207
Dividend payment							–		–
Appropriation to retained earnings			695			–695	0		0
Currency translation differences				–7			–7		–7
Changes in unrealized gains and losses, net of deferred taxes					–97		–97		–97
Consolidated net profit Jan. 1 – March 31, 2007						144	144	1	145
Treasury shares		–1					–1		–1
Other changes							0	–1	–1
Balance at March 31, 2007	410	1,159	3,746	–124	–91	144	5,244	2	5,246
For info.: Total of items between Jan. 1 and March 31, 2007 that change equity in acc. with IAS 1.96 c				–7	–97	144	40	1	41
Dividend payment			–205				–205		–205
Appropriation to retained earnings							–		–
Currency translation differences				–25			–25		–25
Changes in unrealized gains and losses, net of deferred taxes					–432		–432		–432
Consolidated net profit April 1 – Dec. 31, 2007						726	726		726
Treasury shares		1					1		1
Other changes							0		0
Balance at Dec. 31, 2007	410	1,160	3,541	–149	–523	870	5,309	2	5,311
For info.: Total of items between April 1 and Dec. 31, 2007 that change equity in acc. with IAS 1.96 c				–25	–432	726	269	0	269
Dividend payment							–	–	–
Appropriation to retained earnings			870			–870	0		0
Currency translation differences				–28			–28		–28
Changes in unrealized gains and losses, net of deferred taxes					–629		–629		–629
Consolidated net profit Jan. 1 – March 31, 2008						116	116	1	117
Treasury shares		1					1		1
Other changes							0	–1	–1
Balance at March 31, 2008	410	1,161	4,411	–177	–1,152	116	4,769	2	4,771
For info.: Total of items between Jan. 1 and March 31, 2008 that change equity in acc. with IAS 1.96 c				–28	–629	116	–541	1	–540

Condensed Cash Flow Statement

	Jan. 1 – March 31, 2008 €m	Jan. 1 – March 31, 2007 €m
Cash and cash equivalents at start of period	3,352	1,015
Net cash from/used in operating activities	8,433	–532
Net cash from/used in investing activities	–9,372	1,108
Net cash from financing activities	–	84
Effects of exchange rate differences	1	–2
Cash and cash equivalents at end of period	2,414	1,673

Reported cash and cash equivalents correspond to the cash reserve.

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 – March 31, 2008 €m	Jan. 1 – March 31, 2007 €m	Jan. 1 – March 31, 2008 €m	Jan. 1 – March 31, 2007 €m	Jan. 1 – March 31, 2008 €m	Jan. 1 – March 31, 2007 €m	Jan. 1 – March 31, 2008 €m	Jan. 1 – March 31, 2007 €m	Jan. 1 – March 31, 2008 €m	Jan. 1 – March 31, 2007 €m	Jan. 1 – March 31, 2008 €m	Jan. 1 – March 31, 2007 €m
Net interest income	575	585	85	67	1	1	30	25	–134	–135	557	543
Net trading income	1	6	–40	3	–	–	33	13	15	39	9	61
Net income from investment securities	–	5	–18	3	–	–	–	1	19	61	1	70
Balance sheet-related revenues	576	596	27	73	1	1	63	39	–100	–35	567	674
Net fee and commission income	260	250	29	27	87	90	16	17	–33	–27	359	357
Total income	836	846	56	100	88	91	79	56	–133	–62	926	1,031
Administrative expenses	–533	–549	–41	–43	–82	–82	–23	–20	–5	–21	–684	–715
Allowance for losses on loans and advances	–59	–69	–8	–11	–	–	1	–	–9	–10	–75	–90
Other income/expense	13	–14	–	–1	4	–	–1	–	–17	11	–1	–4
Profit before tax	257	214	7	45	10	9	56	36	–164	–82	166	222
Cost/income ratio (CIR)	63.8 %	64.9 %	73.2 %	43.0 %	93.2 %	90.1 %	29.1 %	35.7 %	–	–	73.9 %	69.4 %
Return on equity before taxes (RoE)	41.3 %	29.2 %	7.0 %	49.6 %	–	–	32.0 %	25.4 %	–46.2 %	–25.1 %	13.2 %	17.0 %
	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m
Segment assets	80,437	79,107	20,886	21,032	77	93	29,054	22,521	85,055	72,500	215,509	195,253
Segment liabilities	95,561	94,563	17,243	18,469	1	1	17,363	12,569	76,046	61,392	206,214	186,994

The Transaction Banking segment includes 56 % intragroup income (March 31, 2007: 54 %).

Segment reporting by geographical region

	Assets		Liabilities		Income		Profit before tax	
	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m	Jan. 1 – March 31, 2008 €m	Jan. 1 – March 31, 2007 €m	Jan. 1 – March 31, 2008 €m	Jan. 1 – March 31, 2007 €m
Germany	179,150	163,155	171,529	156,683	932	966	188	177
Others	36,359	32,098	34,685	30,311	–6	65	–22	45
Europe	30,395	25,974	29,068	24,665	26	38	16	29
USA	5,483	5,655	5,183	5,225	–36	26	–41	16
Asia	481	469	434	421	4	1	3	–
Total	215,509	195,253	206,214	186,994	926	1,031	166	222

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

Basis of preparation

(2) Basis of accounting
The interim financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements of German commercial law under section 315a(1) of the *Handelsgesetzbuch* (HGB – German Commercial Code), insofar as these were applicable at the balance sheet date. In particular, the interim financial statements also comply with the IAS 34 requirements for interim financial reports. In accordance with section 37y no. 3 of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) in conjunction with section 37x(3) of the WpHG, Postbank prepares a quarterly financial report, which also comprises an interim management report, including an interim risk report (see management report), in addition to the condensed financial statements presented here. Unless otherwise stated below, the same accounting policies used in preparing the 2007 consolidated financial statements were applied in preparing the interim financial statements as of March 31, 2008.

All assumptions, estimates, and assessments required for recognition and measurement in accordance with the IFRSs are in conformity with the respective Standards, are regularly reassessed, and are based on past experience as well as other factors, including expectations as to future events that appear reasonable under the given circumstances. The assumptions and estimates refer primarily to the estimation of the fair value of certain financial instruments, the recognition and measurement of provisions, and the ability to realize future tax benefits.

In light of continuing developments on the capital markets, uncertainty remains as to how to measure the fair value of certain structured financial instruments (structured credit products – SCPs) in particular. Further improved valuation techniques are used to measure the fair value of selected securitized instruments (CDOs, consumer ABSs, commercial ABSs, CMBSs, RMBSs) in the case of non-verifiable indicative prices. Postbank uses a simulation model that is based on portfolio loss distribution, taking into account the respective securitization structure. The cash flows resulting from these products are forecasted taking into account the respective risks from the securitized portfolios and the structure of the securitization, and are discounted using discount rates for equivalent maturities and risks. The valuation technique makes maximum use of market inputs in accordance with IAS 39.48A. In individual cases, the actual values may differ from the assumptions and estimates made.

As a result of a change in an estimate when measuring the impairment of retail fund units classified as available for sale, the non-permanent impairment losses were presented as a reduction in the revaluation reserve of €42 million.

Postbank AG has reviewed the useful lives of its purchased and internally developed capitalized software. The analysis indicated that two software products will be usable for a longer period because of their competitive market performance. This change in estimated useful lives increases profit before tax by around €5 million in the first quarter of 2008. The expected effect on full-year 2008 amounts to an increase of approximately €19 million before tax.

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

Consolidated companies

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

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

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

There were no other changes in the basis of consolidation.

Income statement disclosures

(4) Net interest income

	Jan. 1 – March 31, 2008 €m	Jan. 1 – March 31, 2007 €m
Interest and current income		
Interest income from:		
Lending and money market transactions	1,486	1,269
Fixed-income and book-entry securities	773	573
Trading operations	52	109
Net gains/losses on hedges	2	–6
	2,313	1,945
Current income from:		
Equities and other non-fixed-income securities	4	42
Investments in associates	–	–
	4	42
	2,317	1,987
Interest expense on:		
Deposits	1,494	1,058
Securitized liabilities	118	185
Subordinated debt	77	60
Swaps	18	35
Trading operations	53	106
	1,760	1,444
Total	557	543

€1,740 million (previous year: €1,436 million) of interest income relates to financial instruments classified as loans and receivables, €13 million (previous year: €42 million) to financial instruments classified as held to maturity, and €506 million (previous year: €367 million) to financial instruments classified as available for sale.

Interest income from lending and money market transactions includes €9 million (previous year: €7 million) of interest income accrued on impaired assets (unwinding in accordance with IAS 39).

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

	Jan. 1 – March 31, 2008 €m	Jan. 1 – March 31, 2007 €m
Gains/losses on the fair value remeasurement of hedged items	491	14
Gains/losses on the fair value remeasurement of hedging instruments	–489	–20
Total	2	–6

(5) Allowance for losses on loans and advances

	Jan. 1 – March 31, 2008 €m	Jan. 1 – March 31, 2007 €m
Cost of additions to allowance for losses on loans and advances		
Specific valuation allowances	90	108
Portfolio-based valuation allowances	16	3
Cost of additions to provisions for credit risks	4	1
Direct loan write-offs	7	7
Income from the reversal of the allowance for losses on loans and advances		
Specific valuation allowances	31	25
Portfolio-based valuation allowances	6	1
Income from the reversal of provisions for credit risks	1	–
Recoveries on loans previously written off	4	3
Total	75	90

€73 million (previous year: €89 million) of the allowance for losses on loans and advances relates to receivables classified as loans and receivables, and €2 million (previous year: €1 million) to guarantees, warranties, and irrevocable loan commitments.

(6) Net fee and commission income

	Jan. 1 – March 31, 2008 €m	Jan. 1 – March 31, 2007 €m
Giro business	85	91
Securities business	36	32
Lending and guarantee business	30	29
Branch business	117	127
Other fee and commission income	91	78
Total	359	357

(7) Net trading income

	Jan. 1 – March 31, 2008 €m	Jan. 1 – March 31, 2007 €m
Net income from interest rate products	19	29
Net gain/loss on derivatives carried in the trading portfolio and the banking book	–11	40
Net gain/loss from application of the fair value option	1	–5
Net income from equities	–	5
Foreign exchange gain/loss	1	–7
Net fee and commission income in the trading portfolio	–1	–1
Total	9	61

(8) Net income from investment securities

	Jan. 1 – March 31, 2008 €m	Jan. 1 – March 31, 2007 €m
Net income from loans-and-receivables investment securities	–44	1
thereof: net income from sale	4	1
Gains on sale	10	6
Losses on sale	6	5
thereof: net impairment loss	–48	–
Net income from available-for-sale investment securities	15	69
thereof: net income from sale	15	69
Gains on sale	77	91
Losses on sale	62	22
thereof: net impairment loss	–	–
Net income from loans to other banks	–	–
thereof: net income from sale of loans and receivables	–	–
Net income from loans to customers	30	–
thereof: net income from sale of loans and receivables	30	–
Total	1	70

	Jan. 1 – March 31, 2008 €m	Jan. 1 – March 31, 2007 €m
Net income from bonds and promissory note loans	59	1
Net income from equities and other non-fixed-income securities	–10	69
Impairment	–48	–
Total	1	70

The net impairment loss on investment securities relates exclusively to structured credit products.

(9) Administrative expenses

	Jan. 1 – March 31, 2008 €m	Jan. 1 – March 31, 2007 €m
Staff costs	345	358
Other administrative expenses	321	335
Depreciation and write-downs of property and equipment	18	22
Total	684	715

(10) Other income

	Jan. 1 – March 31, 2008 €m	Jan. 1 – March 31, 2007 €m
Income from property and equipment	8	5
Miscellaneous	34	19
Total	42	24

(11) Other expenses

	Jan. 1 – March 31, 2008 €m	Jan. 1 – March 31, 2007 €m
Amortization and write-downs of intangible assets	17	19
Miscellaneous	26	9
Total	43	28

Balance sheet disclosures

(12) Loans and advances to other banks

	March 31, 2008 €m	Dec. 31, 2007 €m
Payable on demand	1,052	1,601
Other loans and advances	30,074	22,980
Total	31,126	24,581

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

€7,135 million (December 31, 2007: €6,871 million) of loans and advances to other banks is due after more than 12 months.

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

	Fair value of collateral that can be unconditionally liquidated or can be unconditionally sold		Fair value of collateral that was sold or repledged and is subject to an obligation to return	
	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m
Financial collateral	20,789	11,413	4,401	805
Non-financial collateral	–	–	–	–
Total	20,789	11,413	4,401	805

(13) Loans and advances to customers

	March 31, 2008 €m	Dec. 31, 2007 €m
Private mortgage lending	65,399	64,781
Home savings loans	3,185	3,179
Commercial loans	17,578	17,553
Public sector	3,217	3,546
Installment credits	2,457	2,289
Other loans and advances	2,182	782
Total	94,018	92,130

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

	March 31, 2008 €m	Dec. 31, 2007 €m
Loans and receivables	86,086	84,564
Held to maturity	435	456
Fair value option	7,497	7,110
Total	94,018	92,130

€68,853 million (December 31, 2007: €69,769 million) of loans and advances to customers is due after more than 12 months.

(14) Total credit extended

	March 31, 2008 €m	Dec. 31, 2007 €m
Loans and advances to other banks	31,126	24,581
Loans and advances to customers	94,018	92,130
Guarantees	1,206	1,428
Total	126,350	118,139

(15) Allowance for losses on loans and advances

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

	March 31, 2008 €m	Dec. 31, 2007 €m
Specific valuation allowances	1,076	1,071
Portfolio-based valuation allowances	93	83
Total allowances for losses on loans and advances	1,169	1,154
Provisions for credit risks	40	39
Total	1,209	1,193

The allowance for losses on loans and advances is accounted for in full by loans and advances to customers classified as loans and receivables. Collective valuation allowances are also reported under the specific valuation allowances.

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

	Specific valuation allowances		Portfolio-based valuation allowances		Total	
	2008 €m	2007 €m	2008 €m	2007 €m	2008 €m	2007 €m
Balance at January 1	1,071	1,090	83	65	1,154	1,155
Additions						
Allowance charged to the income statement	90	108	16	3	106	111
Disposals						
Utilization	44	36	–	–	44	36
Allowance reversed to the income statement	31	25	6	1	37	26
Unwinding	9	7	–	–	9	7
Currency translation differences	1	1	–	–	1	1
Balance at March 31	1,076	1,129	93	67	1,169	1,196

(16) Trading assets

	March 31, 2008 €m	Dec. 31, 2007 €m
Bonds and other fixed-income securities	6,218	4,139
Equities and other non-fixed-income securities	99	161
Building loans held for trading	212	209
Positive fair values of derivatives carried as trading assets	5,614	5,155
Positive fair values of banking book derivatives	201	131
Positive fair values from derivatives relating to hedged items accounted for under the fair value option	118	141
Total	12,462	9,936

€6,800 million (December 31, 2007: €7,365 million) of trading assets is due after more than 12 months.

(17) Investment securities

	March 31, 2008 €m	Dec. 31, 2007 €m
Bonds and other fixed-income securities		
Loans and receivables	25,069	26,600
Held to maturity	657	730
Available for sale	49,716	38,755
	75,442	66,085
Equities and other non-fixed-income securities (available for sale)	2,361	2,418
Investments in associates (available for sale)	20	22
Investments in unconsolidated subsidiaries (available for sale)	80	81
Total	77,903	68,606

Investment securities amounting to €70,360 million (December 31, 2007: €61,477 million) are due after more than 12 months.

Investment securities were furnished as collateral for the following liabilities:

	March 31, 2008 €m	Dec. 31, 2007 €m
Liabilities	33,856	24,518
Contingent liabilities	–	–
Total	33,856	24,518

(18) Intangible assets

	March 31, 2008 €m	Dec. 31, 2007 €m
Acquired goodwill	1,631	1,631
Acquired software, concessions, industrial rights	605	606
Internally generated intangible assets and software	64	66
Advance payments on intangible assets and in-process intangible assets	122	122
Total	2,422	2,425

The Acquired software, concessions, industrial rights item includes the capitalized BHW brand in the amount of €319 million. Following amortization in the first quarter of 2008, €89 million (December 31, 2007: €90 million) was recognized for customer relationships capitalized as part of the acquisition of BHW and €64 million (December 31, 2007: €66 million) for beneficial contracts.

(19) Property and equipment

	March 31, 2008 €m	Dec. 31, 2007 €m
Land and buildings	763	768
Operating and office equipment	143	148
Advance payments and assets under development	8	11
Total	914	927

(20) Other assets

	March 31, 2008 €m	Dec. 31, 2007 €m
Prepaid expenses	463	363
Trade receivables	101	90
Advances to members of the mobile sales force	12	11
Receivables from tax authorities	9	10
Miscellaneous	59	55
Total	644	529

Other assets amounting to €363 million (December 31, 2007: €393 million) have a maturity of more than 12 months.

(21) Deposits from other banks

	March 31, 2008 €m	Dec. 31, 2007 €m
Payable on demand	4,875	3,292
With an agreed maturity or withdrawal notice	71,806	57,854
Total	76,681	61,146

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

€11,397 million (December 31, 2007: €11,454 million) of deposits from other banks is due after more than 12 months.

(22) Due to customers

	March 31, 2008 €m	Dec. 31, 2007 €m
Savings deposits	35,139	34,996
Home savings deposits	16,941	16,915
Other amounts due		
Payable on demand	25,256	26,589
With an agreed maturity or withdrawal notice	35,264	32,196
	60,520	58,785
Total	112,600	110,696

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

€33,435 million (December 31, 2007: €32,257 million) of amounts due to customers is due after more than 12 months.

(23) Securitized liabilities

	March 31, 2008 €m	Dec. 31, 2007 €m
Mortgage bonds (*Hypothekenpfandbriefe*)	1,622	11
Public-sector mortgage bonds (*Pfandbriefe*)	60	59
Other debt instruments	9,139	9,488
Total	10,821	9,558

The mortgage bonds (*Hypothekenpfandbriefe*) include the new issue in the principal amount of €1.5 billion from January 2008.

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

€6,175 million (December 31, 2007: €7,393 million) of securitized liabilities is due after more than 12 months.

(24) Trading liabilities

	March 31, 2008 €m	Dec. 31, 2007 €m
Negative fair values of trading derivatives	5,195	4,955
Negative fair values of banking book derivatives	442	330
Negative fair values from derivatives relating to hedged items accounted for under the fair value option	398	308
Delivery obligations under securities sold short	77	1
Total	6,112	5,594

€3,905 million (December 31, 2007: €4,875 million) of trading liabilities is due after more than 12 months.

(25) Provisions

	March 31, 2008 €m	Dec. 31, 2007 €m
Provisions for pensions and other employee benefits	1,150	1,143
Provisions for home savings business	717	710
Other provisions	246	254
Total	2,113	2,107

€1,827 million (December 31, 2007: €1,797 million) of recognized provisions is due after more than 12 months.

(26) Other liabilities

	March 31, 2008 €m	Dec. 31, 2007 €m
Liabilities from expenses for management bonuses	76	77
Liabilities from expenses for outstanding invoices	56	75
Liabilities from expenses for outstanding vacation entitlements and other compensated absences	56	46
Trade payables	52	99
Liabilities from expenses for commissions and premiums	35	43
Deferred income	34	42
Liabilities from expenses for services performed by Deutsche Post AG	26	81
Liabilities from other taxes	21	188
Miscellaneous liabilities	152	184
Total	508	835

€71 million (December 31, 2007: €69 million) of other liabilities is due after more than 12 months.

(27) Subordinated debt

	March 31, 2008 €m	Dec. 31, 2007 €m
Subordinated liabilities	2,844	2,778
Hybrid capital instruments	1,562	1,508
Profit participation certificates outstanding	1,276	1,262
Contributions by typical silent partners	56	55
Total	5,738	5,603

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

€5,242 million (December 31, 2007: €5,260 million) of subordinated debt is due after more than 12 months.

Other disclosures

(28) Contingencies and other obligations

	March 31, 2008 €m	Dec. 31, 2007 €m
Contingent liabilities		
on guarantees and warranties	1,206	1,428
Other obligations		
Irrevocable loan commitments	23,055	23,480
of which: building loans provided	5,218	5,665
Total	24,261	24,908

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

	March 31, 2008		Dec. 31, .2007	
	Carrying amount €m	Full fair value €m	Carrying amount €m	Full fair value €m
Assets				
Cash reserve	2,414	2,414	3,352	3,352
Loans and advances to other banks (loans and receivables)	31,126	30,978	24,581	24,510
Loans and advances to customers (loans and receivables)	86,086	87,273	85,159	85,414
Loans and advances to customers (held to maturity)	435	435	456	456
Allowance for losses on loans and advances	–1,169	–1,169	–1,184	–1,184
Investment securities (loans and receivables)	25,069	24,196	26,600	25,922
Investment securities (held to maturity)	657	654	730	731
	144,618	144,781	139,694	139,201
Liabilities				
Deposits from other banks (liabilities at amortized cost)	76,681	76,617	61,146	60,935
Due to customers (liabilities at amortized cost)	112,600	112,687	110,740	110,335
Securitized liabilities and subordinated debt	16,559	15,951	15,161	14,753
	205,840	205,255	187,047	186,023

(30) Derivatives

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

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

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

Holdings of derivatives are composed of the following items:

	Notional amounts		Positive fair values		Negative fair values	
	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m
Trading derivatives	590,838	518,853	5,933	5,427	6,035	5,593
Hedging derivatives	39,859	34,052	315	421	1,283	873
Total	630,697	552,905	6,248	5,848	7,318	6,466

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

			Fair Value			
	Notional amounts		Positive fair values		Negative fair values	
	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m	March 31, 2008 €m	Dec. 31, 2007 €m
Trading derivatives						
Foreign currency derivatives	38,382	24,791	705	237	541	320
Interest rate derivatives	545,013	487,016	5,170	5,151	5,088	5,056
Equity/index derivatives	801	829	28	12	55	67
Credit derivatives	6,642	6,217	30	27	351	150
Total holdings of trading derivatives	590,838	518,853	5,933	5,427	6,035	5,593
Hedging derivatives						
Fair value hedges	39,859	34,052	315	421	1,283	873
Total holdings of hedging derivatives	39,859	34,052	315	421	1,283	873
Total holdings of derivatives	630,697	552,905	6,248	5,848	7,318	6,466

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

(31) Risk-weighted assets and capital ratio

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

	March 31, 2008 €m	Dec. 31, 2007 €m
Credit and counterparty risk	64,763	75,788
Market risk positions	11,675	12,225
Operational risk	6,450	3,063
Total capital charge	82,888	91,076
Additional capital charge in accordance with transitional provision	–	4,500
Tier 1 capital	4,793	5,455
thereof: hybrid capital instruments	1,620	1,651
Tier 2 capital	3,343	3,312
thereof: profit participation certificates outstanding	1,213	1,213
thereof: subordinated liabilities	2,348	2,308
Tier 3 capital	0	0
Eligible own funds	8,136	8,767
Tier 1 ratio in %	6.7	6.9
Effect of transitional provision in percentage points	–	–0.4
Capital ratio in %	9.8	9.6
Effect of transitional provision in percentage points	–	–0.4

Postbank's regulatory risk-bearing capacity is ensured by its compliance with the regulatory minimum capital requirements. These are determined as quotients of available capital and risk positions entered into. The key components of Postbank's Tier 1 capital are the share capital, recognized reserves, and hybrid capital instruments. Tier 2 capital is composed of profit participation certificates outstanding and long-term subordinated liabilities after deductions prescribed by law. Under the transitional provisions for IRBA (internal ratings-based approach) institutions in accordance with section 339(1) in conjunction with (3-5) of the SolvV, the regulatory own funds of institutions that use internal rating systems (IRB approach) to calculate the capital charge for credit and counterparty risk may not fall below 90 % of the minimum capital requirement determined using regulatory weighting factors in accordance with Principle I in the second year of application[1]. The positive effect as against the Principle I calculation was realized in full as of March 31, 2008.

[1] Since March 31, 2008, the floor for IRBA institutions has been calculated in accordance with the minutes of the 3rd meeting of the Working Group on Banking Supervision on November 27, 2007.

(32) Related party disclosures

Related party receivables

	March 31, 2008 €m	Dec. 31, 2007 €m
Loans and advances to customers		
Deutsche Post AG	419	402
Subsidiaries	27	30
	446	432
Other assets		
Deutsche Post AG	12	24
Subsidiaries	1	2
Other related parties	3	4
	16	30

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

Related party payables

	March 31, 2008 €m	Dec. 31, 2007 €m
Due to customers		
Deutsche Post AG	2	–
Subsidiaries	74	44
Other related parties	37	36
	113	80
Other liabilities		
Deutsche Post AG	36	95
Subsidiaries	2	2
Other related parties	3	4
	41	101
Subordinated debt		
Subsidiaries	142	141
	142	141

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

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

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

Income and expenses from related parties

	Jan. 1 – March 31,2008 €m	Jan. 1 – March 31,2007 €m
Interest income		
Deutsche Post AG	8	5
Other related parties	–	1
	8	6
Interest expense		
Subsidiaries	2	2
	2	2
Fee and commission income		
Deutsche Post AG	119	127
	119	127
Fee and commission expense		
Subsidiaries	3	3
	3	3
Administrative expenses		
Deutsche Post AG	77	84
Subsidiaries	4	3
Other related parties	38	33
	119	120
Other income		
Other related parties	6	6
	6	6

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

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

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

(33) Members of executive bodies

Management Board

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

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

1. Shareholder representatives	
Frank Appel, Chairman of the Board of Management of Deutsche Post AG, Königswinter (Chairman since March 3, 2008)	since February 19, 2008
Klaus Zumwinkel, Cologne	until February 18, 2008
Jörg Asmussen, Head of Department, Federal Ministry of Finance, Berlin	
Wilfried Boysen, Hamburg	
Edgar Ernst, management consultant, Bonn	
Peter Hoch, Munich	
Ralf Krüger, management consultant, Kronberg	
Hans-Dieter Petram, Bonn	
Bernd Pfaffenbach, State Secretary, Federal Ministry of Economics and Technology, Wachtberg-Pech	
Klaus Schlede, Carabietta/Lugano	
Elmo von Schorlemer, lawyer, Aachen	

2. Employee representatives
Michael Sommer, Chairman of the German Trade Union Federation, Berlin (Deputy Chairman)
Wilfried Anhäuser, Chairman of Postbank Filialvertrieb AG's General Works Council, Kerpen
Marietta Auer, Head of Department, Deutsche Postbank AG, Head Office, Unterhaching
Rolf Bauermeister, Head of National Postal Services Group, at ver.di Trade Union (national administration), Berlin
Annette Harms, Deputy Chair of Deutsche Postbank AG's Works Council, Hamburg Branch, Hamburg
Elmar Kallfelz, member of Deutsche Post AG's European Works Council and General Works Council, Wachtberg
Torsten Schulte, Chairman of Deutsche Postbank AG's Group Works Council, Hessisch Oldendorf
Eric Stadler, Chairman of Deutsche Postbank AG's Works Council, Markt Schwaben
Gerd Tausendfreund, trade union secretary of the ver.di Trade Union, Nidderau
Renate Treis, Deputy Chair of Deutsche Postbank AG's General Works Council, Brühl

Responsibility Statement

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

Bonn, April 25, 2008

Deutsche Postbank Aktiengesellschaft
The Management Board

Wolfgang Klein

Dirk Berensmann
Mario Daberkow

Stefan Jütte
Guido Lohmann

Michael Meyer
Loukas Rizos

Hans-Peter Schmid
Ralf Stemmer

Review Report

To Deutsche Postbank AG, Bonn

We have reviewed the condensed consolidated interim financial statements – comprising the balance sheet, income statement, condensed cash flow statement, statement of changes in equity, and selected explanatory notes – and the interim group management report of Deutsche Postbank AG, Bonn, for the period from January 1 to March 31, 2008, which are part of the quarterly financial report pursuant to § (Article) 37x Abs. (paragraph) 3 WpHG (*Wertpapierhandelsgesetz*: German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company's Management Board. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

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

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU or that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Düsseldorf, April 30, 2008

PricewaterhouseCoopers
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

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

Financial Calender

Fiscal year 2008

- **May 8, 2008** — Annual General Meeting, Cologne, and
  Interim Report for the first quarter of 2008, analyst conference call
- **July 30, 2008** — Interim Report for the first half-year of 2008, analyst conference call
- **November 10, 2008** — Interim Report for the third quarter of 2008, 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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