2014

POSTBANK GROUP ANNUAL REPORT

Postbank

POSTBANK GROUP IN FIGURES 2014

		Jan. 1 – Dec. 31, 2014	Jan. 1 – Dec. 31, 2013
Consolidated income statement[1]			
Total income	€m	3,870	3,804
Administrative expenses	€m	–2,754	–3,177
Profit before tax	€m	457	318
Consolidated net profit	€m	278	330
Total cost/income ratio	%	83.0	83.8
Return on equity			
before tax	%	7.2	5.5
after tax	%	4.4	5.7
Earnings per share[2]	€	1.27	1.51

		Dec. 31, 2014	Dec. 31, 2013
Consolidated balance sheet			
Total assets[3]	€m	155,447	161,497
Customer deposits	€m	103,007	103,698
Customer loans	€m	94,908	97,965
Allowance for losses on loans and advances	€m	1,361	1,478
Equity[3]	€m	6,601	6,147
Common Equity Tier 1 capital ratio regular phased-in	%	11.0[4]	9.6[5]
Common Equity Tier 1 capital ratio fully phased-in	%	10.5[4]	8.8[5]
Headcount (FTEs)	thousand	14.77	18.22
Long-term ratings			
Moody's[6]		–/–	A2/outlook negative
Fitch		A+/outlook negative	A+/outlook stable

		Dec. 31, 2014	Dec. 31, 2013
Information on Postbank shares			
Share price at the balance sheet date	€	35.14	38.75
Share price (Jan. 1 – Dec. 31)	high €	38.50	38.75
	low €	34.20	30.53
Market capitalization on December 31	€m	7,688	8,479
Number of shares	million	218.8	218.8

[1] Including the discontinued operation
[2] Based on 218.8 million shares
[3] Figures adjusted (see Note 6)
[4] Based on the consolidated financial statements as of December 31, 2014, subject to approval
[5] Pro-forma values in accordance with the CRR/CRD IV on the basis of the consolidated financial statements as of December 31, 2013, in the approved version
[6] The Moody´s rating was discontinued as of December 31, 2013.

Postbank
A bank for life.

The Postbank Group is a major financial services provider in Germany, with some 14 million customers, nearly 15,000 employees and total assets of €155 billion. The heart of our commercial activities is our business with retail, business and corporate customers. Money market and capital market activities complete the Bank's profile.

What makes us particularly successful is our customer proximity that is unique in the market. We are there for our customers whenever and wherever they need us to be – for their private and business needs, digitally and in person.

That makes Postbank a bank for life.

14 million customers

Millions of people put their trust in Postbank. Young or young-at-heart, lively or laidback, planners or dreamers – each way of life is one of a kind. What connects them is the desire for a reliable long-term partner for any and all financial concerns. That's Postbank. For many for a lifetime.

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13.2 million savings accounts

Pocket money for the little things – saving with Postbank for the big ones. And just the way our customers want to go about it. According to a fixed plan or flexibly. A traditional "real-world" branch experience – or online, with secure and convenient access to your account anywhere and anytime. The perfect way to relax and enjoy the anticipation of getting what you want.

FOR OUR STAKEHOLDERS

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Ladies and gentlemen,

In fiscal year 2014, Deutsche Postbank AG successfully continued to develop its business and grew in profitability despite a persistently difficult market environment. In addition, the implementation of our strategy, the Postbank Agenda, is a major step forward for the Bank and has accelerated the process of change in our organization. This progress can be clearly seen in our key financial figures. Profit before tax rose significantly by 44 %, reaching €457 million compared with €318 million in the previous year. In our operating business adjusted for special factors, we generated a profit of €949 million before tax despite the sustained low interest rate environment, a figure that was nearly within reach of the prior-year figure of €991 million. At the same time, Postbank was able to further reduce risks and thus make the Bank more secure. Consequently, Postbank's total assets, at €155.4 billion, were down 3.8 % on the prior-year figure of €161.5 billion. We saw a satisfying improvement of the core Tier 1 capital ratio, which rose from 8.8 % in the prior year to approximately 10.5 %.

Fiscal year 2014 also presented us with a number of non-recurring effects in the fourth quarter in particular, such as the €129 million charge from reimbursements of consumer loan processing fees following the rulings of Germany's Federal Court of Justice. Expenses related to our integration into the Deutsche Bank Group (€147 million) and ex-gratia settlements in the securities business (€86 million) also had a negative impact. In contrast, a deconsolidation gain of €362 million resulting from the pooling of the service companies in the Deutsche Bank Group (platform holding) in the first half of the year had a positive effect. On balance, the positive and negative non-recurring effects offset one another for the most part.

Postbank's consolidated net profit decreased from €330 million in the prior year to €278 million owing in particular to additional tax payments for prior years as well as to taxes related to the deconsolidation of the so-called platform holding companies.

The digitization megatrend will permanently change what customers require from their bank as well as the mentality of the entire financial industry. Postbank has viewed this development since very early on as an opportunity. The centerpiece of our strategy in fact focuses on the use of progressive digitization for the benefit of our customers. Our slogan "digital and personal" emphasizes our desire to meet our customers wherever they are concerned about their personal financial matters and offer them our services. Not without pride, we can profess to have expanded our position as the largest and most secure online bank year after year. Moreover, the percentage of new consumer credit business generated over the online sales channel in 2014 was satisfying, at around 46 %. Online sales also accounted for about 15 % of our new checking accounts, which numbered about 430,000. In addition to quantitatively measurable successes, we also made progress on the innovation side. A fingerprint authorization procedure in mobile banking as well as e-mail wire transfers are just two examples of Postbank innovation. The positive response to our services and functionalities is strong motivation to continue to improve our offers.

In addition to the business in the digital world, we are also focused in equal measure on providing optimal customer service in our approximately 1,100 Postbank branches. We recognize the importance of personal contact and will continue to make significant investments toward improving the service experience in the branches in the coming years. Deutsche Post DHL is our strong sales partner in these activities. Moreover, we have implemented an ongoing process to expand 50 locations into Postbank Centers where we can offer our customers the full range of products and services in direct personal contact. The two locations of Essen and Nuremberg were already successfully established in the past year.

Nevertheless, our attention to our customer business must not distract us from our obligations. That is why we have noticeably reduced our total assets in 2014 as well and made Postbank more secure. Over the past five years, we have been able to decrease those assets by some €60 billion. That means that Postbank today generates better results with markedly fewer resources – and it does so while proceeding with the integration into Deutsche Bank. Our work is efficient and we have successfully mastered the three-fold challenge of growth, integration and risk reduction.

All of this makes me confident that we have the right business model and the right strategy and will be able to hold our own in a tough market environment fraught with numerous adversities. Without a staff that is open to change, the necessary evolution of the Bank will not be possible. Our employees demonstrate precisely this kind of flexibility every day. For that, I would like to offer my special thanks on behalf of myself and the entire Management Board.

Bonn, March 26, 2015

Frank Strauss
Chairman of the Management Board

MANAGEMENT BOARD OF DEUTSCHE POSTBANK AG

Frank Strauss (CEO)

Marc Hess (CFO)

Ralph Müller (COO)

Susanne Klöss-Braekler (Product)

Ralf Stemmer (Resources, CAO)

Hans-Peter Schmid (Branch Sales)

Hanns-Peter Storr (CRO)

"ALWAYS GIVE OUR BEST FOR OUR CUSTOMERS WHEREVER WE ARE"

INTERVIEW WITH FRANK STRAUSS, CHAIRMAN OF THE MANAGEMENT BOARD

Mr. Strauss, how did fiscal year 2014 go from your point of view?

2014 was a successful year, in which Postbank once again demonstrated its strength and dependability. We confirmed our good profit before tax figure from the prior year. This is quite an achievement given the extraordinary difficulty of the current environment, which continues to be marked by low interest rates and tightening regulatory requirements. Even under these economic conditions we were able to generate a profit thanks to an operating business that is both strong and stable. Most notably, we mastered the three-fold challenge of growth, integration and risk reduction. That is an accomplishment shared by all our Postbank employees. To that extent, I am quite satisfied with the fiscal year.

Can you describe this three-fold challenge in more detail?

Postbank has reduced its total assets by around €60 billion over the past five years. As a result, we experienced a marked reduction in our risk positions, as you can see from our Tier 1 capital ratio, which was up once again in 2014. Return on equity, despite a stronger capital base, has now exceeded 7 %. That is very impressive compared with the rest of the industry. At the same time, we have performed very well and our customer business is growing. This means that Postbank was able to maintain a stable result while utilizing significantly fewer resources – and did that while proceeding with the integration into the Deutsche Bank Group. We are proud of that.

The figures show some non-recurring effects...

The past year was marked by a whole series of non-recurring effects – positive as well as negative, with the negative effects preponderant overall. We faced a substantial negative effect in the fourth quarter in particular following the rulings by Germany's Federal Court of Justice, requiring the unforeseeable reimbursement of consumer loan processing fees. Ups and downs are nothing unusual – what is important is the underlying operating profit and how stable it is. In this regard, Postbank is in perfect health. Profit before tax was up 44 % on the prior-year figure and reached €457 million. In terms of income, Postbank is a strong part of the Deutsche Bank Group and its contribution to earnings is substantial.

You mentioned growth in the customer business – in what areas?

Our business with retail, business, and corporate customers has done well over the long term. It is based on our unique business model, which has demonstrated its resilience even under the adverse conditions we face today. For example, our consumer credit business grew a satisfying 12 % compared with last year. Growth momentum also continues to come from both the online and the direct business.

In 2014, you announced a second phase of your strategic agenda. Where is Postbank headed?

We always want to give our best for our customers wherever we are. Our vision is founded on this ambition; it also describes how to go about it. We entered the second phase of our Postbank Agenda in the middle of 2014. In this phase, we are focused on further improving the way our strengths in on-site customer care and the digital world dovetail with one another.

What exactly would that look like?

As the long-established market leader in online banking in Germany, we are always expanding our digital business. We want to create a consistent tangible experience for our customers. That has worked out very well so far. For example, nearly one out of every two consumer credit agreements is concluded over a direct channel. At the end of the year, we opened our new Direktbank Center in Bonn – and purposefully located it outside our head office to give them the latitude they need. Here we want to combine the strengths of Postbank and norisbank so that we can expand further into the digital world together even better. They are cultivating a culture of innovation there, one that distinguishes us from many banks in Germany.

At the same time, we are investing in the branch business and our on-site customer service. By building our new Postbank Centers, we are bringing together the entire range of Postbank's products and services under one roof where they can be tangibly experienced by our customers. We have already started with two pilot projects in Essen and Nuremberg. Overall, there will be 50 Postbank Centers.

"Postbank was able to maintain a stable result while utilizing significantly fewer resources – and did that while proceeding with the integration into the Deutsche Bank Group."

Frank Strauss

"We are focused on further improving the way our strengths in on-site customer care and the digital world dovetail with one another."

Frank Strauss

In other words, you're not closing branches; you're even investing in them.

Yes. Here you can see how our long-term cooperation with Deutsche Post differentiates our business model from the competition. Thanks to the income from the postal business, we are able to finance our dense branch network at lower cost than would otherwise have been possible with only banking offers. At the same time, we have to work systematically on our efficiency. From the customers' point of view, it is important that we continue to invest in our branches, especially in the area of self-service, which offers our customers real added value. It also helps to reduce waiting times in the branches. In this way we will be in a position to remain a bank that offers a unique combination of financial and postal services.

And what specifically does this "digital and local" approach give customers?

We are improving their service experience and in the process making an important part of their lives easier: their financial affairs. In the digital arena, we offer user-friendly and secure mobile banking through such innovative solutions as the financial assistant app. We have also substantially simplified wire transfers by introducing a fingerprint authorization procedure and the e-mail wire transfer. Locally, we are straightening out branch processes by expanding the self-service areas, which creates free space for advisory services and improves customer service. But whatever we do, our focus is on improving the experience for our customers.

How is this approach reflected in Postbank's corporate image?

It is important to us that current and future customers know what Postbank can offer them. Our new campaign, launched last fall, shows what Postbank stands for and what our customers can expect from us. In the new campaign we have summed up our strategic approach in a simple and comprehensible slogan, as "a bank for life". Postbank wants to be what our customers want us to be: digital and personal.

In other words, the customer will occupy center stage in the whole range of products and services. But has Postbank learned from its mistakes in the past?

Yes. We have made that plain by clearly orienting our agenda on the needs of our customers. We are also actively addressing difficult topics and have radically restructured our business model at several points. Here are some concrete examples: We have discontinued the sale of products like closed-end funds. We have established an ombudsman position and markedly improved the quality of our advisory services. We certainly haven't reached the end, and we are also currently intensively addressing other points of criticism. Once again: Customer satisfaction is our top priority.

What about the satisfaction of your employees?

Satisfied and motivated employees are one of Postbank's major strengths. I am very pleased that the employee satisfaction scores from the people survey rose again in 2014. That shows that we are on the right track and that we incorporate our staff in our change process. An open, appreciative and partnership-based culture of dialog in which weaknesses are addressed, strengths encouraged and innovation promoted is very important to me and my Management Board colleagues. We are convinced that a strong corporate culture and commercial success go hand in hand. It is crucial that the interests of the company and the concerns of the workforce are in harmony. That applies especially in times when the market environment is so challenging, as we are experiencing now. In 2013, we and our employees reached an agreement on a shared vision and then implemented that vision. In 2014, we provided our executive employees with clear principles of leadership that are currently being worked out in concrete detail in workshops and implemented. Good leadership is of utmost importance so that we can overcome future challenges in an ever more complex environment.

What is your prognosis for the near future?

We will continue to work hard for our customers and bring innovative products and services to market. In addition, we plan on pressing ahead with the transformation of our internal culture. Postbank is currently on a very good course. As a company we are excellently positioned with great colleagues who enjoy their work. We intend to make Postbank even better together and be successful even in the difficult environment of 2015. I am looking forward to it.

DEVELOPMENTS IN OUR BUSINESS DIVISIONS

NEW BUSINESS WITH RETAIL CUSTOMERS STAYS ON COURSE

In fiscal year 2014, Postbank was able to vigorously expand its consumer credit business thanks to attractive terms and a flexible product range. Our checking account business also successfully continued its steady rise in volumes and quality. In contrast, very low interest rates acted as a drag on the savings business.

Checking accounts and demand deposits reach new highs

With 5.3 million private checking accounts at the end of 2014, Postbank was once again able to expand its book and maintain its position as the largest provider on the German market. During the year, 433,000 new accounts were opened thanks in large part to benefits customers received from the new cooperation agreements with Zalando and Microsoft.

The number of accounts opened online is becoming increasingly important. In 2014, around 15 % of all accounts were opened via the Internet. The volume of demand deposits held in retail and business customer accounts rose €3.1 billion or 12 % to hit a record peak of €28.3 billion.

Savings business contracts slightly

The savings and overnight money business amounted to €49.9 billion at the end of 2014. This corresponds to a decline of around 4 % year-on-year. The task of attracting new volumes in the year under review was made difficult by the sustained low level of interest rates. Nevertheless, the Bank brought in gross new business volumes of €6.8 billion.

Strong momentum for new business came from an "extra savings" promotion at mid-year, focused on the "SparCard Rendite plus" savings product. With this new item as the focus of sales since June 2014, the campaign generated around €2.3 billion in new funds. In September, the Bank also began offering the variant "SparCard Rendite plus *direkt*," a product that can be acquired through direct sales channels. Both are transparent, easy to understand savings offers with three-month termination periods and interest that depends on the account balance. The product scheme underscores Postbank's positioning as a saver-oriented bank and provider of transparent and attractive products.

The savings strategy is primarily geared toward the profitable development of book volumes. The introduction of interest caps with lower interest for large-volume deposits also supported the more sustainable small-sized savings business. Those customers affected by the interest cap are specifically targeted by the Bank with other investment opportunities such as securities or home savings.

New consumer credit business continues to grow

New consumer credit business reached a new record high in 2014. New business volumes for both the Postbank and DSL brands rose approximately 10 % to €2.3 billion year-on-year. DSL experienced growth of around 29 % and reached €0.7 billion. The Internet sales channel once again proved to be of special significance for new business, generating the largest percentage of volume of the Postbank brand, approximately 46 %.

In its new payment protection business, Postbank performed also very well in 2014. Compared with the prior year, the total volume of insurance contributions increased 21 % to just under €92 million.

The strong new business also benefited the development of the Bank's loan portfolio, which climbed by €653 million year-on-year to reach €5.7 billion. This equals growth of approximately 14 % while maintaining comparative portfolio quality.

In the past, the Bank has received outstanding recognition from various independent testers, and fiscal year 2014 was no different. For example, the domestic television news channel n-tv and the Deutsches Institut für Service-Qualität (DISQ – German Institute for Service Quality) named Postbank "Best Consumer Credit Provider among Supraregional Branch Banks." The financial publication FOCUS-MONEY and the Deutsches Finanz-Service Institut (DFSI – German Financial Services Institute) declared that Postbank offered the "Best Consumer Credit with Payment Protection Insurance."

Weak market slows development of new home savings business

In the home savings business that we operate under the BHW brand, we successfully introduced four new products in 2014 that are even more individually attuned to customer needs and at the same time adapted to the challenges of the low interest rate environment. However, we were unable to escape trends on the German home savings market, which saw a drop in the home savings written business of 8.3 %. Home savings written at Postbank fell 9.6 % to approximately €10.3 billion (prior year: €11.4 billion). In our home savings business in terms of target contract sums, we were able to expand the market share from 9.7 % to 9.9 %.

New business developed differently in the three main sales channels. The volume of new business generated in the Postbank branches markedly exceeded the prior-year level by growing 14 % to reach nearly €2.2 billion. With new business amounting to some €1.6 billion, our cooperation partners nearly achieved the levels of the prior year (–4 %). However, Postbank Finanzberatung AG was unable to match the positive performance of the prior year, producing around €6.2 billion or – 17 %. Home savings deposits grew approximately 1.6 % in 2014, ending the year at €18.7 billion.

Mortgage lending nearly reaches prior-year level

Including paid home savings loans, our customers borrowed some €9.0 billion in financial resources for private construction projects by the end of 2014, around 3.2 % or €0.3 billion less than the previous year. This slight decline is primarily the result of credit standards that were tightened to ensure responsible loan approvals.

In our brokerage business, in which we are positioned as a "partner bank to financial service providers" under the DSL Bank brand, we were able to keep new business volumes generated via Internet platforms and sales partners at the high level of €4.8 billion. New business acquired under the BHW brand was some 6.5 % below the prior-year level, with volumes of around €2.9 billion.

The mortgage loan portfolio as of December 31, 2014, including third-party portfolios acquired, totaled €71.9 billion, an amount slightly below the €73.1 billion registered at year-end 2013. This decline is primarily attributable to the phasing out of purchased third-party portfolios. In consequence, the market share also sank slightly below the corresponding prior-year figure to around 8.4 %, while margins rose.

Subdued securities and retirement provision business

Despite a persistently difficult environment, the performance of new securities business was slightly positive. In fiscal 2014, new business volumes climbed 4 % year-on-year to around €1.5 billion. The volume of securities managed rose to €13.3 billion, up 3.0 % compared with the previous year.

The retirement provision business, facing a tough market environment, remained at approximately the same level as the prior year. New business in the area of state-subsidized retirement provision schemes was unsatisfying, in line with the market trend. In contrast, the single-premium business performed very well, with growth of almost 40 % year-on-year. The occupational disability insurance business, introduced in July 2014, also did well.

Corporate Banking focuses on SMEs

The long-term strategy of the corporate banking business continues to target German SMEs. The aim is to establish Postbank as the core bank for basic daily needs and gain new market shares in this segment.

As part of this strategy, the lending business is focused on small and mid-sized corporate banking customers. Here we continue to utilize the underlying risk-conscious lending policy that had already been implemented, while seeking an optimal employment of capital. The portfolio of loans to corporate customers could be held at a nearly constant level despite continued withdrawal from engagements with large clients. By the end of 2014, it had reached €6.9 billion.

The Factoring business division progressed with efforts begun last year to increase profitability and was able to improve income despite comparable volumes by further optimizing the portfolio.

In commercial real estate finance, after a successful consolidation of the portfolio, we continue to adhere to our risk-conscious lending policy and are focusing our new business on the financing of existing properties for professional real estate investors. The corresponding portfolio of loans for commercial mortgages had sunk €1.6 billion below the prior-year level to €6.7 billion as of December 31, 2014, primarily as a result of the conservative orientation and the enhanced profitability of our portfolio.

The total number of transactions handled in the Payment Transactions business division dropped slightly from 797 million to 791 million. Conscious withdrawal from engagements with large clients led to this decline. However, the number of transactions we processed for our primary target group of German SMEs saw additional gains year-on-year.

As a consequence of the challenging low interest rate environment, we purposefully reduced the deposit volumes of our corporate customers. They ended the 2014 fiscal year at €5.0 billion, a figure markedly lower than the €7.0 billion at the end of 2013.

Financial Markets further streamlined

The Financial Markets business division performs the Postbank Group's money market and capital market activities. Its responsibilities include hedging net interest margin contributions from the customer business by managing interest rate risk and market risk and managing the liquidity position of the Postbank Group. In so doing the division supports efforts dedicated to de-risking and the further reduction of total assets to improve future relevant key indicators (e.g. the leverage ratio). Thus, by the end of 2014, our holdings of investment securities had shrunk slightly by €0.5 billion to €33.5 billion year-on-year; total assets dropped 3.8 % to €155.4 billion.

Non-Core Operating Unit sees further volume reduction

The Non-Core Operating Unit (NCOU) covers the portfolios and activities that in line with the Bank's current strategy are no longer part of the core business. They were separated from the original segments in order to be able to manage them more purposefully. They include selected investment securities portfolios, selected corporate loans, specific foreign activities, discontinued products in the customer business, and secured and unsecured issues.

Portfolios in the Non-Core Operating Unit year-on-year had been further scaled down by December 31, 2014. This was the result in particular of instruments maturing in the remaining portfolio, the sale of the remaining portfolios of our former branch in London and the repurchasing of liabilities (unsecured issuances). Overall, assets were reduced by €2.3 billion to €11.1 billion and liabilities by €3.3 billion to €22.1 billion in fiscal year 2014.

REPORT OF THE SUPERVISORY BOARD

Ladies and gentlemen,

During fiscal year 2014, Deutsche Postbank AG (hereinafter also referred to as Postbank) continued to perform well against its competitors despite challenging business conditions. In general, the economic situation in Europe stabilized but the economy is not expected to make a fast, broad recovery in the near future. As the previous years, 2014 was characterized by continuing pressure on interest rates and margins. The European Central Bank expects interest rates to remain consistently low in the coming years. Historically low yield levels, narrow margins, even more regulatory requirements combined with costs for the reimbursement of consumer loan processing fees had a negative impact on the business performance of the German banking and financial services industry in 2014. The Capital Requirements Regulation (CRR) and the Capital Requirements Directive IV (CRD IV) have been implemented, and additional regulatory requirements are now in the pipeline. Increasing consumer protection requirements and the implementation of new regulatory requirements alongside the low yield level as well as continuing pressure on margins will once again pose major challenges to the German financial services industry in 2015.

Postbank's business model has continued to prove itself even under these difficult conditions. The start of the next phase of Postbank's management agenda made an essential contribution to a satisfying result in this tough market environment.

Further progress was made in Postbank's integration into the Deutsche Bank Group in the past fiscal year. We took important steps into the future not only by pooling the service companies of Postbank and Deutsche Bank in a shared platform holding, but also by merging the direct bank activities of Postbank and norisbank at a shared location. Moreover, Postbank has intensified its cooperation with Deutsche Post, strengthened the corporate banking business and pooled the home savings business activities of the Deutsche Bank Group under the BHW brand.

As part of our intensive and constructive working relationship, the Management Board informed us in a regular, timely and comprehensive manner during fiscal year 2014 about all issues concerning the Company's strategy, planning, the financial and economic performance of the Bank, the risk position, the risk management system, the internal control system and compliance. Together with the Management Board, we also discussed changes to the remuneration system, strategic measures and regulatory developments as well as important business transactions and projects. Deviations between the course of business and the plans and targets in individual segments were explained to us and reasons given. We discussed at length the Company's strategic focus as well as all measures requiring the approval of the Supervisory Board that were presented to us. Where required by law, the Articles of Association or the Bylaws, we passed resolutions after thorough examination and discussion. When it was necessary to consider issues outside regularly scheduled meetings, decisions were made by means of written procedures. In addition, the Chairmen of the Supervisory Board, the Audit Committee and the Risk Committee were also informed by the Management Board about important business transactions and forthcoming decisions between meetings of the Supervisory Board. The Chairman of the Supervisory Board also stayed in constant touch with the Chairman of the Management Board.

Main subjects of discussion by the Supervisory Board

The Supervisory Board held a total of six regularly scheduled meetings and one extraordinary meeting during fiscal year 2014. In all meetings of the Supervisory Board, we were informed by the Management Board about the Bank's current economic and business situation, the performance of the individual business divisions, risk development and risk management as well as new statutory and regulatory requirements. During a one-day closed meeting, we joined the Management Board in taking a close look at Postbank's business and risk strategies and then thoroughly discussed these issues.

Other focal points of discussions during the year under review were Postbank's risk structure, the impact of current and future regulatory changes and the restructuring of the Management Board's remuneration system. We also held extensive discussions with the Management Board about the Bank's ongoing integration into the Deutsche Bank Group and carefully examined in particular the establishment of the joint GmbH (a German liability company) for the provision of banking services. The members of the Supervisory Board regularly received information about the Company's current situation.

In fiscal year 2014, all Supervisory Board members, with the exception of Lawrence A. Rosen, attended at least half of the meetings of the Supervisory Board and its committees.

During the regularly scheduled meeting held on February 6, 2014, we resolved on the Management Board's target achievement in fiscal year 2013 and intensively discussed Management Board targets for fiscal year 2014. In addition, we extensively addressed the new requirements for the structure of remuneration systems, which are based on the CRD IV Implementation Act, and the corresponding amendments of the *Kreditwesengesetz* (KWG – German Banking Act). The Management Board informed us about the status of preparations of the Company's annual financial statements. The Supervisory Board also made personnel planning decisions. As part of equity investment-related issues, shareholder representatives on the Supervisory Board passed a resolution on co-determination at Postbank subsidiaries. During the meeting, we were also informed about the current state of the outsourcing audit report of the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Federal Financial Supervisory Authority) and the disposal of a property.

During the financial statements meeting held on March 24, 2014, we approved the 2013 annual and consolidated financial statements of Postbank. This step was taken after our own thorough deliberation, examination and earlier discussion with the auditor, and reflects the recommendation of the Audit Committee. To that end, the Management Board and the auditor also informed us during the meeting about key findings in 2013. In addition,

we approved the Report of the Supervisory Board to the Annual General Meeting in accordance with sections 171(2) and 314(2) of the *Aktiengesetz* (AktG– German Stock Corporation Act) and the Annual Corporate Governance Statement included in the Corporate Governance Report. Using updated mid-term planning as our basis, we passed a resolution on the 2014 targets of the Management Board. As part of equity investment-related issues, a decision was made in accordance with section 32 of the *Mitbestimmungsgesetz* (MitbestG – German Co-Determination Act) to formally approve the conduct of office of the Management Boards and Supervisory Boards of BHW Holding AG, Betriebs-Center für Banken AG and Postbank Filialvertrieb AG. Other issues addressed by the Supervisory Board during the meeting included the risk position of the Bank as a whole, the human resources and social report and changes to the Risk Committee bylaws. The Supervisory Board and the Management Board also jointly examined and discussed the status of key ongoing projects. At this meeting we also discussed the agenda for the Annual General Meeting held on July 9, 2014, and approved by written vote the motions regarding the agenda items. Moreover, the Supervisory Board resolved the first update of the Declaration of Conformity with the German Corporate Governance Code and the election proposals for the election of shareholders in this written procedure.

In connection with the 2014 Annual General Meeting, the Supervisory Board held two regularly scheduled meetings on July 8 and 9. In the meeting held on July 8, we received information on the organizational details of the Annual General Meeting. We were also informed by the Management Board of the 2014 first quarter figures and discussed these results with its members. In addition to regular reports from the committees and the risk reporting, we discussed in detail the regulations of the German Corporate Governance Code regarding criteria to consider when determining management board remuneration (vertical comparison of remuneration) as well as protection against dilution as it pertains to phantom shares. Resolutions were passed where necessary. Moreover, we jointly discussed the current status of key ongoing projects with the Management Board.

The meeting of July 9 that followed the Annual General Meeting focused on new appointments and/or reappointments for committees due to the change on the Supervisory Board. Moreover, the Supervisory Board resolved a second update of the Declaration of Conformity with the German Corporate Governance Code.

In our extraordinary meeting held on October 2, 2014, upon recommendation of the Nomination, Executive, and Compensation Control Committees and following discussion, we appointed Susanne Klöss-Braekler (responsible for the Product board department) and Ralph Müller (Chief Operating Office board department) to the Management Board, effective November 1, 2014. We also resolved their Management Board contracts through 2017.

In the meeting held on November 4, the Management Board informed us about business developments and the risk position of Postbank as part of its regular reporting responsibilities. They also presented the human resources and social report. In addition, the Supervisory Board and Management Board jointly examined and discussed key ongoing projects.

In its last meeting of the year held on December 17, 2014, the Supervisory Board focused on business performance, business planning for 2015, Postbank's business and risk strategy, the Declaration of Conformity in accordance with section 161 of the AktG as well as the Management Board remuneration system. The Management Board informed us about the Company's current financial situation. Together with the Management Board, we discussed business planning for 2015 and Postbank's business and risk strategies for 2015. After extensive discussion, we approved the submitted business plan for 2015. During the meeting we also discussed statutory amendments in the wake of the CRD IV Implementation Act and amendments to the German Corporate Governance Code and passed relevant resolutions wherever necessary. In this context, we also discussed appointment and selection criteria for persons in the senior management level. With regard to remuneration of Management Board members, we passed resolutions on the remuneration comparison and modified the Management Board remuneration system.

In the past fiscal year, we only exercised our voting authority once by means of written procedures.

Conflict of interest

In addition to the conflicts of interest listed and proactively reported in the Declaration of Conformity, no additional conflicts of interest of Supervisory Board members were reported in fiscal year 2014. The Supervisory Board is also not aware of any additional ones.

Work of the committees

To carry out its work in fiscal year 2014, the Supervisory Board of Postbank formed seven committees. The following members serve on the Supervisory Board and its committees:

Members of the Deutsche Postbank AG Supervisory Board and its committees

Supervisory Board			
Rainer Neske (Chair)	Stefanie Heberling	Christian Ricken	Eric Stadler
Frank Bsirske (Deputy Chair)	Timo Heider	Karl von Rohr	Werner Steinmüller
Rolf Bauermeister	Tessen von Heydebreck	Bernd Rose	Gerd Tausendfreund
Susanne Bleidt	Hans-Jürgen Kummetat	Lawrence A. Rosen	Renate Treis
Edgar Ernst	Katja Langenbucher	Christian Sewing	Wolfgang Zimny

Executive Committee (section 10 of the Supervisory Board Bylaws)	
Rainer Neske (Chair)	Tessen von Heydebreck
Frank Bsirske (Deputy Chair)	Eric Stadler

Human Resources Committee (section 13 of the Supervisory Board Bylaws)	
Frank Bsirske (Chair)	Stefanie Heberling
Rainer Neske (Deputy Chair)	Tessen von Heydebreck
Susanne Bleidt	Renate Treis

Risk Committee (section 11 of the Supervisory Board Bylaws)	
Werner Steinmüller (Chair)	Bernd Rose
Edgar Ernst (Deputy Chair)	Renate Treis
Stefanie Heberling	Wolfgang Zimny

Nomination Committee (section 14 of the Supervisory Board Bylaws)	
Rainer Neske (Chair)	Frank Bsirske
Tessen von Heydebreck	Eric Stadler
(Deputy Chair)	

Audit Committee (section 12 of the Supervisory Board Bylaws)	
Christian Ricken (Chair)	Karl von Rohr
Edgar Ernst (Deputy Chair)	Bernd Rose
Timo Heider	Gerd Tausendfreund

Compensation Control Committee (section 15 of the Supervisory Board Bylaws)	
Rainer Neske (Chair)	Tessen von Heydebreck
Frank Bsirske (Deputy Chair)	Eric Stadler

Mediation Committee (section 16 of the Supervisory Board Bylaws)	
Rainer Neske (Chair)	Tessen von Heydebreck
Frank Bsirske (Deputy Chair)	Eric Stadler

The Executive Committee is responsible for, among other things, preparing the appointment and withdrawal of members of the Management Board with due consideration for the recommendations of the Nomination Committee, preparing the financial statements, amending and terminating the employment contracts for members of the Management Board, and granting loans to members of the Management Board and Supervisory Board. It is also responsible for preparing decisions related to corporate governance, the monitoring of compliance with the Declaration of Conformity, special issues of overriding importance, and fundamental questions about the Company's strategic direction. The committee met six times during the year under review. The meetings focused on personnel planning

on the Management Board, including the design of Management Board member contracts, their modification based on the CRD IV Implementation Act and the granting of loans to members of executive bodies of the Postbank Group. During its meetings, the Executive Committee also prepared resolutions for the Supervisory Board and approved the assumption of offices by Management Board members in other companies.

The Risk Committee is responsible for monitoring risk appetite, profile and strategy as well as consultation related to these areas. It also addresses fundamental questions related to the remuneration system and the setting of terms and conditions in the customer business. Its decisions touch on the issuance of loans to members of executive bodies, key loan decisions, special investment decisions and fundamental issues related to the issuance of loans. The Risk Committee met five times in 2014, with one meeting held together with the Audit Committee. During those meetings, the Management Board provided regular comprehensive information to the Risk Committee on developments related to key financial figures and risk indicators. In line with its remits, the committee discussed the current market environment and the respective risk situation and made decisions on the approval of new loans, the extension of existing loans and increases in the lending limits for various individual loans and credit facilities. The Risk Committee also conferred with the Management Board on the risk strategy, the portfolio strategy and structures as well as measures to manage risks. Moreover, the committee intensively discussed changes to regulatory requirements in order to derive measures to improve risk management and risk culture. In this context, the committee examined the way in which remuneration system incentives take into account the risk, capital and liquidity structures and discussed whether terms had been defined adequately in the customer business. To be able to efficiently advise the Supervisory Board and the Management Board with regard to overarching topics, the Risk Committee worked closely with the Audit Committee.

The Audit Committee is assigned the issues of accounting, risk management, compliance, internal audit, the internal control system and audit of the financial statements. It met seven times in the period under review. One committee meeting was held jointly with the Risk Committee to discuss outsourcing. The meetings – at which the auditor was present – focused on providing extensive support to the examination of the annual and consolidated financial statements for 2013 and interim reports as well as discussions of accounting. The half-yearly report and the interim management statements for 2014 were discussed with the Management Board before their release in accordance with the recommendations in section 7.1.2 of the German Corporate Governance Code (DCGK). During the period under review, the Audit Committee examined the effectiveness of Postbank's risk management system, the internal control system and the audit system. The committee was involved in the issuance of audit contracts and defined the focal points for the audit of the annual financial statements for the fiscal year. In the process, the committee assured itself of the autonomy of the auditor pursuant to the guidelines of the DCGK. Furthermore, the committee also conducted a thorough examination of the findings of the auditor, the work of Internal Audit, questions regarding compliance, accounting and legal risks, as well as of special reviews that had been conducted and objections raised by supervisory authorities. The committee intensely supported the handling of the examination findings during the entire reporting year. The Management Board regularly informed the Audit Committee about changes in regulatory conditions and their impact on Postbank as well as about the

implementation status of projects related to these issues. The committee prepared its own resolutions when necessary or submitted a resolution recommendation to the Supervisory Board.

The Human Resources Committee addresses the structures of Deutsche Postbank AG's human resources activities and the principles of human resources development. The committee met twice in fiscal year 2014. In those meetings, the human resources reports of the Management Board focused on the human resources strategy and development within the Group. In this regard, issues such as diversity, the age structure at Deutsche Postbank AG together with demography, planned educational and training concepts including talent management, and information on personnel cost and workforce management were addressed.

The Nomination Committee prepares the recommendation of the Supervisory Board for the election or appointment of shareholder representatives to the Supervisory Board by the Annual General Meeting. Because of legislative changes related to CRD IV, the area of responsibility was expanded under a decision made on December 17, 2013. The committee assumes additional responsibility for assisting the Supervisory Board with the task of identifying candidates for the Management Board and senior management positions as well as of complying with related principles. It defines the goals related to the composition of the Supervisory Board and monitors the achievement of these goals. In addition, the Nomination Committee regularly examines the structure, size and composition of the Management Board and Supervisory Board. It also evaluates the expertise, skills and experience of individual board members as well as the respective board as a whole. In fiscal year 2014, the Nomination Committee met five times. The meetings focused on the preparation of election proposals for the Annual General Meeting for the election of shareholder representatives to the Supervisory Board as well as succession planning of the Supervisory Board and the Management Board including proposals for the appointment of two new Management Board members. As part of an evaluation and an examination of efficiency, the committee focused intently on the structure, size and composition of the Management Board and Supervisory Board as well as the expertise, skills and experience of individual board members and the respective board as a whole. In addition, the principles for the selection criteria for the second managerial level were discussed.

The Mediation Committee is a committee required by the provisions of the MitbestG. It submits personnel recommendations to the Supervisory Board in case the statutorily required two-thirds majority in the Supervisory Board is not achieved for the appointment or dismissal of Management Board members. The past fiscal year evinced no need here. For that reason, the Mediation Committee did not meet in the period under review.

The new Compensation Control Committee, established in January 1, 2014, helps the Supervisory Board monitor the appropriate structure of the remuneration systems for the Management Board and employees and in particular compensation received by the heads of the Risk Control and Compliance units. Furthermore, it prepares proposals for resolutions on the remuneration of senior managers in terms of the impact these decisions will have on Postbank's risk position and risk management. It ensures that the internal control units and all other important units are included in the structuring of remuneration systems. The committee met six times in the fiscal year. The discussions focused on new requirements for

the structure of management board and employee remuneration systems, based on regulatory and statutory amendments in connection with the CRD IV Implementation Act as well as regulations of European law. The committee also extensively discussed the appointment of a Remuneration Officer and the report to be submitted by him or her. In addition to discussing the target achievement of the Management Board for fiscal year 2013 and the Management Board targets for fiscal year 2014, the committee also intensively deliberated the remuneration of the two newly appointed Management Board members as well as the standards of the German Corporate Governance Code for comparing remuneration.

The chairs of the committees regularly reported to the full Supervisory Board about the work of the committees.

Audit of the annual and consolidated financial statements

The auditor elected by the previous year's Annual General Meeting – PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf – audited the accounting, the annual financial statements of Deutsche Postbank AG and the consolidated financial statements, including the respective management reports, for fiscal year 2014 and issued an unqualified audit opinion for each one.

In accordance with section 317(4) of the *Handelsgesetzbuch* (HGB – German Commercial Code), the auditor performed an audit of the early-warning system for risks to be set up in accordance with section 91(2) of the AktG and confirmed that the Management Board had taken measures to satisfy the requirements associated with risk strategy, risk-bearing capacity, risk management and risk monitoring, including the establishment of a suitable early-warning system for risks that is able to recognize developments early on that could jeopardize Postbank's existence as a going concern.

Deutsche Postbank AG's annual financial statements, the consolidated financial statements, the management reports, the Management Board's dependent company report and the auditors' reports were made available to all Supervisory Board members and were examined by us. Since there was no distributable net retained profit for the year under review, the Management Board did not submit to the Supervisory Board a proposal for the appropriation of that profit. Rather the net profit for the period as reported in the single-entity financial statements on the basis of the HGB had already been transferred to DB Finanz-Holding GmbH pursuant to the control and profit and loss transfer agreement.

The discussions were conducted in the presence of representatives of the auditor. They reported on the execution and key findings of the audit during the Supervisory Board meeting on March 23, 2015, and were available to provide supplemental information and answer questions. During that meeting, the Chairman of the Audit Committee reported on the results of that committee's examination of the annual and consolidated financial statements from March 12, 2015. We concurred with the results of the audit of the annual financial statements and the consolidated financial statements. The final results of our own examination did not give rise to any objections to Deutsche Postbank AG's annual financial statements or the consolidated financial statements.

We approve the annual financial statements of Deutsche Postbank AG that were put forward by the Management Board as well as the consolidated financial statements. The annual financial statements of Deutsche Postbank AG are thus adopted.

Changes in the Management Board and Supervisory Board

Susanne Klöss-Braekler and Ralph Müller were appointed to the Management Board of Postbank effective November 1, 2014. Susanne Klöss-Braekler heads the Product board department and Ralph Müller the Chief Operating Office board department.

The following changes were made to the Supervisory Board:

Katja Langenbucher and Karl von Rohr were elected to the Supervisory Board by the Annual General Meeting on July 9, 2014. Wilfried Boysen and Peter Hoch left their positions on the Supervisory Board effective July 9, 2014.

On July 9, 2014, Tessen von Heydebreck and Werner Steinmüller were re-elected as members of the Supervisory Board.

We would like to thank the members who left their positions on the Supervisory Board – Wilfried Boysen and Peter Hoch – for their dedicated work and the constructive support they provided to the Company in the past years.

Corporate governance

The Management Board and the Supervisory Board of Deutsche Postbank AG also dedicated efforts to the German Corporate Governance Code during the reporting year. Last year's Declaration of Conformity dated December 17, 2013, was updated on May 22 and July 9, 2014, and is permanently available on the Company's website. The annual Declaration of Conformity in accordance with section 161 of the AktG was last issued by the Management Board and the Supervisory Board of Deutsche Postbank AG on December 17, 2014, and was made permanently available to Postbank shareholders on the Company's website. With the exception of the declared deviations, Postbank has been in compliance with all recommendations made by the Government Commission on the German Corporate Governance Code first in the version dated May 13, 2013, and recently in the version dated June 24, 2014, and will continue to do so in the future, with the exception of the declared deviations.

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Detailed information about corporate governance and the text of the Declaration of Conformity dated December 17, 2014, can be found in the Corporate Governance Report, including the Annual Corporate Governance Statement, starting on page 30.

We would like to thank the Management Board, employee representatives and all Group employees for their successful work.

Bonn, March 23, 2015

The Supervisory Board

Rainer Neske
Chairman

6.2 million online banking accounts

Postbank is number one on the market for online banking, as attested by the number of our customers and the valued opinions of trade magazines like CHIP and FOCUS-MONEY. Number one thanks to a clear edge in security and convenience – with voice-controlled banking, fingerprint authorizations for money transfers and many more mobile features. Whether professional or private, at home or the park: You can find us wherever you find our customers.

OUR RESPONSIBILITY

02

CORPORATE GOVERNANCE REPORT

INCLUDING THE ANNUAL CORPORATE GOVERNANCE STATEMENT

In this statement, Deutsche Postbank AG (hereinafter also referred to as Postbank) reports on its principles of corporate governance pursuant to section 289a of the *Handelsgesetzbuch* (HGB – German Commercial Code) and/or section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act) and section 3.10 of the *Deutsche Corporate Governance Kodex* (DCGK – German Corporate Governance Code). This statement includes the Declaration of Conformity, statements on corporate governance practices, and information on where these can be publicly accessed, a description of the operating principles and composition of the Management Board, Supervisory Board and the relevant committees as well as fundamental corporate governance structures. Our position on the suggestions of the Code will also be indicated.

Implementation of the German Corporate Governance Code

At Postbank, good corporate governance is the prerequisite for the responsible, values-oriented management of companies. In this respect, the executive bodies at Postbank attach importance to implementing the DCGK as comprehensively as possible.

The Management Board and the Supervisory Board of Postbank have devoted efforts to meeting the requirements of the DCGK – particularly its amendments – in the version dated June 24, 2014. After extensive deliberation they issued a joint Declaration of Conformity on December 17, 2014. This declaration and past declarations of conformity can be found on the Postbank website at https://www.postbank.com/postbank/en/au_corporate_governance.html.

Declaration of Conformity

On December 17, 2014, the Management Board and the Supervisory Board of Deutsche Postbank AG made the following joint declaration pursuant to section 161 of the AktG:

"I. The last annual Declaration of Conformity was made on December 17, 2013. This declaration was updated on May 22, 2014, and on July 9, 2014. The Management Board and the Supervisory Board of Deutsche Postbank AG declare that since the last Declaration of Conformity on December 17, 2013, the Bank has complied with all recommendations made by the Government Commission of the German Corporate Governance Code in the version dated May 13, 2013, and published in the Federal Gazette on June 10, 2013, as well as the version dated June 24, 2014, and published in the Federal Gazette on September 30, 2014, with the following exceptions:

1. Pursuant to section 5.4.2 sentence 4 of the DCGK, members of supervisory boards shall not perform advisory tasks or exercise directorships with important competitors of the Company. As of December 3, 2010, Deutsche Bank AG holds more than 50 % of Postbank shares and is thus the parent company of Deutsche Postbank AG. Since December 17, 2010, Rainer Neske, Management Board member of Deutsche Bank AG, Head of Private & Business Clients, has been a member of the Supervisory Board of Deutsche Postbank AG. From the point of view of the Company, it is also reasonable to allow mandate holders of the majority shareholder or its subsidiaries to serve on the Supervisory Board even if these are supposed to be important competitors of the Company. In intracompany relations, it is without exception a customary practice for representatives of the parent company to be members of the Supervisory Board of the Company.

It is the judgment of the Management Board and the Supervisory Board of Deutsche Postbank AG that section 5.4.2 sentence 4 of the DCGK does not address intragroup relations. Rather, the meaning of that section applies much more to representatives of an enterprise's external competitors. The Management Board and the Supervisory Board have nevertheless decided as a precaution to make a declaration of deviation from section 5.4.2 sentence 4 of the DCGK.

2. Pursuant to section 4.2.2(2) sentence 3 of the DCGK, "the Supervisory Board shall consider the relationship between the compensation of the Management Board and that of senior management and the staff overall, particularly in terms of its development over time" when determining remuneration for members of the Management Board, "whereby the Supervisory Board shall determine how senior managers and the relevant staff are to be differentiated". In the past the Supervisory Board took into consideration remuneration of the two management levels below the Management Board for this so-called vertical remuneration comparison. Further differentiation has not taken place to date, since the Supervisory Board viewed the selected reference group as sufficiently relevant. In 2014, the Supervisory Board resolved and undertook a remuneration comparison in accordance with the recommendations of the Government Commission of the German Corporate Governance Code and intends to conduct such a comparison on a regular basis. As a result, the previously mentioned deviation under section I.2 no longer exists, bringing the Bank into full conformity with section 4.2.2 (2) sentence 3 of the DCGK.

3. According to section 4.2.3(2) sentence 6 of the DCGK, remuneration shall have caps relating to amount, both overall and for variable remuneration components.

   Employment contracts of current Management Board members provide for maximum limits on remuneration components that do not however fully comply with the new recommendations of the Code. The Bank intends to amend existing contracts during the next pending change to the remuneration system so that they comply with Code requirements.

   In this context, the opinion has been voiced that the maximum amounts must not relate exclusively to the granting and allotment of remuneration components but also to the later accrual of the same. Although Deutsche Postbank AG considers this view unconvincing, we have nevertheless decided as a precaution to declare that a cap related to amount has not been set for the accrual of deferred share-based remuneration. As a result Deutsche Postbank AG has not complied with the recommendation in section 4.2.3(2) sentence 6 of this version.

4. According to section 4.2.3(3) of the DCGK, for pension schemes, the Supervisory Board shall establish the level of provision aimed for in each case – also considering the length of time for which the individual has been a Management Board member – and take into account the resulting annual and long-term expense for the company. However, defined contribution plans that due to their structure do not aim at a specific level of provision and/or from which no specific level can be derived apply to the overwhelming majority of Management Board members. As a result, the

Supervisory Board does not assign a targeted level of provision for these pension schemes. A change to this customary scheme structure is not sought. A maximum level of provision has been established for the pensionable basic pay for pension schemes that depend on remuneration. The Supervisory Board deems the maximum level of provision established in this context as sufficient.

5. According to section 5.3.3 of the DCGK, the Nomination Committee shall be composed exclusively of shareholder representatives. Pursuant to section 25d(11) of the *Kreditwesengesetz* (KWG – German Banking Act) as amended by the CRD IV *Umsetzungsgesetz* (CRD IV Implementation Act) of August 28, 2013, the nomination committee of the supervisory board must assume additional duties that should not be the exclusive province of shareholder representatives on the supervisory board. For that reason the Nomination Committee of Postbank also includes employee representatives. It is ensured, however, that election proposals to the Annual General Meeting are made only by shareholder representatives in the committee.

6. Pursuant to section 5.4.6(2) of the DCGK, members of the Supervisory Board should receive remuneration that appropriately reflects the responsibilities that they assume and the position of the Company. Should the members of the Supervisory Board have been promised performance-related remuneration, this compensation should be based on the Company's long-term performance. The remuneration of members of the Supervisory Board contained in the Articles of Association of Deutsche Postbank AG includes, in addition to an annual fixed component and performance-related component that serves as a long-term incentive, a performance-related remuneration component that is based on consolidated net profit per share in the respective fiscal year. In regard to this latter remuneration component, which the Management Board and Supervisory Board believe does not reflect the requirements of section 5.4.6(2) of the DCGK in terms of sustained company performance when viewed in isolation, the Management Board and Supervisory Board of Deutsche Postbank AG have decided as a precaution to make a declaration of deviation from section 5.4.6(2) of the DCGK.

Since the initial update of the Declaration of Conformity on May 22, 2014, Deutsche Postbank AG has been in compliance with the recommendations of the Government Commission of the German Corporate Governance Code first in the version dated May 13, 2013, and in the version dated June 24, 2014, with the exceptions listed under sections I.1 to I.5. As a result of a resolution of the Annual General Meeting from July 9, 2014, the Supervisory Board's remuneration system was switched over to a system of purely fixed remuneration with an attendance allowance, but no performance-related remuneration components, with retroactive effect from January 1, 2014. This eliminated the deviation indicated under section I.6, bringing the Bank into full conformity with section 5.4.6(2) of the DCGK.

Since the second update of the Declaration of Conformity on July 9, 2014, Deutsche Postbank AG has complied with the recommendations made by the Government Commission of the German Corporate Governance Code first in the version dated May 13, 2013, as well as in the version dated June 24, 2014, with the exceptions indicated under sections I.1 to I.5 as well as the following additional exceptions:

7. According to section 5.3.2 sentence 3 the chairman of the Audit Committee shall be independent. On July 9, 2014, the Supervisory Board elected Christian Ricken to be

the new chairman of the Audit Committee. Mr. Ricken is a member of the Group Executive Committee of Deutsche Bank AG and Chief Operating Officer of the Private & Business Clients corporate division (COO PBC). Deutsche Bank AG currently holds both directly and indirectly approximately 94.1% of the shares in Deutsche Postbank AG and is thus the controlling shareholder within the meaning of section 5.4.2 sentence 2 of the DCGK. As a result of his work in the Group Executive Committee of Deutsche Bank AG Mr. Ricken is in a business relationship with the controlling shareholder of Deutsche Postbank AG, a relationship that could form the basis of a fundamental and not only temporary conflict of interest. As a result he is not independent within the meaning of section 5.4.2 sentence 2 of the DCGK. Despite his executive position at Deutsche Bank AG the Supervisory Board considers Mr. Ricken to be a suitable chairman of the Audit Committee. Thanks to his work in the Group Executive Committee of Deutsche Bank AG, as COO PBC and other professional activities over the years, Mr. Ricken has gained extensive experience in finance/commercial banking. In particular, he possesses the necessary expertise in accounting and auditing as well as the required experience leading committees. The Supervisory Board expects Mr. Ricken to be in the position to devote sufficient time to his responsibilities as chairman of the Audit Committee and perform these activities while protecting the interests of the parties involved. He can also ensure long-term continuity in this key position.

II. Moreover the Management Board and the Supervisory Board of Deutsche Postbank AG declare that the Bank intends to comply in the future with the recommendations of the German Corporate Governance Code in the current version of June 24, 2014, with the exception of the following recommendations:

1. a. Section 5.4.2 sentence 4 of the DCGK with the rationale indicated under I.1

   b. Section 5.4.2 sentence 4 of the DCGK: As of January 1, 2015, a second member of the Management Board of Deutsche Bank AG, in addition to Rainer Neske, is a member of the Supervisory Board of Deutsche Postbank AG. Since May 9, 2012, Christian Sewing, Global Head of Group Audit at Deutsche Bank, has been a member of the Supervisory Board of Deutsche Postbank AG. By resolution of the Supervisory Board of Deutsche Bank AG, Mr. Sewing was appointed to be a member of the Management Board of Deutsche Bank AG effective January 1, 2015. From the point of view of the Company, it is reasonable to compose the Supervisory Board of mandate holders of the majority shareholder or its subsidiaries even if these are important competitors of the Company. In intracompany relations, it is without exception a customary practice for representatives of the parent company to be members of the Supervisory Board of the Company. For reasons stated under I.1, the Management Board and the Supervisory Board make a declaration of deviation from section 5.4.2 sentence 4 of the DCGK as a precaution.

2. Section 4.2.3(2) sentence 6 of the DCGK with the rationale indicated under I.3.

3. Section 4.2.3(3) of the DCGK with the rationale indicated under I.4.

4. Section 5.3.2 sentence 3 of the DCGK with the rationale indicated under I.7.

5. Section 5.3.3 of the DCGK with the rationale indicated under I.5.

The suggestions of the DCGK have also been implemented with the exception that the Annual General Meeting is not broadcast on the Internet (section 2.3.3. of the DCGK) and that the Company proxies for shareholders unable to personally attend the Annual General Meeting for technical reasons can be reached up until the evening before the Annual General Meeting, but not during the Annual General Meeting (2.3.3). For shareholders or shareholder representatives who participate in the Annual General Meeting, Company proxies may be contacted until the vote is taken.

Corporate governance practices

To implement corporate governance practices, Postbank has formulated a company vision and mission as well as corporate values that are meant to serve as guiding principles for determining the long-term orientation of company policy. The Bank's vision and mission specify a normative framework for strategic and operational corporate governance and thus serve as a model in equal measure for the Management Board, executives and employees.

Postbank's values and principles are recorded in the "Postbank Mission Statement" and are meant to guide the business activities of employees throughout the Postbank Group. The statement utilizes vision and mission to put the strategic orientation of Postbank into concrete terms. Six values define the proposed course. The letter and spirit of these values and principles are reflected in the Postbank guidelines and provisions that determine daily work and business life (such as organizational manuals and working instructions). They reflect Postbank's obligation to act responsibly, ethically and lawfully. The mission statement is binding for all executive employees of the Postbank Group and is reflected in the Bank's target agreements. The status of implementation is reviewed as part of the annual people survey.

The following values of the Postbank Group form the cornerstones of our corporate culture:

- Customer orientation
- Integrity
- Sustainable performance
- Innovation
- Partnership
- Discipline

The "Code of Business Conduct and Ethics for Deutsche Bank Group" applies to all employees of the Deutsche Bank Group. The Code of Ethics, which contains special obligations for the senior financial officers of Deutsche Bank, applies to the Chief Financial Officer of Postbank, the heads of the Finance board department of Postbank and the Chief Financial Officer of the Postbank subsidiary BHW Bausparkasse AG.

Furthermore, Postbank places a high value on the issue of sustainability. In 2014, the Bank implemented the policy "Principles of Corporate Responsibility for the Postbank Group". It contains the targets, roles, requirements and responsibilities of sustainable business management. These principles are also binding for Postbank's executive employees.

For Postbank, sustainability involves the responsible use of social, ecologic and economic resources to ensure a lasting worthwhile future for coming generations. As a fixed component of the business strategy, the principle of sustainability is put actively into practice in our daily work. In addition, our "Supplier Code of Conduct" also requires the Bank's suppliers to observe these values.

Making active contributions to the protection of natural living conditions on the planet and to our social environment are part of Postbank's value system. Through these contributions we hope to ensure our long-term commercial success and help every individual employee understand our guiding principle of sustainability. We are committed to providing our employees with attractive and safe working conditions as well as to conserving natural resources. As a company, we are an integral part of the society in which we operate. Our goal is to generate added value for our stakeholders.

In a reflection of section 4.1.1 of the DCGK, Company management is focused in particular on the sustained creation of value. These efforts are based on clear values and minimum standards for behavior in day-to-day business as well as the structuring of remuneration for employees, managers, and Management and Supervisory Board members in accordance with the required sustainable company-performance standards. (Additional information can be found online at www.postbank.com/postbank/en/csr_sustainability_report.html.)

The issue of diversity plays a role in decisions related to the filling of managerial positions in the Company (section 4.1.5 of the DCGK), the appointment of individuals to the Management Board (section 5.1.2 of the DCGK) and the composition of the Supervisory Board (section 5.4.1 of the DCGK). Here priority is given to the appropriate consideration of women. The Management Board has resolved binding target values for significantly increasing the proportion of women in management positions and Supervisory Board appointments on the shareholder side in subsidiaries by 2018. Since then, appropriate measures for identifying and promoting high-potential women have been implemented. These measures are subject to continual review.

With the participation of the Management Board, the course has now been set Group-wide for successful diversity management. Target values to be achieved within the scope of the diversity project, including any required measures and potential changes to processes, have also been defined.

Operating principles of the Management Board and the Supervisory Board

The Management Board and the Supervisory Board work closely together for the collective good of the Company. In keeping with its responsibilities outlined in stock corporation law, the Management Board performs corporate management duties. The Supervisory Board fulfills its supervisory, monitoring and advisory duties. The shareholders – that is, the owners of Postbank – exercise their rights prior to or during the Annual General Meeting.

Management Board

The Management Board heads Deutsche Postbank AG and represents the Bank externally. The Management Board members share joint responsibility for the entirety of corporate management. In addition to their overall responsibility for the Bank, each member of the Management Board assumes individual responsibility for the board department that he or she oversees.

In the collective interest of the Company, the members of the Management Board ensure that uniform objectives are pursued. Coordinating and determining joint plans, goals and the measures to realize them are a matter of course as are developing and implementing binding Company-wide policies. The Management Board develops the business goals, basic strategic focus, corporate policy, and organizational structure of the Group. It is responsible for the preparation of quarterly and half-yearly reports, and the annual financial statements of Deutsche Postbank AG as well as of the Group, including the Management Reports. Furthermore, the Management Board ensures that the Company complies with laws and governmental regulations.

The Management Board regularly consults with the Supervisory Board about the Company's strategic direction and business planning as well as informs it about strategy implementation and the progress being made toward achieving these goals.

The Management Board holds regular meetings called by the Board's Chairman, who coordinates the work of the Management Board. The calling of an unscheduled meeting by the Management Board Chairman can be done for urgent reasons or upon the request of two Board members. The majorities required for adopting resolutions within the Management Board, the issues whose discussion is the responsibility of the entire Management Board, and the current assignments of board departments to individual Management Board members are governed by the Bylaws of the Management Board.

To promote efficient decision management, the Management Board has established committees in which Board members are represented. These committees have the power to make their own decisions or the authorization to make preparations for decisions. The composition of these committees and their areas of responsibility are governed by their own bylaws. Changes to these bylaws require the approval of the entire Group Management Board. The committees are required to report to the Group Management Board.

The areas for which the Operating Committee is responsible comprise cost, resource and infrastructure management. The committee also oversees capital investments and projects and monitors and oversees outsourcing issues.

The Implementation Committee is responsible for managing selected projects and in particular those projects related to integration into the Deutsche Bank Group.

The work of the Reputation Committee involves developing guidelines and evaluation criteria for products and processes designed to recognize, review and escalate any potential reputational damage as well as overseeing these guidelines.

The Bank Risk Committee ensures management and planning for all major and minor risks in the Postbank Group across the various types of risk. The committee is responsible for strategic overall management of the risk situation and risk profile of the Postbank Group within the context of the framework conditions laid down by the Group Management Board. In carrying out its responsibilities, the Bank Risk Committee is supported by the Market Risk Committee, the Operational Risk Committee, the Cover Business Committee, the Model and Validation Committee and the Credit Risk Committee. The Non-Core Operating

Unit Committee and the Data Quality Committee perform their work in close coordination with the Bank Risk Committee.

The Consumer Banking Executive Committee assumes an advisory, coordination and decision-preparation role for the Management Board of Postbank and the Global Executive Committee in the Private & Business Clients corporate division of the Deutsche Bank Group. It develops the sales strategy and regularly monitors sales channels and product activities as well as offers ideas aimed at improving products and creating new ones.

Adequate human and financial resources are made available for facilitating the induction process and for advanced training.

Supervisory Board

The Supervisory Board appoints, monitors and advises the Management Board. Its members meet the personal and professional requirements needed to properly carry out their responsibilities. They also devote sufficient time to those responsibilities. Adequate human and financial resources are made available for the induction process and for advanced training. The Supervisory Board is directly involved in decisions of fundamental importance for the Company, including matters subject to approval by the Supervisory Board according to the Articles of Association or as set down in the Bylaws of the Supervisory Board. The Chairman of the Supervisory Board coordinates the work of the 20-member Supervisory Board. Ten of them are elected by the Annual General Meeting in individual elections or appointed by the courts as replacements until the next election by the next Annual General Meeting, in accordance with the provisions of the AktG. Ten further members are elected by the employees in accordance with the provisions of the *Mitbestimmungsgesetz* (MitbestG – Co-Determination Act) of 1976. Seven of these members of the Supervisory Board are employees of the Company, including one executive employee. Three additional members of the Supervisory Board are representatives of unions represented at the Company.

To support it in its duties, the Supervisory Board has established seven committees that report to it on their work at regular intervals. These are the Executive, Audit, Human Resources, Risk, Compensation Control, Nomination and Mediation Committees. With the establishment of a Compensation Control Committee as of January 1, 2014, the Supervisory Board has fulfilled the requirements of the CRD IV Implementation Act (section 25d (12) of the KWG).

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The Report of the Supervisory Board contains further details on the composition, function and meeting agendas of the Supervisory Board and its committees (see page 18).

For the purpose of filling positions on Postbank's Supervisory Board, objectives were formulated to ensure that its members as a whole have the requisite knowledge, skills and professional experience to supervise and advise the Management Board competently. With regard to individuals proposed for election, particular attention is to be paid to their integrity, personality, motivation, professionalism and independence. As defined in section 5.4.2 of the Corporate Governance Code, the Supervisory Board shall be composed of at least eleven independent members. It is assumed that the circumstance of employee representation and an employment relationship do not cast doubt on the independence as

such of employee representatives. In particular, members of the Supervisory Board shall not perform advisory tasks or exercise directorships with important competitors of the Company. Fundamental conflicts of interest, and not only temporary ones, are to be avoided. A standard age limit of 72 years exists for Supervisory Board members. With regard to the composition of the Supervisory Board, it is important that members possess international experience.

When examining potential candidates for new election or appointment of replacements for Supervisory Board positions that have become vacant, qualified women are to be included in the selection process and given appropriate consideration in election proposals. Since the Supervisory Board elections in 2003, between 15 % and 20 % of the members of our Supervisory Board have been women. Currently, four women serve on the Supervisory Board, which corresponds to 20 %. The Supervisory Board will strive to maintain this number at minimum and to increase it to 30 % by 2017. It should be noted that the Supervisory Board can only influence its own composition by means of election proposals to the Annual General Meeting.

The efficacy of the Supervisory Board's work is reviewed on a regular basis and at minimum annually within the scope of an efficiency audit. In 2014, the evaluation addressed for the first time the structure, size, composition, and performance of the Management Board and the Supervisory Board and the knowledge, skills, and experience of members of both executive bodies as well as the bodies in their totality. The current structure, size, composition, and performance of the Management and Supervisory Boards as well as their committees received positive evaluations. The discussions, however, focused on a clear differentiation of the responsibilities of individual Supervisory Board committees, the extent to which individual issues are handled, cooperation with the second management level as well as the schedule of responsibilities of the Management Board. Members of both bodies have the fundamental knowledge, experience and skills to effectively perform their managerial tasks and oversight responsibilities at Postbank. If replacements need to be appointed, the insights into the knowledge, skills, and experience gained from the efficiency test are to be taken into consideration.

Interaction between the Management Board and the Supervisory Board

Effective cooperation between the Management Board and the Supervisory Board rests on the sufficient flow of information about company issues to the Supervisory Board. Ensuring this exchange is the responsibility and common objective of the Management Board and the Supervisory Board.

The cooperation of the executive bodies is governed by the Company's Articles of Association as resolved by the Annual General Meeting, the Bylaws of the Supervisory Board – as well as its committees – and the Management Board, and the resolutions of the executive bodies in line with the relevant legal regulations. These lay down how the Supervisory Board should perform its supervisory, monitoring, and advisory duties. The Bylaws of the Supervisory Board contain a list of transactions requiring approval.

The Management Board's information and reporting duties are laid down in both the Bylaws of the Management Board and those of the Supervisory Board.

To promote good corporate governance and to achieve sustained growth in enterprise value, the Management Board and the Supervisory Board are in regular close communication with regard to relevant questions of planning, business development, risk exposure, the internal control system, risk management, compliance, and strategic measures. The Chairmen of the Supervisory Board and the Management Board in particular are in regular contact.

The members of the Management Board and the Supervisory Board are obliged to act in the Company's interests and may not pursue any personal interests in their decisions. Any conflicts of interest are to be disclosed to the Supervisory Board. Fundamental conflicts of interest, and not only temporary ones, in the person of a Supervisory Board member normally lead to a termination of the mandate. The Supervisory Board reports to the Annual General Meeting on any conflicts of interest that have arisen and how they were addressed.

Outside activities pursued by the Management Board members have to be approved by the Supervisory Board and/or the Executive Committee.

Annual General Meeting and Shareholders

The shareholders exercise their rights before or in the Annual General Meeting; as a rule, the Annual General Meeting is convened once a year by the Management Board, which also circulates the agenda and publishes the required reports and documents. The essential documents and the notice convening the Annual General Meeting are available for downloading on the Internet. Every no-par value share entitles its holder to one vote. Shareholders may exercise their voting rights themselves, via a proxy of their choice, or via a Company proxy acting on their instructions. Company proxies may be appointed up until the evening before the Annual General Meeting. For shareholders or shareholder representatives who participate in the Annual General Meeting, Company proxies may be contacted throughout the Annual General Meeting until the vote is taken. The resolutions by the Annual General Meeting are adopted by a simple majority of the votes cast, in the absence of binding legal requirements to the contrary. Where the law prescribes a shareholding majority in addition to a voting majority, votes are adopted by a simple majority of the share capital represented.

Postbank's Annual General Meeting approved the electronic transmission of information to shareholders. Since then, this procedure has been laid down in section 3 of the Bank's Articles of Association.

Other corporate governance principles

Transparency

Postbank strives to provide its customers, shareholders, employees and the public with comprehensive and up-to-date information. It does this on a regular basis using appropriate communication channels. To guarantee maximum transparency and to justify the public's trust, new information is provided to all stakeholders simultaneously in the interest of fair disclosure. To this end, Postbank publishes annual and half-yearly reports as well as interim management statements. Postbank communicates through news conferences, press releases, Investor Relations releases, ad hoc disclosures, disclosures required by section 15a of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act (directors' dealings)), Company reports and the Company's Internet site (www.postbank.com). Both current and

historical data in German and English are available on the website. The dates of the principal recurring publications are published well in advance in the Financial Calendar on the Company's website.

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A list of the positions held by members of the Management and Supervisory Boards can be found on page 185ff., Note 57.

Accounting and auditing

The Postbank Group prepares its accounts in accordance with the International Financial Reporting Standards (IFRSs). Postbank's annual financial reports are issued within 90 days; they are prepared by the Management Board, reviewed, and made available to the general public. Half-yearly financial reports are published within 45 days of being discussed by the Audit Committee with the Management Board. Interim management statements are published within the statutorily prescribed time periods. Postbank's annual financial statements are prepared in accordance with the *Handelsgesetzbuch* (HGB – German Commercial Code).

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft was elected as the auditor for fiscal year 2014 by last year's Annual General Meeting. The auditors' independence has been reviewed and ensured, including for services already delivered or agreed. The Postbank auditors are also subject to internal rotation. In addition, the auditors are required to inform the Company's executive bodies directly of any anomalies and to document any errors in their audit. In particular, they must report immediately any grounds for partiality during the audit and any findings that affect the Supervisory Board or indicate inaccuracies in the Declaration of Conformity. Details of the auditors' total fee can be found on page 189, Note 58.

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Compliance

In the financial industry, trust among market players is of utmost importance. For this reason, business and services in financial services must be characterized by fairness in relation to other market players and, in particular, to our customers. Our success in business depends not least on maintaining a solid, trustful relationship among our customers, the Bank itself and our employees. Conduct that is detrimental to our customers, unfairly influences the capital market or tarnishes the Bank's reputation must be avoided. To this end, our Company has steadily refined the consistent understanding of compliance and the existing internal monitoring system. "Compliance" means "acting in accordance with applicable laws, regulatory rules and internal guidelines". At Deutsche Postbank AG, compliance is understood as interaction among customers, the Bank and employees that is based on fairness, integrity and trust as well as on due regard for applicable laws and other regulations designed to protect customers and avoid conflicts of interest. In addition, ensuring adequate compliance also serves to reduce risks to the Bank that can arise from non-compliance with regulations.

The Compliance function, by advising and supporting the business divisions as well as performing other duties – notably regular risk analyses as well as control and monitoring activities – contributes to a company organization that prevents the breach of prevailing laws and regulations and, thus, observes legal and other statutory requirements. Through these actions, the Bank reduces compliance risks, i.e. the risks of statutory or regulatory sanctions, financial losses or reputational damage that could occur if the Bank failed to comply with prevailing laws, regulations, codes of conduct or accepted standards. To further develop regulatory risk management and to accommodate the rising level of compliance requirements faced by banks, a Regulatory Compliance division was established in 2014. In addition to its compliance function, this division includes the departments devoted to the fight against money laundering, the monitoring of embargoes and corporate security/ continuity management. The division seeks to further enhance the Bank-wide compliance culture and avoid risks in the long term.

Risk management

The Postbank Group monitors and manages its risks through Group-wide risk management. Deutsche Postbank AG is fully integrated into these processes.

The principles of responsible business conduct are also applied at Postbank in dealing with risks. In line with the requirements of company and banking supervisory law, Postbank has installed an extensive risk management system in order to recognize, analyze, monitor and manage in due time risks material to it that arise from its business activities. In addition to these principles, strategies are also used to set guidelines, risk appetite, and limits to the various risk types. These are discussed with the Risk Committee and the Supervisory Board.

Key risks are managed within Postbank at the individual and portfolio levels – this includes the management of concentration risks. In the process, the particular risks in accordance with the risk strategy, the risk appetite, and the risk-bearing capacity are limited and monitored. The risk management system is continuously reviewed on the basis of current developments and adapted if necessary.

With respect to risk management and monitoring, all levels of the Bank are incorporated into risk management: The Supervisory Board, Risk Committee, Management Board, risk committees and operating units, all of which receive the reports relevant for the performance of their tasks as required by the provisions of MaRisk. The integration of Postbank into the risk management activities of the Deutsche Bank Group is accomplished by means of the mutual interconnectedness of the bodies and the functional reporting lines between Postbank and Deutsche Bank. In addition, regular risk reports are submitted to Deutsche Bank to ensure comprehensive capture and management of the key risks. The key management reports and core ratios are analyzed and reported together. The effectiveness of the system is reviewed by Internal Audit and the Audit Committee.

63 For further explanations and information on risk management, please see the Risk Report on page 63.

SUSTAINABILITY

TAKING RESPONSIBILITY AS A COMPANY

For Postbank, sustainability means adopting a responsible approach to social, ecological and economic resources in order to ensure a future of lasting value for coming generations. It is a fixed component of our corporate strategy, purposefully pursued in our daily cooperative activities and steadily improved through active sustainability management. Year after year, the Bank formulates concrete targets and initiatives in its corporate responsibility program and monitors their observance.

Social sustainability

Postbank assumes responsibility for its employees, its customers and our society. In its social commitments, the Bank is dedicated to supporting children in Germany. All of its projects are bundled under the motto "Wir für Kinder" (our commitment to children). In addition to the educational project conducted together with the children's rights organization "Save the Children" at German primary schools, Postbank launched another initiative benefiting children in 2014: "Wir für Kinder – Aktionstage", an event that gives employees the opportunity to pursue their own projects together with a team of colleagues. Postbank actively encourages its employees to become involved in social issues through projects and events. In addition, the Bank's employees also made donations to the traditional Christmas tree wish list campaign for "Save the Children". These donations support children in West Africa whose families are affected by the Ebola virus.

Postbank gives its employees plenty of room to achieve a good work-life balance and provides numerous offers to promote their health. In 2014, for example, the Bank set up an additional parent/child office in Bonn, offering a solution to parents when regular childcare becomes temporarily unavailable. As part of the Bank's HR agenda, it established "contact persons for health" at more than ten locations in 2014. They make exercise offers available to improve fitness, but also perform such services as conducting screenings that test for personal risks to health.

Ecological sustainability

Postbank also champions the preservation of natural resources. It reduces negative impacts on the environment caused by its business activities and supports its customers and employees with environmentally friendly offers. In 2008, the Bank established an environmental management system to facilitate its efforts to protect the environment and the climate, fulfilling the requirements of the ISO 14001 environmental management standard. Every year Postbank commissions an independent testing body to scrutinize its environmental management system (EMS). In April 2014, the effectiveness of the EMS was once again confirmed by TÜV Rheinland during its regular surveillance visit. The Bank has significantly reduced its net amount of greenhouse gas emissions in the past years thanks to efforts such as energy saving initiatives in the management of real estate, the use of electricity from renewable sources and cutting business travel by using video-conferencing technology, for example. In addition, Postbank generally selects the "carbon free business trip" option for business travel with Deutsche Bahn.

Economic sustainability

Postbank wants to create lasting value for its customers, employees and shareholders, and be a reliable partner. These ambitions are clearly displayed in the slogan "A bank for life.", emblazoned on its market presence since August 2014. It stands for business activities driven by the requirements and concerns of Postbank stakeholders. The constructive criticism of the Bank's Customer Advisory Board is particularly valuable in this area. The Board has been monitoring the Bank's products and services since 2006 and is actively involved in their further development. Board members, for example, have participated in online surveys, product and service tests and workshops. The Customer Advisory Board consists of around 3,000 members of an expanded advisory board and a core committee of up to thirty people. The members of the core Customer Advisory Board are invited bi-annually to a conference with Postbank employees and managers, during which numerous recommendations for improvement are discussed and then implemented. Postbank also actively promotes the innovative ideas of its employees. As part of the Bank's idea management program, all employees have the opportunity to improve Postbank processes and products with their own ideas and proposals. Good ideas are rewarded.

Sustainability reporting

Postbank reports transparently on its activities and developments related to sustainability. Its annually published sustainability report meets the requirements of the Global Reporting Initiative, application level A. An overview can be found on the Internet at www.postbank.com/postbank/en/csr_sustainability_report.html.

2,7 million home savings customers

Despite technological and social change, some values are unshakeable – and inspire grandchildren just as much as they did grandparents. One of them is the wish for a home of your own. Accompanied by its close companion, home savings, as inspiration for future financing. The level of convenience has grown, with numerous web services and online access to contracts at any time. The strategy however remains the same: For the prize of homeownership, the answer is home savings.

GROUP MANAGEMENT REPORT

DEUTSCHE POSTBANK AG

03

GROUP MANAGEMENT REPORT

BUSINESS AND ENVIRONMENT

Corporate profile

Business model of the Group

The Deutsche Postbank Group (Postbank) provides financial services for retail and corporate customers as well as for other financial service providers primarily in Germany. The focus of its business activities is retail banking and corporate banking (payment transactions and financing). The Bank's work is rounded out by money market and capital market activities. On December 3, 2010, Postbank became part of the Deutsche Bank Group, Frankfurt am Main, which directly and indirectly holds 94.1 % of the shares in Deutsche Postbank AG.

The Annual General Meeting of Deutsche Postbank AG on June 5, 2012, approved a control and profit and loss transfer agreement between DB Finanz-Holding GmbH, Frankfurt am Main (a wholly-owned subsidiary of Deutsche Bank AG), and Deutsche Postbank AG. The agreement came into force on entry into the commercial register on June 20, 2012. On September 11, 2012, the Cologne Higher Regional Court confirmed the validity of the agreement.

With its business activities, Postbank plays a significant role in the Private & Business Clients (PBC) corporate division at Deutsche Bank. It acts as a supporting pillar of the business with private and corporate customers, and makes a substantial contribution to the implementation and execution of Deutsche Bank's strategy to intensify its activities on the domestic market. Postbank views itself as a financial services provider that is oriented on the needs of a broad base of customers thanks to its simple, standardized products. With its IT units, Postbank is also realizing a large portion of the joint retail target platform (RTP) for Postbank and Deutsche Bank.

Postbank has organized its activities into the business divisions of Retail Banking, Corporate Banking, Financial Markets and the Non-Core Operating Unit (NCOU): As of the third quarter of 2014, the Transaction Banking segment is no longer separately reported.

- In the Retail Banking division, Postbank offers retail and business customers standardized, reasonably priced banking and financial service products designed to meet typical needs. The focal point is placed on the traditional checking account and savings deposit business, home savings and mortgage lending products as well as personal loans. The product range is complemented by offerings of securities (particularly investment funds) and insurance as well as retirement provision schemes. As a multi-channel bank, Postbank offers its products in branches, through mobile sales, direct banking (Internet and mailings) and call centers as well as in third-party sales through agents and cooperation partners. In a partnership with Deutsche Post AG, Postbank offers postal services in its network of branches. This business increases the number of customers who visit the branches every day and generates fee and commission income.

- The Corporate Banking division provides Postbank's corporate customers with services for payment transactions and corporate loans, commercial real estate finance, factoring, and leasing. Cash investments as well as interest rate and currency management offers complete the range of offers.

- The Financial Markets division conducts Postbank's money market and capital market activities. Its responsibilities include hedging net interest margin contributions from the customer business by controlling interest rate risk and market risk. The Financial Markets division also manages Postbank's liquidity position.

- The Non-Core Operating Unit segment (hereafter also NCOU) manages those portfolios and activities at Postbank that are no longer part of its core strategic direction going forward. To manage these activities in a target-oriented manner, they have been transferred from their original segments into the new NCOU segment with its own management responsibility. Details can be found in the Segment reporting.

Key locations

The head office of Postbank is located in Bonn. In addition, Postbank operates a national network of branches that had 1,076 locations in Germany at the end of 2014, as well as a branch in Luxembourg, which took over the customer business of PB International S.A. effective July 1, 2014.

The subsidiary BHW Bausparkasse Aktiengesellschaft is domiciled in Hameln.

Fundamental sales markets and competitive position

In retail banking, Postbank conducts its business almost exclusively in Germany and is the largest single-entity institution in terms of the number of customers. Its major product fields are savings, checking accounts, private mortgage lending and home savings. Postbank is among the leaders in Germany in each of these areas, based on balance-sheet volumes. Private retirement provision solutions, personal loans and the securities business round out the product range for retail customers. In these areas, Postbank offers some products and services as part of partnerships with other banks and insurance companies. One key aspect of this activity is the close collaboration with Deutsche Bank AG that is continuously being intensified. Postbank's major competitors in the retail banking business in Germany are providers from the sector of savings banks and cooperative banks as well as several major banks.

In addition to retail banking, Postbank is involved in the corporate banking business. As a mid-sized market player in this area, it focuses particularly on German SMEs. Postbank's most significant competitors also in this business area are providers from the sector of savings banks and cooperative banks as well as several major banks.

Group management at Postbank

Non-financial key performance indicators at Postbank

In its Group management, Postbank makes use of financial as well as non-financial key performance indicators. Essential non-financial key performance indicators measure employee and customer satisfaction. In 2014, both of these non-financial key performance indicators, which are Group targets within the target system, were relevant to the remuneration of all Management Board members.

Employee satisfaction is measured by evaluating the results of the annual people survey. It poses a number of questions related to commitment, leadership, business success/targets, customer orientation and professionalism. Employees indicate on a five-point scale their approval ratings. Employee satisfaction is derived from the results of the "commitment" dimension, consisting of various questions for determining workforce loyalty to the Company.

Customer satisfaction is measured quarterly in telephone interviews using questionnaires that are mostly identical in structure. The underlying random sample is representative of the Postbank customer population. The research design makes it possible to conduct systematic time series analyses and causal analyses. The questions probe both the overall satisfaction of customers with the Postbank products and services as well as satisfaction with the Bank's central performance factors (accessibility, speed, friendliness, propriety, professional advice, satisfaction with sales channels, complaints management, etc.). Satisfaction is measured using a verbalized scale from one to five (1 = completely satisfied, 5 = dissatisfied). The study is conducted with due regard for quality standards by a renowned external market research institute.

The target system for executive employees also includes target dimensions that make it possible to derive targets for Postbank executives from the non-financial key performance indicators at the Group level. Apart from the cost/finance dimension as an individual financial target, each executive employee is assigned targets for the dimensions markets/customers, process/quality, and employees/team, which are relevant to the individual's own area of responsibility. This creates a consistent system that facilitates Group-wide management in accord with essential non-financial key performance indicators.

Financial key performance indicators

Management at Postbank is based on an integrated and consistent system of key performance indicators that is used throughout the Group. The system links targets, planning, operational management, performance measurement, and remuneration. The objective of this management approach is to optimize profitability and efficiency.

The central profitability target for the capital market-oriented management of Postbank is the expectation of returns on equity in accordance with IFRSs, as measured by return on equity (RoE) before and after tax. The value is calculated on the basis of the ratio of profit before tax and after tax to the average time-weighted equity in the reporting period.

Efficiency is measured by the cost/income ratio (CIR) – the ratio of administrative expenses plus other expenses to total income (including other income) before the allowance for losses on loans and advances – as the central metric for income and productivity management.

Total income, as the most important metric used to judge and manage earnings power, includes net interest income and net fee and commission income in particular as the key income indicators in the Postbank customer business.

Management process

On the segment level, Postbank directs its activities on the basis of a management information system whose core component is management accounting by business division. In general, management is performed much the way it is on the Postbank Group level, in which expectations for returns are measured on the basis of RoE before tax. The allocation of equity to the segments is based on their risk capital requirements.

The above-mentioned indicators serve as operational management parameters on the segment level. In the core business, the income drivers of volume, margins and risk as well as the contribution margins are also taken into account in management.

For operational management, the strategic and operational targets are further defined as key performance indicators (KPIs) and subjected to regular reviews. This assures that all business activities are focused on achieving company objectives.

The Bank continually refines the process used to conduct these regular reviews. The primary reasons for these revisions are the Management Board's schedule of responsibilities, modified at the end of 2012, and the expanded committee structure at Postbank that was introduced as part of the Bank's integration into the Deutsche Bank Group.

In addition to the established management parameters that were previously mentioned, Postbank uses return indicators in internal management based on the underlying total assets (return on assets – RoA) as well as the risk capital employed. Similar to RoE, the return is calculated on the basis of regulatory capital and capital requirements (in particular return on regulatory capital – RoReC – and return on total capital demand – RoTCD) and forms a basis for decision-making on the individual transaction level and the aggregate level. Information on the management of the return on the basis of economic capital (return on risk-adjusted capital – RoRaC) is also provided at the overall bank, segments and management portfolio levels. The economic capital requirement is determined by the use of relevant types of risk depending on the management level (e.g., credit risk, market risk, operational risk). Both resources – regulatory capital and economic capital – are expected to yield an appropriate return in the form of hurdle rates, which are derived from the return expectations of the capital market and are to be generated by both Postbank as a whole and the individual business units.

The variable remuneration of Management Board members, executives and employees at Postbank is closely linked to this management system. It is based on individual targets, divisional targets and Postbank Group targets as expressed in profit/loss before tax and CIR. As a result of regulatory requirements and the company goal of sustainable success, a sustainability factor is used to calculate the long-term portion of the variable remuneration of our executives, risk takers and the Management Board (long-term components). Additional details are provided in section "Remuneration of the Management Board and the Supervisory Board" in Note 55 (Related party disclosures).

The sustainability factor is based on the concept of Economic Value Added and anchors value-focused sustainability thinking in the incentive system of Postbank.

DISCLOSURES IN ACCORDANCE WITH SECTION 315(4) OF THE *HANDELSGESETZBUCH* (HGB – GERMAN COMMERCIAL CODE) AND EXPLANATORY REPORT

Composition of issued capital

Postbank's share capital amounted to €547,000,000 as of December 31, 2014, and is composed of 218,800,000 no-par value registered shares. Each share conveys the same statutory rights and obligations and grants the holder one vote at the Annual General Meeting.

Restrictions that affect voting rights or the transfer of shares

Article 17 of the Articles of Association determines the requirements that must be met to attend the Annual General Meeting and exercise the right to vote as a shareholder. The Company only regards as shareholders those persons entered as such in the share register. Voting rights that arise from the shares in question are excluded by law in those cases described in section 136 of the *Aktiengesetz* (AktG – German Stock Corporation Act). According to section 71b of the AktG, companies derive no rights that may be exercised from the holding of own shares. The Management Board is not aware of any agreements between shareholders that restrict voting rights or the transfer of shares.

Equity interests in excess of 10 % of voting rights

Deutsche Bank AG, Frankfurt am Main, held directly and indirectly, primarily through DB Finanz-Holding GmbH, Frankfurt on Main, approximately 94.1% of Postbank shares on December 31, 2014. As a result, the free float tradable on stock exchanges amounts to around 5.9 % of Postbank's share capital.

Shareholders with special rights

No shares with special rights conveying powers of control were issued.

Type of voting rights control when employees with equity interests do not exercise their control rights directly

Employees who hold shares of Deutsche Postbank AG exercise their rights of control like other shareholders in accordance with statutory provisions and the Articles of Association.

Provisions concerning the appointment and dismissal of Management Board members and amendments to the Articles of Association

The members of the Company's Management Board are appointed by the Supervisory Board for a maximum term of five years in accordance with section 84 of the AktG and section 31 of the *Mitbestimmungsgesetz* (MitbestG – German Codetermination Act). According to statutory provisions, members may be reappointed or their term extended, in each case for a maximum of five years. Under Article 5 of the Company's Articles of Association, the Management Board consists of at least two members. Besides, the Supervisory Board determines the number of members of the Management Board and can also appoint a Chairperson of the Management Board and a Deputy Chairperson of the Management Board as well as deputy members.

Under sections 24(1) no. 1 and 25c(1) of the *Kreditwesengesetz* (KWG – German Banking Act), the Bank must demonstrate to the German Federal Financial Supervisory Authority (BaFin) and the Deutsche Bundesbank in advance of any purposed Management Board appointments that the proposed members are trustworthy, professionally qualified and in possession of adequate time to perform board duties. To be considered professionally qualified, such candidates must have managerial experience and sufficient theoretical and practical knowledge of the Bank's business.

The Supervisory Board, under section 84(3) of the AktG, is entitled to revoke the appointment of Management Board members or the appointment of a chairperson of the Management Board if there is good cause. Good cause includes in particular gross breach of duties, inability to manage the company properly or a vote of no confidence by the Annual General Meeting, unless such a vote of no confidence was made for manifestly arbitrary reasons.

Pursuant to section 45c (1) to (3) of the KWG, BaFin may appoint a special representative and entrust him/her with the tasks and powers of one or more members of the Management Board if such members are untrustworthy or lack the requisite professional expertise or if the lending institution no longer has the requisite number of Management Board members. If members of the Management Board are not trustworthy or lack the requisite knowledge, or if violations of the principles of the proper conduct of business remain concealed from them or if they have failed to eliminate the ascertained infringements, BaFin can also transfer the tasks and powers of the Management Board as a whole to the special representative. In all these cases, the tasks and powers of the Management Board or the Management Board member concerned are suspended.

If a lending institution is in danger of failing to discharge its obligations to its creditors or there are grounds for suspecting that effective supervision of the bank is not possible, BaFin can take temporary measures to avert the danger pursuant to section 46(1) of the KWG. In the exercise of this duty, it can also prohibit or limit Management Board members from performing their office. In this case, their function can be fulfilled by the special representative pursuant to section 45c of the KWG.

The Articles of Association of Deutsche Postbank AG may be amended in accordance with the provisions of section

119(1) no. 5 and section 179 of the AktG. Under these provisions, amendments to the Articles of Association require a resolution by the Annual General Meeting. Moreover, under Article 19(3) of the Articles of Association, the Supervisory Board is permitted to make amendments to the Articles of Association that relate exclusively to their wording. Under Article 19(2), the resolutions by the Annual General Meeting are passed by a simple majority of the votes cast, in the absence of binding legal requirements to the contrary. Where the law prescribes a shareholding majority in addition to a voting majority, resolutions are passed by a simple majority of the share capital represented during the vote. Amendments to the Articles of Association enter into force upon entry into the commercial register (section 181(3) of the AktG).

Powers of the Management Board to issue or repurchase shares

The Management Board is authorized, with the consent of the Supervisory Board, to increase the share capital on one or more occasions in whole or in part by up to €218.8 million in the period up to May 27, 2018, by issuing new no-par value registered shares against cash and/or non-cash contributions, including mixed non-cash contributions (Authorized Capital I). The shareholders are generally granted preemptive rights. The new shares may also be underwritten by a bank or a syndicate of banks specified by the Management Board provided that said underwriters are obliged to offer those shares to shareholders for subscription (indirect preemptive rights). However, the Management Board is authorized, with the consent of the Supervisory Board, to disapply shareholders' preemptive rights for the purpose of eliminating fractions from those rights. The Management Board is authorized, with the consent of the Supervisory Board, to determine the additional details of the capital increase and its implementation.

The Management Board is also authorized, with the consent of the Supervisory Board, to increase the share capital on one or more occasions in whole or in part by up to a total of €54.7 million in the period up to May 27, 2018, by issuing new no-par value registered shares against cash contributions (Authorized Capital II).

The shareholders are generally granted preemptive rights. The new shares may also be underwritten by a bank or a syndicate of banks specified by the Management Board provided that said underwriters are obliged to offer those shares to shareholders for subscription (indirect preemptive rights). The resolution also provides the opportunity for simplified disapplication of preemptive rights in accordance with section 186(3) sentence 4 of the AktG.

Additional details on Authorized Capital I and II can be found in Article 4(6) and (7) of the Articles of Association.

The share capital has been contingently increased by up to €273.5 million by issuing of up to 109.4 million new no-par value registered shares (Contingent Capital). The purpose of the contingent capital increase is to grant no-par value registered shares to the holders of conversion or option rights attached to profit participation certificates, convertible bonds, or bonds with warrants to be issued under agenda item 9a by the Company or by its affiliated companies in the period up to July 8, 2019, on the basis of the authorization granted to the Management Board by resolution of the Annual General Meeting on July 9, 2014, who exercise their conversion or option rights, or to the holders of convertible profit participation certificates or convertible bonds with a conversion obligation to be issued by the Company or by its affiliated companies in the period up to July 8, 2019, on the basis of the aforementioned authorization who fulfill their conversion obligation.

The new shares shall be issued at the option or conversion prices to be calculated in each case in accordance with the aforementioned authorization. The new registered shares shall carry dividend rights from the beginning of the fiscal year in which they are created as a result of conversion or option rights being exercised or conversion obligations being fulfilled. The Management Board is authorized to determine the further details of the implementation of the contingent capital increase.

The Company was authorized pursuant to a resolution of the Annual General Meeting on April 29, 2010, to purchase and to sell own shares for the purpose of securities trading, in accordance with section 71(1) no. 7 of the AktG. The volume of shares to be acquired for this purpose may not exceed 5 % of the relevant share capital of the Company at the end of any given day. Furthermore, the shares acquired on the basis of this authorization, together with other Company shares that the Company has acquired and still holds, may at no time account for more than 10 % of the share capital. The authorization may be exercised on one or more occasions in whole or in part in the period up to April 28, 2015. The acquisition price (excluding incidental costs of acquisition) may not exceed or fall short of the arithmetic average of the share price (closing price of Deutsche Postbank shares in the XETRA trading system or a comparable successor system) at the Frankfurt/Main Stock Exchange by more than 10 % during the last five consecutive trading days before the acquisition or the assumption of an obligation to purchase.

Furthermore, the Management Board was authorized by way of a resolution of the Annual General Meeting on April 29, 2010, to acquire own shares up to a total of 10 % of the existing share capital at the time of resolution, pursuant to section 71(1) no. 8 of the AktG. The shares acquired on the basis of this authorization together with other Company shares that the Company has already acquired and still holds may not account for more than 10 % of share capital at any time. The authorization may also be exercised by dependent companies or companies in which the Company holds a majority interest or by third parties for account of the Company or dependent companies or companies in which the Company holds a majority interest. The authorization can be exercised on one or more occasions in whole or in part in the period up to April 28, 2015.

The shares may be acquired on the stock exchange or by means of a public offer. The authorization contains provisions regarding the acquisition price and the procedure in cases of an oversubscription of a public purchase offer.

The authorization may be exercised for any lawful purpose, but especially for the pursuit of one or more of the following purposes.

Under section 71(1) no. 8 of the AktG, the Management Board, with the consent of the Supervisory Board, is authorized on the basis of this or an earlier authorization, to

redeem the own shares without further resolution of the Annual General Meeting. The redemption may be limited to a portion of the acquired shares. Multiple use of the redemption option may be made. The redemption generally leads to a reduction in share capital. Notwithstanding the preceding, the Management Board may determine that the share capital shall remain unchanged and instead that the redemption lead to an increase in the proportion of remaining shares in the share capital pursuant to section 8(3) of the AktG. The Management Board shall in this case be authorized to modify the statement of the number of shares in the Articles of Association.

Under section 71(1) no. 8 of the AktG, the Management Board, with the consent of the Supervisory Board, is authorized on the basis of this or an earlier authorization to use own shares acquired in a different manner than through sale on the stock exchange or an offer to all shareholders excluding shareholders' preemptive rights as follows: (i) the sale of the shares against a non-cash contribution for the purpose of acquiring companies, parts of companies, investments in companies or other contributable assets, or for implementing business combinations; or (ii) the sale of the shares for cash and at a price that is not materially lower than the quoted market price of the Company's shares at the time of sale (simplified exclusion of preemptive rights pursuant to section 186(3) sentence 4 and section 71(1) no. 8 sentence 5, second half of the sentence, AktG). This authorization is limited to an aggregate of no more than 10 % of the current share capital of the Company, or if this figure is lower, 10 % of the share capital existing at the time of exercise of this authorization, including other shares issued since the resolution on this authorization under exclusion of the shareholders' preemptive rights in direct or corresponding application of section 186(3) sentence 4 of the AktG; or (iii) to meet the Company's obligations arising from conversion and option rights or conversion obligations resulting from convertible bonds or bonds with warrants, profit participation certificates or participating bonds (or combinations of such instruments) that grant conversion or option rights or create a conversion obligation and which are issued by the Company, or dependent companies or companies in which the Company holds a majority interest. The authorizations contained in (i) to (iii) may also be exercised by the dependent companies or companies in which the Company holds a majority interest or by third parties for the Company's account or for dependent companies or companies in which the Company holds a majority interest.

In the year under review, the Bank made no use of its authorization to purchase own shares. At the balance sheet date, Postbank did not hold any treasury shares.

Material agreements that take effect in the event of a change of control following a takeover bid

No material agreements that take effect in the event of a change of control following a takeover bid have been concluded.

Compensation agreements in cases of a change of control

No company compensation agreements in the case of a takeover bid have been concluded with members of the Management Board or employees.

Section 289a of the HGB: Corporate Governance Statement

The Corporate Governance Statement can be found on our home page at https://www.postbank.com/postbank/en/au_corporate_governance_annual_governance_statement.html

REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Deutsche Postbank AG (Postbank) hereby publishes the principles used to determine the remuneration of the Management Board and the Supervisory Board. The report also explains the amount of remuneration and structure of the remuneration in accordance with the statutory provisions, German Accounting Standard (GAS) 17 "Reporting on the Remuneration of Members of Governing Bodies," and the recommendations of the German Corporate Governance Code.

Responsibility

The full Supervisory Board is responsible for designing the remuneration system and for setting the remuneration of the individual members of the Management Board. The full Supervisory Board was assisted in particular by the Executive Committee up to and including 2013. From fiscal year 2014, the Supervisory Board has been supported by the new Compensation Control Committee, which has assumed key tasks relating to the remuneration system for the Management Board and the determination of individual remuneration previously performed by the Executive Committee. The Supervisory Board resolved to establish a Compensation Control Committee – which is to be set up for Postbank according to section 25d (12) in conjunction with section 7 of the *Kreditwesengesetz* (KWG – German Banking Act) – in December 2013. The committee commenced work at the end of 2013. It is primarily responsible for monitoring the appropriate design of the remuneration systems for senior managers and employees, and in particular for the heads of the Risk Control and Compliance units, as well as employees who have a material influence on the Bank's overall risk profile. The Compensation Control Committee assesses the impact of the remuneration systems on risk, capital, and liquidity management, prepares the Supervisory Board resolutions on the remuneration of the senior managers, and assists the Supervisory Board in monitoring the proper integration of the internal control functions and all other relevant functions in the design of the remuneration systems.

Structure of the remuneration of the Management Board in fiscal year 2014

The overall structure of the remuneration of the Management Board and the principal components of Management Board contracts are stipulated and regularly reviewed by Postbank's Supervisory Board. This review focuses in particular on the appropriateness of the system's design and on changes that become necessary in response to new regulatory requirements.

The core criterion for the design of the remuneration system and the amount of Management Board remuneration is to remunerate Management Board members appropriately in line with the market and competitors and in accordance with all statutory and regulatory requirements, taking into account members' areas of activity and responsibility, Postbank's overall long-term performance, and the collective and individual performance of the members of the Management Board. The appropriateness of the remuneration of the Management Board in both market terms

and within the Postbank Group was confirmed by a vertical and horizontal remuneration comparison conducted on the basis of the recommendations of the German Corporate Governance Code.

The aim is for the system to be designed in a way that incentivizes the members of the Management Board to avoid disproportionately high risks, to meet the company's objectives, and to permanently promote positive corporate development. To this extent, the Supervisory Board had already capped the ratio of variable remuneration to fixed remuneration before the statutory ratio was introduced. In accordance with section 25a (5) sentence 2 of the KWG, the variable remuneration of senior managers of banks may not exceed 100 % of their fixed remuneration. The underlying thinking is that excessive variable remuneration may provide a greater incentive to take unreasonably high risks. However, section 25a (5) sentence 5 of the KWG states that the shareholders may resolve to relax the cap by approving a ratio of fixed to variable remuneration of 1:2. The Supervisory Board submitted a corresponding motion to the Annual General Meeting in relation to the members of the Management Board for reasons of preserving competitiveness and the ability to manage the amount of variable remuneration. The Annual General Meeting agreed with the motion in July 2014 and approved a ratio of 1:2 by a large majority.

In line with the recommendation by the Compensation Control Committee, the Supervisory Board resolved a change to the variable remuneration effective January 1, 2014. This has been agreed with the individual members of the Management Board by amending their employment contracts accordingly. The main features are described in detail in the following.

The total remuneration awarded to the members of the Management Board is broken down into non-performance-related and performance-related components.

The non-performance-related components are the base pay (fixed remuneration) and incidental benefits. The base pay is paid out monthly in twelve equal installments. Incidental benefits – non-cash benefits – mainly comprise the use of company cars, the payment of insurance premiums, and business-related expenses including any taxes assumed on these items. In principle, incidental benefits are available to all members of the Management Board equally; however, the amount may vary depending on their individual personal circumstances.

The performance-related component is the variable remuneration. The variable remuneration awarded to the members of the Management Board is dependent on their achieving quantitative and qualitative Group, board department, and individual goals and is determined on the basis of key performance indicators; performance measurement is predominantly weighted toward uniform Group goals. The goals are laid down in a target agreement entered into at the start of each fiscal year (base year). The amount of variable remuneration paid depends on the predetermined targets set out in the agreement being met and is subject to a cap of 150 % of the targets set out in the individual agreements.

The way in which variable remuneration is granted was amended with effect from the variable remuneration for 2014. Payment of the outstanding remuneration components from the years prior to 2014 is still subject to the previous remuneration model.

Variable remuneration for 2014: grant, performance, deferral, and forfeiture provisions

Under the new remuneration structure, the variable remuneration is largely granted in deferred form and spread over several years, taking into account the regulatory and bank-specific requirements applicable in each case. This ensures a long-term incentive effect over a period of several years.

In accordance with the requirements of the *Institutsvergütungsverordnung* (InstVergV – Regulation Governing Supervisory Requirements for Remuneration Systems of Institutions), at least 60 % of the total variable remuneration is granted on a deferred basis. Furthermore, the Supervisory Board resolved to use the deferral matrix in use at the Deutsche Bank Group, which may lead to a higher percentage of deferred remuneration depending on the amount of the variable remuneration. In line with this, the upfront portion of the variable remuneration for 2014 is capped at a total of €225,000.

Half of this upfront portion of the variable remuneration is awarded in the form of a share-based remuneration component (equity upfront award) and the other half is paid out immediately. Half of the deferred portion of the variable remuneration comprises share-based remuneration components (restricted equity award), while the remaining half is granted as a deferred cash payment (restricted incentive award). The value of the share-based remuneration components depends on the performance of Deutsche Bank's shares during the vesting and holding periods.

Equity upfront award

The non-deferred component of the share-based remuneration is awarded to members of the Management Board in the form of an equity upfront award (EUA). The EUA vests immediately; however, a holding period of six months applies. Special performance, deferral, and forfeiture provisions apply during the six-month holding period. The EUA is granted in the form of Deutsche Bank shares on expiry of the holding period.

Restricted equity award

The deferred share-based remuneration is awarded as a restricted equity award (REA) and vests ratably in three equal tranches over a period of three years.

Special rules apply to the members of the Management Board who also belong to Deutsche Bank Group's so-called Senior Management Group (i.e. Susanne Klöss-Braekler as well as Frank Strauss, Marc Hess, and Hanns-Peter Storr); contrary to the above, a 4.5-year vesting period applies, after which the entitlements vest in a single tranche ("cliff vesting").

Following the above vesting periods, there is a six-month holding period for all members of the Management Board before the share-based remuneration elements are granted in the form of Deutsche Bank shares. Special performance, deferral, and forfeiture provisions apply during the vesting

period and, where applicable, the holding period. This means that, taking into account the performance, deferral, and forfeiture provisions, members of the Management Board who are part of the Senior Management Group cannot realize the value of the REA granted for 2014 until 2020 at the earliest (i.e., five years after it was granted). For the remaining members of the Management Board, the value of the final tranche of the REA can be realized in 2018 at the earliest (i.e., 3.5 years after the REA was granted).

Restricted incentive award

The non-share-based component of the deferred remuneration is granted as a deferred cash payment (restricted incentive award (RIA)); this vests in three equal tranches over a period of three years. Special performance, deferral, and forfeiture provisions apply during the vesting period. The final tranche of the RIA awarded to members of the Management Board for 2014 will be paid out in 2018 at the earliest.

A one-time interest premium or dividend equivalent is added to the above awards when they are granted since these awards are not entitled to interest or dividend payments until they accrue.

- Equity upfront award:
  A dividend equivalent is granted during the holding period.

- Restricted equity award:
  A one-time premium of 5 % is added when the award is granted. Members of the so-called Senior Management Group receive a dividend equivalent.

- Restricted incentive award:
  A one-time premium of 2 % is added when the award is granted.

The number of share awards granted to members of the Management Board in 2015 for fiscal year 2014 in the form of equity upfront awards (EUA) and restricted equity awards (REA) is calculated by dividing the respective euro amounts by the average of the Xetra closing prices for Deutsche Bank shares on the first ten trading days of February 2015 (€27.1080).

Performance, deferral, and forfeiture provisions

The remuneration components that are granted on a deferred basis or spread over several years (EUA, RIA, REA) are subject to certain performance, deferral, and forfeiture provisions during the vesting and holding periods. These are a core element of the structure governing deferred remuneration. They ensure that the awards are aligned with future behavior and future performance, and that certain events are also accounted for appropriately in remuneration over the long term. All remuneration components granted for 2014 on a deferred basis and the EUA are subject to a (partial) clawback, for example if the member of the Management Board breaches internal guidelines or regulatory requirements, or if the conditions for performance are no longer met. In addition, all remuneration components granted on a deferred basis are subject to clawback provisions linked to the performance of Postbank or the Deutsche Bank Group as a whole. According to these provisions, up to 100 % of the outstanding RIA and REA tranches may be forfeited if the Postbank and/or the Group records a loss before tax. In the case of members of the Management Board who are subject to the special rules for the Senior Management Group, up to 20 % of the REA is forfeited if forfeiture conditions are met in one year within the deferral period.

Granting and payment of variable remuneration until the end of 2013

Under the remuneration system valid until the end of 2013, the variable remuneration was split into a short-term component (40 %) and a long-term component (60 %). It was not fully paid out in cash, even if the agreed targets were met. There are still outstanding remuneration components for the years 2010 to 2013; payment is due on the agreed dates in accordance with the contractual provisions applicable at the time the components were granted.

Half of the short-term component was immediately paid out in cash in the following year after it has been determined that the targets had been reached (short-term component I). The second half of the short-term component (short-term component II) was converted into phantom shares of Deutsche Bank AG. For this purpose, the euro amount of short-term component II was divided by the average of the Xetra closing prices for Deutsche Bank AG shares on the last ten trading days preceding the date on which the Supervisory Board determined that the targets were met or the date the lock-up period ended. After a one-year lock-up period, the phantom shares were/are converted on the basis of the then current share price and paid out. During the lock-up period, the phantom shares attracted dividend equivalents in the amount of the actual dividend paid. The short-term component II for 2012 was paid out in 2014. The amount to be paid out was calculated on expiry of the one-year lock-up period by multiplying the number of phantom shares by the average share price as described (€32.22). The short-term component II for 2013 is due for payment in 2015 on expiry of the one-year lock-up period.

The entire long-term component was granted conditional on the Postbank Group's sustainable performance, which was determined subject to a sustainability criterion being satisfied during the subsequent three-year assessment period (three calendar years following the base year). This is still to be assessed for the years 2011 to 2013. In the year immediately following the fiscal year for which the remuneration was to be granted, the Supervisory Board examined and determined whether the targets had been met for that year, and stipulated the sustainability criterion for the assessment period. In the case of the variable remuneration until 2013, this was defined as the adjusted profit after cost of capital (APACC). Sustainable Group performance and the sustainability criterion for the years 2011 to 2013 will have been achieved if the value of the APACC is equal to, or exceeds, or at the end of the sustainability phase cumulatively exceeds on average, the value of the APACC in the base year.

In line with the three-year sustainability phase, the long-term component was divided into three equal tranches. In turn, half of each tranche was paid out in cash (long-term component I) and half was converted into phantom shares (long-term component II), or is still to be converted for the years 2011 to 2013. The conversion and valuation procedure for the phantom shares was/is as outlined above.

If, at the end of each of the years in the three-year assessment period of the remuneration components still outstanding, the Supervisory Board determines that the sustainability criterion has been met, the proportionate cash component (long-term component I) is paid out immediately, and the remainder converted into phantom shares (long-term component II).

If the sustainability criterion is not met for a particular year in the assessment period, payment of the corresponding tranches of the long-term component is deferred to the following year for a renewed examination based on the sustainability criterion. If the sustainability criterion has not been met at the end of the assessment period, the payment of all deferred long-term components lapses without compensation. In this way, remuneration of the Management Board is affected by any negative Company performance during the entire measurement period (negative bonus system). Under an additional negative bonus system, payment for outstanding tranches can be retroactively reduced or canceled completely based on the overall performance of the Management Board member concerned during the assessment period.

These remuneration mechanisms still affect the deferred remuneration components granted in the years 2010 to 2013 and continue to apply to this extent.

The long-term component II for 2010 (Tranche 2) and 2011 (Tranche 1) were paid out in 2014 on expiry of the lock-up period. For this purpose, the remuneration components that were converted into phantom shares of Deutsche Bank AG in 2013 were multiplied by the average share price (€32.22, calculated as described). In addition, the long-term component I for 2010 (Tranche 3), 2011 (Tranche 2), and 2012 (Tranche 1) were paid out in 2014 on satisfaction of the sustainability criteria. The other halves of the above tranches (long-term component II) were converted into phantom shares of Deutsche Bank AG on the basis of the average share price (Xetra closing price) on the ten exchange trading days preceding March 22, 2014 (€32.22) and are due for payment in 2015 on expiry of the lock-up period.

A dividend equivalent was calculated for the phantom shares that were blocked on the date of the Annual General Meeting of Deutsche Bank AG in 2014 on the basis of the €0.75 dividend paid for Deutsche Bank AG; the phantom share components were increased accordingly. The number of blocked phantom shares was also increased on completion of the capital increase announced by Deutsche Bank AG using a recognized antidilution formula. Under this formula, the economic effect of the (capital) dilution was calculated on the basis of an adjustment metric, which took into account the reference rate (€28.575), the subscription price (€22.50), and the number of preemptive rights needed to purchase a share (18:5). The blocked phantom shares were increased by 4.85 % in accordance with this adjustment metric.

Other provisions

The members of the Management Board are not permitted to use hedging transactions or other countermeasures to mitigate or offset the risk orientation of deferred remuneration components.

The Supervisory Board has the right to award an appropriate special bonus for exceptional performance, the amount of which is implicitly limited by the cap on the ratio of fixed to variable remuneration.

In accordance with the recommendation of the German Corporate Governance Code, Postbank will provide compensation for no more than the remaining term of the contract in instances in which the contract of a member of the Management Board is terminated prematurely without good cause, and will limit the payment to a maximum of two base payments plus a maximum of 40 % of twice the maximum variable remuneration (severance payment cap).

If the contract of a Management Board member is terminated prematurely as a result of permanent incapacity to work or death, the remuneration is paid pro rata up to the end of the agreed term of the contract, for a maximum of six months.

Remuneration of the Supervisory Board in 2014

Postbank's Annual General Meeting amended the remuneration of the Supervisory Board in 2014 with effect from January 1, 2014. The remuneration system is laid down in Article 15 of the Articles of Association of Deutsche Postbank AG. In accordance with this article, the annual remuneration of members of the Supervisory Board comprises fixed, non-performance-related remuneration only. The positions of Chairman and Deputy Chairman as well as the membership of committees are reflected in the remuneration.

The fixed annual remuneration (base pay) for each member of the Supervisory Board is €40,000. The Chairman of the Supervisory Board receives double, and the Deputy Chairman receives one-and-a-half times the base pay.

The base pay increases by the following fixed additional annual remuneration for members and chairs of Supervisory Board committees:

Members of the Audit Committee and the Risk Committee receive an additional €30,000 each; the chairs of these committees receive an additional €60,000 in each case. Members of the Executive Committee, the Human Resources Committee, the Compensation Control Committee, and the Nomination Committee each receive an additional €20,000; the chairs of these committees receive an additional €40,000 in each case. No additional fixed remuneration is granted to the members and the chair of the Mediation Committee.

Under the remuneration rules valid until December 31, 2013, members of the Supervisory Board are still entitled to performance-related annual remuneration with a long-term incentive effect amounting to €300 for each 1 % by which the consolidated net profit per share for the second fiscal year following the fiscal year under review (base year) exceeds the consolidated net profit per share of the fiscal year preceding the fiscal year under review. The Chairman of the Supervisory Board receives double the remuneration of a full member of the Supervisory Board, while the Deputy Chairman receives one-and-a-half times the remuneration. The chairmanship of a Supervisory Board committee is remunerated by an additional sum in

the amount of the remuneration, while members of the Supervisory Board committees additionally receive half this amount for each such position held. This does not apply to membership of the Mediation Committee and the Nomination Committee. The amount of the Supervisory Board's variable remuneration is capped in two ways: It may not exceed the amount of the fixed annual remuneration and remuneration of committee members may not exceed twice the remuneration of the Supervisory Board member concerned.

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For further information on and explanations of the remuneration of both the Management Board and Supervisory Board, please see the Corporate Governance Report or Note 55 of the Notes to the Consolidated Financial Statements.

EMPLOYEES

At the end of 2014, Postbank employed 14,774 full-time equivalents, 3,449 fewer than the 18,223 employed as of December 31, 2013. Employee numbers have declined in this particular instance as a result of the deconsolidation of the service companies (BCB AG, BHW Kreditservice GmbH, PB Service GmbH, VÖB-ZVD Processing GmbH, and PB Direkt GmbH) as of April 1, 2014. Civil servants employed at these companies have remained at Postbank.

The workforce also included 4,972 civil servants on a full-time equivalent basis, or about 34 % of the headcount. About 24 % of our employees works part time.

Our external turnover in 2014 was about 7.4 %. The increased turnover compared with the prior year's 6.8 % can be attributed to the deconsolidation of the service companies. The average length of a person's employment at the Company was approximately 21 years. Postbank remunerates almost all of its employees on the basis of performance and profit-related criteria that flow into a variable remuneration component.

SIGNIFICANT EVENTS AT POSTBANK IN 2014

April 1, 2014: At the end of 2013, the relevant bodies at Postbank approved, under certain conditions, the bundling of service companies in a holding company within the Deutsche Bank Group. On the Postbank side, this step affected the following companies: Betriebs-Center für Banken AG, VÖB-ZVD Processing GmbH, Postbank Direkt GmbH, Postbank Service GmbH, and BHW Kreditservice GmbH. Postbank has a substantial stake (50 % minus one vote) in this holding company. The measure was successfully implemented on April 1, 2014. The markedly positive non-recurring effects resulting from the transfer primarily benefited net income from investment securities.

July 1, 2014: The Postbank branch in Luxembourg takes over the customer business of PB International S.A.

July 9, 2014: The Annual General Meeting of Deutsche Postbank AG provided nearly unanimous approval to all motions.

REPORT ON ECONOMIC POSITION

OVERALL ECONOMIC PARAMETERS IN 2014

Macroeconomic environment

Global economy continues to grow slowly

Growth generated by the global economy remained muted in 2014. Nonetheless, the world's industrialized countries improved their economic performance during the year. Their gross domestic product (GDP) rose by an average of about 0.5 percentage points. In contrast, the growth produced by emerging markets trailed behind the previous year's figures. The main reasons for this decline were economic downturns in several major emerging countries that resulted from international conflicts or falling raw-material prices. Overall, global economic activity rose by 3.3 % in 2014 – just as it did in the previous year. As a result, the rise to 3.6 % projected by the International Monetary Fund (IMF) at the beginning of the year failed to materialize.

The economic upswing in the United States stabilized in 2014. After being frozen in its tracks by a bitterly cold winter, the country's economy took off during the rest of the year. Investments in machinery, equipment and construction jumped sharply. At the same time, private households continuously increased their consumption. Exports and imports rose at a similar pace. As a result, foreign trade neither slowed nor fueled the economy. Government spending fell slightly following a multi-year period in which it served as a significant drag on growth in the wake of fiscal consolidation policies. The number of people in the workforce rose strongly while the jobless rate plunged. In spite of the chilly start to the new year, GDP growth climbed to 2.4 % in 2014. But it finished the year well below the level of 3.5 % projected by us at the beginning of the 12-month period.

The emerging countries of Asia remained the leading economic powerhouses. GDP rose by a total of 6.5 %, a slight decline from the previous year's amount. In China, the country's export performance fell below the previous year's level. As a result, GDP growth slipped to 7.4 %, the lowest level since the early 1990s. Japan's economic performance experienced wide swings during 2014. The main reason for this development was the sharp value-added tax increase imposed at the beginning of the second quarter of the year. The increase inhibited private consumption. In contrast, exports rose sharply. Gross capital expenditures generated additional positive momentum. In summary, the GDP remained stagnant in 2014, whereas we had expected an increase of 0.7 %.

In the eurozone, economic activity continuously improved during the reporting year. But with quarterly growth rates of between 0.1 % and 0.3 %, the economic recovery proceeded at a slow rate. Nonetheless, the upswing had a broad foundation. Private consumption rose by 0.9 %. Government spending rose at the same level. Gross capital expenditures climbed by an estimated 0.7 %, and domestic demand increased by 0.9 %. Foreign trade picked up as well, a development to which exports and imports contributed on a nearly equal basis. As a result, this helped GDP rise to 0.8 % following a drop by 0.4 % in the previous year. The economic performance of individual members of the

eurozone continued to vary widely. While the economies of several member countries improved markedly, other members remained mired in recession. The slow economic recovery also resulted in a slight improvement in the job market. Nonetheless, the average unemployment rate remained at a very high level of 11.4 % at year's end.

Europe's economic performance largely lived up to our expectations. But GDP rose slightly less than the 1.0 % level that we projected at the beginning of the year.

Economic downturn in Germany during the year

Thanks to an extremely mild winter, the German economy got off to a very strong start in 2014. Subsequently, however, the country's economic activity slowed, not least as a result of uncertainties caused by international conflicts. Its output stagnated to a large degree in the second and third quarters but picked up strongly in the final quarter of the year. Thanks in particular to the economy's good starting position at the beginning of 2014, GDP growth accelerated from 0.1 % in the previous year to 1.6 %. Foreign trade played a role in this rise as well. Despite declines with some countries, exports climbed by 3.7 % and rose at a somewhat higher rate than imports, a development that resulted not least from the economic stabilization that occurred in the eurozone. Gross capital expenditures increased by an annual average of 3.1 %. In the process, investments in machinery and equipment jumped at an above-average rate of 3.7 % but finished the second half of the year below the level reached during the first half as a result of the general uneasiness among companies. Construction investments rose by 3.4 %, with residential construction climbing at an above-average rate. Private consumption helped fuel growth, rising by 1.1 % and slightly outpacing the previous year's level. It profited from the somewhat larger rise in disposable income and the simultaneous decline in the inflation rate from 1.5 % to 0.9 %. This also facilitated a slight increase in the household savings rate. The German job market improved as well. In an annual average, the number of unemployed persons fell by 52,000 to 2.90 million. The unemployment rate dropped from 6.9 % to 6.7 %. At the same time, the number of people in the workforce jumped by 371,000 to 42.65 million.

In summary, macroeconomic performance in 2014 largely reflected our expectations at the time of our last Annual Report.

Market developments

In 2014, global financial markets were shaped by a number of events and trends that repeatedly caused considerable concerns. At the beginning of the year this was mainly due to China's weak economic performance and expectations of less expansionary monetary policies in the United States. In the spring, the Russian-Ukrainian crisis intensified, a development that hurt the global economy as a whole and the eurozone in particular. Beginning at the midpoint in the year, the slower than expected level of economic performance was compounded by a massive drop in oil prices that intensified as the year progressed. In light of the steep drop in inflation caused by this development and weak economic activity, the European Central Bank decided to pursue an even more expansionary monetary policy.

During the first months of the new year, the German stock market experienced a sidewise trend in which prices rose and fell noticeably. At the midpoint of the year, German stocks then began to rise steeply. The driving force behind these price increases were the exceptionally strong growth being generated by the U.S. economy and the ECB's decision to cut its key interest rate in June. Prices then fell sharply amid another phase of increasing volatility. The causes of market uncertainty included in particular the weak economic performance of the eurozone and China as well as worries that the U.S. Federal Reserve could increase its federal funds rate earlier than expected. Stocks markets hit their nadir in October. Bolstered not least by increasing expectations that the ECB would take further expansionary steps, prices jumped once again as the year progressed. On balance, the DAX rose just 2.7 % during the year. The EURO STOXX 50 generated a gain of 1.2 %. Stock prices rose much stronger in the United States as the economy gained further strength. The S&P 500 increased by 11.4 %. Investor worries were also reflected in the corporate bond market. The risk premiums for bonds with low ratings rose sharply in the second half of 2014. By contrast, the premiums for bonds with high ratings remained at a consistently low level throughout the year.

The turbulence rocking the government bonds issued by members of the European Monetary Union declined further in 2014. The yields of long bonds issued by Ireland, Spain, Italy and Portugal fell to historically low levels. At the same time, yield spreads over Bunds continued to fall. In the process, interim declines remained very limited in terms of their extent and duration due to investors' general worries. The even more expansionary monetary policies being pursued by the ECB were a key factor in the narrowing of yield spreads. Furthermore, Ireland and then Portugal made a successful return to capital markets, a development that enabled them to leave the EU financial assistance program. However, the development in Greece was different. After the risk premiums for Greek bonds fell sharply in the first half of the year, they rose steeply once again during the final months of the year. The chief cause of this reversal was the country's rising level of political uncertainty. After Greece was unable to elect a new president of the country, early parliamentary elections had to be called. This development gave rise to fears that a new government could dissolve the financial assistance program worked out with the EU and IMF.

Acting on the basis of the markedly falling inflation rate, a very moderate outlook for inflation and a continuing low level of private sector lending, the ECB took additional expansionary monetary steps during 2014. In June, the bank lowered its main refinancing rate from 0.25 % to 0.15 %. It also cut its deposit facility rate by 0.1 percentage points to –0.1 %, the first time the deposit facility rate has been set at a negative level, and the marginal lending rate by 0.35 percentage points to 0.4 %. It also approved a number of targeted longer-term refinancing operations (TLTRO). As a result, banks in the eurozone can obtain liquidity at very favorable conditions with a maturity that runs through September 2018. But demand for the first two TLTROs conducted in September and December 2014 was limited and remained behind expectations. In September, the ECB cut its key interest rates by an additional 0.1 percentage point, sending the main refinancing rate to the previous record low of 0.05 % and the deposit facility to

–0.2 %. Furthermore, it decided to purchase asset-backed securities (ABSs) and covered bonds. The ECB said the decisions were designed to increase its total assets to the level achieved at the beginning of 2012. In the wake of the more expansionary policies, money market rates fell significantly. At the end of 2014, the three-month Euribor was 0.08 %, 0.21 percentage points lower than at the prior-year end.

The U.S. Federal Reserve kept its federal funds rate steady in a range between 0 % and 0.25 %. For the first time, it lowered the volume of bonds it purchased each month as part of its quantitative easing program, from US$85 billion in 2013 to US$75 billion effective January 2014. In subsequent meetings, the Federal Open Market Committee (FOMC) approved further reductions. The purchasing program was ended in October.

The ECB's expansionary measures and the significant decline in expectations for inflation triggered a continuous and massive drop in capital market interest rates in the eurozone. The yield of 10-year Bunds had fallen to a record low of 0.54 % by the end of the year (previous year: 1.93 %). The current yield of Bunds became negative even for maturities of four years. With money market interest rates having fallen at a significantly lower rate, the yield curve in Germany became much flatter during the year.

The yield of 10-year U.S. Treasuries also fell markedly even as the economy picked up speed. The gradual reduction in bond purchases by the Fed did not cause demand to decline as had been feared. Furthermore, the U.S. bond market also profited from a declining inflation rate. At the end of the year, the yield of 10-year U.S. Treasuries was 2.17 %, 0.86 percentage points below the previous year's level. With money market interest rates having remained virtually unchanged, the U.S. yield curve became much flatter.

The diverging monetary policies being implemented by the ECB and the Fed had a major impact on the euro-dollar exchange rate. During the first half of 2014, the euro moved within the range of US$1.35 and US$1.39. Beginning with the second half of the year, the currency was subjected to downward pressure, and this pressure began to intensify in September. By the end of the year, the euro had fallen to a level of about US$1.21 and shed 12.2 % of its value year-on-year.

To a large degree, market development did not reflect our expectations at the time of our last Annual Report. We had expected that capital market interest rates in Germany would rise slightly during 2014. In terms of money market rates, we had foreseen a sideways movement. We also had expected to see the yield curve become somewhat steeper. We did not anticipate a further decrease in the rate of the ECB's main refinancing rate, but we also did not rule it out in the wake of a continued decline in the inflation rate.

Sector situation

In 2014, the dominant issues faced by the European banking sector were the ECB's assumption of both direct and indirect banking supervision and the continued intensification of low interest rate conditions.

In April 2014, the European Parliament approved an EU directive designed to standardize national deposit protection systems. Deposits worth up to €100,000 will not be subject to a bail-in when a bank is restructured or subject to resolution.

Before taking on the bank supervision role, the ECB subjected Europe's leading banks to an asset quality review (AQR) and a stress test. The results of these reviews were released on October 26, 2014. Of the 130 banks reviewed across Europe, 13 banks were found to have capital shortfalls on the basis of both the AQR and the stress test. All 24 German banks that underwent the test passed in terms of their Tier 1 capital at the time of the publication deadline.

On November 4, 2014, the ECB assumed direct supervision of the 123 most important and relevant lending institutions in the eurozone, including 21 German banks. The ECB has asked national supervisory authorities in each country to maintain supervision of the remaining banks in the eurozone. In Germany, this role is played by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Federal Financial Supervisory Authority) and the Deutsche Bundesbank.

In December 2014, the EU Parliament approved rules governing a bank levy. This levy will be used to pay about €55 billion into the Single Resolution Fund (SRF) by 2024. The money in the SRF will be employed to liquidate or restructure failing banks in the eurozone. Banks in the eurozone will begin paying the levy in 2016.

Banks of global systemic importance will be expected to maintain total loss absorbency capacity (TLAC) totaling 16 % to 20 % of their risk-weighted assets. This requirement is designed to ensure that these banks will have sufficient amounts of liable capital on hand in times of need in order to facilitate an orderly liquidation process without drawing on public funds or threatening the existence of the finance system. In addition to equity, the TLAC will include subordinated liabilities that, when necessary, can be converted into equity. The Financial Stability Board expects that the final requirements of the TLAC will be set at the beginning of 2015 and that it will take effect on January 1, 2019.

The Bank Recovery and Resolution Directive (BRRD) regulates the minimum requirement for own funds and eligible liabilities that banks must maintain in accordance with the Minimum Requirement for Eligible Liabilities (MREL) within the European Union. Like the TLAC, the MREL is designed to ensure that lending institutions maintain a sufficient level of capital that can be used if the bank must be liquidated or restructured. Ratios have not been defined yet. The topic currently under discussion involves alignment with the TLAC ratios.

The German banking landscape continues to feature a three-pillar structure consisting of private, public and cooperative banks. In 2014, there were no significant developments between or within each individual pillar to report.

The volume of loans issued to domestic companies and private individuals in Germany increased by 1.3 % to €2,385 billion in 2014. Adjusted for changes in statistical classification, lending growth rose slightly above the previous year's level. As a result, lending volume to companies increased by 1.0 % to €902 billion, following a slight drop in the previous year, also adjusted for changes in statistical classification. Loans to self-employed private individuals rose by 0.5 % to €390 billion following a marginal decline in the previous year. Loans issued to non-self-employed persons and other private individuals rose by 1.8 % to €1,079 billion in 2014, representing an increase over the positive development in 2013. In this category, residential construction loans climbed by 2.3 % to €856 billion. New business with residential construction loans for private individuals rose by 2.7 % in 2014. The overall moderate improvement of the lending business was primarily fueled by the increased pace of economic growth.

Between January and November of 2014, the number of bankruptcies in Germany fell sharply by 5.6 % compared with the previous year's total. The number of business bankruptcies dropped by 8.5 %. As a result, the positive trend seen in previous years continued. The economic improvement and the very low level of interest rates may have contributed to this development. The number of consumer bankruptcies (including the bankruptcies of formerly self-employed individuals and other bankruptcies) dropped by 4.7 %, a continuation of the sharp decrease seen in recent years. The continued improvement of employment may have had a positive impact here once again.

In analyzing the business performance of German banks, we considered the three banks listed in Deutsche Börse's Prime Standard and Deutsche Postbank AG, as we have done in the past. We compared the banks' results for the period of January through September 2014 with the previous year's results. All four banks generated net income both before and after taxes. Three of the four banks even boosted their net income before and after taxes in comparison to the previous year's period. The majority of the banks we took into consideration experienced a decline in net fee and commission income. Half of the banks reported an increase in net interest income, an improvement in net trading income and/or a reduction of administrative expenses during the period under review. The cost/income ratio improved at two lending institutions, and return on equity after taxes, a metric reported only by three banks, rose at two of them.

In 2014, the DAX rose by 2.7 %. In contrast, both banks listed in Germany's blue-chip index saw stock prices decline during the year.

COURSE OF BUSINESS

Results of operations, financial position, and net assets

Postbank generated a consolidated net profit before tax of €457 million in fiscal year 2014 (previous year: €318 million) despite difficult market conditions. This figure includes the discontinued operation. Profit after tax amounted to €278 million compared with €330 million in the previous year. Excluding the various non-recurring effects, operating profit before tax in 2014 was €507 million, up 7.9 % year-on-year. Postbank also further reduced its risk and improved its fully phased-in Common Equity Tier 1 capital ratio from 8.8 %[1] to 10.5 %[2].

Consolidated net profit was reduced in particular by an additional tax payment for previous fiscal years. Significant burdens (€129 million) resulted from expected and actual reimbursements of consumer loan processing fees following the rulings to this effect by Germany's Federal Court of Justice in May and October 2014 and negative effects of €86 million were incurred in relation to litigation and complaints about investment advice. Most of these relate to advice provided and transactions entered into in the area of closed-end funds, the distribution of which was discontinued in 2012. Integration expenses amounted to €147 million in 2014, down €35 million on the prior-year figure. The deconsolidation of the service companies led to a deconsolidation gain of €349 million and the derecognition of pension obligations in the amount of €12 million. On balance, the significant positive and negative non-recurring effects offset one another in 2014.

The good operational development is largely attributable to our business with retail and corporate customers, with its long-term stability. As forecast in last year's Outlook, net interest income was approximately on a level with the previous year at €2.5 billion (previous year: €2.5 billion). Net fee and commission income declined by 14.9 % to €929 million, in contrast to our forecast of a largely stable trend. This was mainly due to the transfer of the service companies and the resulting absence of third-party fee and commission income, as well as to the ongoing challenging market conditions in the investment and retirement provision business.

Combined net trading income and net income from investment securities declined only slightly from €221 million in the previous year to €210 million. The transfer of the service companies generated positive effects of €162 million in the continuing operations. The prior-year figure included €262 million from the sale of the U.S. subsidiaries to Deutsche Bank.

Given the continued pressure on income, cost management was a major focus. Strict cost management and realizing synergies enabled us to offset the increased expenditure associated with meeting regulatory requirements. After adjustment for relevant integration expenses and the expected discontinuation of a writedown of intangible assets in the amount of €180 million in the previous year, administrative expenses declined by approximately 14 %, much more than expected. The stronger decrease is due in particular to the Group's lower headcount following the pooling of the service companies, coupled with the services provided by these companies to Postbank being accounted for under other expenses.

[1]Pro forma figures in accordance with CRR/CRD IV on the basis of the consolidated financial statements as of December 31, 2013, in the approved version
[2]On the basis of the consolidated financial statements as of December 31, 2014, pending approval

The allowance for losses on loans and advances performed better than expected and continued to decline from the already very low level recorded in the previous year. Our portfolio primarily comprises highly collateralized German mortgage loans and benefits both from the solid German real estate market and the ongoing healthy labor market situation in the country.

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As of the third quarter of 2014, the Transaction Banking segment is no longer reported separately. The effects of the derecognition of the discontinued operation are disclosed separately (see Note 15). It accounted for €38 million of profit after tax in 2013 and €147 million in 2014. The significant increase in both profit after tax and profit before tax (from €44 million to €219 million) and in the share of income taxes (from €6 million to €72 million) are due to the deconsolidation gain of €199 million attributable to these companies and a non-recurring tax effect resulting from the derecognition of the amount of €65 million.

Continuing operations were also impacted by the above-mentioned negative effects from reimbursements of consumer loan processing fees and from litigation and complaints about investment advice. Profit before tax from continuing operations amounted to €238 million in 2014, compared with €274 million in the previous year.

Whereas the deconsolidation gain before tax was largely generated by the discontinued operation, continuing operations were impacted by negative effects such as the additional tax payment for previous years. No additional negative effects are expected for 2015. Profit after tax from continuing operations therefore amounted to €132 million following €293 million in the previous year.

RESULTS OF OPERATIONS

The individual income and balance sheet items are explained in detail in the following. Unless otherwise stated, the comments on individual income statement items relate to the comparison of the results in continuing operations with the overall figures for fiscal year 2013, which are presented in Note (40) in the "Total" column as the sum for continuing operations and the discontinued operation.

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Net interest income

Net interest income rose slightly year-on-year from €2,463 million to €2,508 million, in line with expectations. The continued low interest rate levels represent a challenge for all deposit-rich banks, but also had a positive effect on the interest expense compared with the previous year. This decreased by €469 million or 17.4 % in 2014, partly as a result of a relatively large issue maturing. In particular, our credit products in the Retail Banking segment performed well.

Net trading income

As expected, net trading income increased from €–53 million in the previous year to €–6 million. The €47 million improvement was primarily due to the absence of the negative effects resulting from a change in the measurement of derivative positions in the previous year.

Net income from investment securities

Net income from investment securities decreased from €274 million in 2013 to €216 million in the year under review. We had expected to see a decline in 2014 due to the absence of the non-recurring effects of €262 million from the sale of our U.S. subsidiaries in 2013. The less pronounced decrease is attributable to the deconsolidation gain of €162 million from the pooling of our service companies in the Deutsche Bank Group. In addition, net income in 2013 had been negatively impacted by €29 million from our structured credit portfolio.

Net fee and commission income

Net fee and commission income declined from €1,120 million to €929 million, in contrast to our forecast of a largely stable trend. This was mainly due to the transfer of the service companies and the resulting absence of third-party fee and commission income, as well as to marked declines in the checking, lending and guarantee business. In addition, market conditions in the securities and retirement provision business remained challenging. However, we saw improved momentum in our investment products in the fourth quarter of 2014.

Total income

Postbank's total income declined by 4.1 % from €3,804 million in 2013 to €3,647 million. This was mainly due to the development in net fee and commission income and in particular to the absence of fee and commission income from payment transaction settlement services for third parties.

Allowance for losses on loans and advances

The allowance for losses on loans and advances declined by 17 %, despite the historically low level of €319 million in the previous year, to €265 million. As expected, ongoing de-risking led to a significant decline of €61 million in the NCOU in particular. The allowance for losses on loans and advances in the core business did not rise as strongly as expected. As a result, the total allowance for losses on loans and advances, flanked by measures designed to actively support risk management, declined in contrast to our forecast of a stable trend.

The customer business performed better than expected, mainly thanks to the private mortgage lending business. The net addition ratio in the customer loans business was 28 basis points, compared with 32 basis points in 2013. We continued to benefit from the comparatively high stability in the credit portfolio in the Retail Banking segment, with a significant proportion of highly collateralized German real estate loans. This was bolstered in particular by continuing stability on the German labor market, the property price trend, and the performance of German industry. Our portfolios in the Retail Banking segment and our core business portfolios in the Corporate Banking segment performed extremely well. This encouraging trend was also apparent in our domestic commercial real estate business.

The portfolios allocated to the NCOU segment resulted in lower risk costs in the year under review than in the previous year. This is attributable to the lower specific valuation allowances required for individual exposures in the corporate banking business and for international commercial real estate finance allocated to this segment.

Administrative expenses

Administrative expenses declined by 14 % – more sharply than anticipated – to €2,729 million in 2014 (previous year: €3,177 million). We had forecast a decrease in administrative expenses of approximately 5 % due to the non-recurring writedown of intangible assets in the amount of €180 million in the previous year and an expected rise in integration expenses in connection with synergy effects. This more pronounced decline is due in particular to the lower Group headcount after the pooling of the service companies, coupled with the services provided by these companies to Postbank being reclassified under other expenses. Strict cost management and realizing synergies enabled us to offset the increased expenditure associated with meeting regulatory requirements. In addition, contrary to our forecast, integration expenses declined from €182 million in 2013 to €147 million in 2014.

Other income and expenses

Net other income and expenses amounted to €–415 million, after €10 million in the previous year. The significant decrease in the net figure was again caused by the pooling of the service companies, the costs of which are recorded in other expenses. Additional negative effects resulted from, among other things, the early repurchasing of liabilities as well as expenses of €129 million for the expected and actual reimbursement of consumer loan processing fees. After reviewing the claims for reimbursement received, we do not expect further major negative effects for 2015. Expenses in the amount of €79 million were attributable to litigation and complaints about investment advice. Most of these relate to advice provided and transactions entered into in the area of closed-end funds, the distribution of which was discontinued in 2012. This led to a greater than expected loss being recorded by the NCOU segment in particular in 2014.

Profit before tax and consolidated net profit

Profit before tax amounted to €457 million, compared with €318 million in the previous year. The increase was primarily driven by the deconsolidation gain from the transfer of the service companies, which led to a corresponding increase in profit before tax. The discontinued operation accounted for €219 million, as against €44 million in the previous year.

Income tax expense

In 2014, income tax expense including the discontinued operation amounted to €178 million, resulting in an effective tax rate of 39 %. Taxation of the economic deconsolidation gain from the sale and/or contribution of the service companies as well as the tax payment for prior years had a major impact on the tax expense.

After adjustment for the €1 million attributable to non-controlling interests, consolidated net profit in 2014 amounted to €278 million, compared with €330 million in the previous year.

Postbank's total comprehensive income, including changes in valuation reserves, rose to €479 million in 2014, as against €381 million in the previous year. This was mainly driven by a €318 million increase in the revaluation reserve, compared with a €47 million decline in the revaluation reserve in 2013.

Earnings per share

Earnings per share were €1.27 (previous year: €1.51). €0.67 is attributable to the discontinued operation (previous year: €0.17). The return on equity before tax was 7.2 % after 5.5 % in the previous year, while the cost/income ratio was 83.0 % (previous year: 83.8 %).

SEGMENT REPORTING

In 2014, Postbank modified its segment reporting with regard to the presentation of cost elements and segment allocation. Effective April 1, 2014, five service companies were transferred to PBC Banking Services GmbH. In return, Postbank received 49.9975 % of the shares of PBC Banking Services GmbH, which corresponds to 50 % less one vote (see Note 2, Basis of consolidation, for further information on the transfer). As of the third quarter of 2014, the Transaction Banking segment has no longer been reported separately. Profit and loss from the two companies Betriebs-Center für Banken AG and VÖB-ZVD Processing GmbH, which previously comprised this segment, are recognized in the Cost Centers/Consolidation segment and allocated to the operating segments. The net income from the discontinued operation is reported separately in the reconciliation to the consolidated figures. In the course of this adjustment, we also assigned Postbank Direkt GmbH to the Cost Centers/Consolidation segment (rather than Retail Banking as in the past). As a result, the five service companies are now included in the Cost Centers/Consolidation segment until their transfer.

Retail Banking

Profit before tax in the Retail Banking segment declined by €176 million or 25 % to €528 million in 2014. This was mainly due to the reimbursement of loan processing fees on the one hand and an increase in internal cost allocations on the other. In our outlook, we had forecast a decline in profit of approximately €100 million as a result of higher internal cost allocations.

Contrary to our expectations, net interest income rose by 4.1 % to €2,588 million. We had anticipated a slight decrease. Positive income momentum in new private mortgage lending and consumer credit business more than offset the negative effects from the deposit business caused by the continued low interest rates.

As expected, net trading income, at €–10 million, was below the prior-year level, down €27 million year-on-year. The change was due on the one hand to measurement effects relating to the fair value option used to hedge interest rate risk in BHW Bausparkasse AG's mortgage loan portfolio, and on the other to the hedging of savings deposits with option components (DAX Sparbuch and Gold-Sparen savings products).

The 3.1 % decline in net fee and commission income to €879 million reflects the decrease in the checking business as well as the still sluggish demand for investment and pension provision products; this meant that the moderate increase we had forecast did not materialize. However, we saw improved momentum in our investment products in the fourth quarter of 2014.

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Contrary to our expectations of a significant increase and despite the historically very low prior-year level, the allowance for losses on loans and advances increased only moderately, rising by €11 million or 5.2 % to €221 million. This is attributable to the continued strong performance of our large portfolio of highly collateralized private mortgage loans, as well as the positive development in the consumer credit portfolio. We also benefited from the ongoing stable trend on the German labor market and property price developments.

In contrast to our forecast, administrative expenses including internal cost allocations were virtually unchanged at €2,490 million despite higher allocations. This was the result of integration-related expenses that were lower than expected.

Net other income and expenses amounted to €–218 million, after €0 million in the previous year. The change is due to expenses of €129 million for expected and actual reimbursements of consumer loan processing fees. After reviewing the claims for reimbursement received, we do not expect further major negative effects for 2015.

The cost/income ratio for the segment rose from 75.1% to 79.8 %. The return on equity before tax amounted to 19.5 %, following 28.3 % in the previous year.

Corporate Banking

Profit before tax in the Corporate Banking segment declined significantly as anticipated, falling €23 million or 13.1 % to €151 million. As expected, business developments were dominated by the expiration of very high-margin business dating from the period after the financial crisis. As a result, net interest income in particular fell by a considerable €25 million or 8.2 % to €277 million, in line with expectations.

Due to the favorable property price trend and robust performance of the German economy, the allowance for losses on loans and advances remained stable at a historically low level, as expected. Administrative expenses including internal cost allocations declined slightly from €187 million in the previous year to €178 million, in contrast to our forecast of a largely stable trend.

The segment's return on equity before tax amounted to 24.7 %, compared with 27.1 % in the previous year. The 2014 cost/income ratio was 51.2 %, after 49.8 % in the previous year.

Financial Markets

The Financial Markets segment recorded a loss before tax of €5 million, significantly exceeding our expectations as we had anticipated a loss in the low three-digit millions. At €47 million, net interest income declined significantly – as expected – by €68 million or 59 %, but was still well above our expectations, as was net income from investment securities. These variances as against our forecasts were due to plans to accelerate the shortening of our balance sheet; these had been laid but were not implemented in full, as alternatives were identified and implemented over the course of the year that led to lower negative impacts on earnings.

Net trading income increased by €55 million to €3 million. The negative impact in the previous year resulted from changes to the method used for the measurement of derivatives and from asset/liability management measures.

Net income from investment securities rose by €28 million to €50 million. This was mainly due to the higher gains realized, which amounted to €32 million in 2014.

After recording an expense of €2 million in the previous year, the allowance for losses on loans and advances resulted in income of €1 million in 2014. Contrary to our expectations, administrative expenses including internal cost allocations declined by €6 million or 6.3 % to €89 million, since integration-related expenses were lower than anticipated.

The segment's return on equity was slightly negative, as in the previous year. The cost/income ratio was 107.3 %, following 107.5 % in the previous year.

Non-Core Operating Unit (NCOU)

The segment's loss before tax narrowed to €578 million, compared with €653 million in the previous year. The improvement was less pronounced than expected due to negative effects from litigation and complaints about investment advice in the amount of €86 million. Most of these relate to advice provided and transactions entered into in the area of closed-end funds, the distribution of which was discontinued in 2012.

Net interest income rose by €12 million to €–404 million. The stronger increase we had forecast did not materialize; this was due among other factors to the persistent low-interest environment, which made it necessary to recognize higher home savings provisions.

Net trading income saw an improvement as we expected, up €15 million to €0 million. In the prior-year period, measurement of embedded derivatives in the structured credit portfolio (SCP) impacted the figure by €13 million.

Net income from investment securities, in line with our expectations, rose significantly by €50 million to €–10 million. Negative partial deconsolidation effects from the sale of the subsidiaries in the U.S.A. had weighed on the result in the previous year.

The segment's administrative expenses including internal cost allocations declined by €15 million or 18.1 % to €65 million.

The allowance for losses on loans and advances was as expected significantly lower than last year's figure, €8 million compared with €69 million in 2013. This is attributable to lower specific valuation allowances required for individual exposures in the corporate banking business and for international commercial real estate finance, which is allocated to this segment.

Cost Centers/Consolidation

The segment's profit before tax increased by €261 million to €362 million, contrary to our initial forecast. In our outlook in last year's Group Management Report, we had assumed a clearly negative earnings trend. The forecast did not take into account the deconsolidation gain of €361 million resulting from the pooling of the service companies in the Deutsche Bank Group since it was unclear when this would be implemented.

NET ASSETS AND FINANCIAL POSITION

Total assets

At €155.4 billion, Postbank's total assets as of December 31, 2014, were down 3.7 % on the prior-year figure (€161.5 billion). On the assets side of the balance sheet, we continued to scale back investment securities. Loans and advances to customers also decreased. The structure of the liabilities side has been adjusted accordingly. In addition to the debt securities in issue, customer deposits also declined.

Loans and advances to customers

Loans and advances to customers, which also include securitized assets such as promissory note loans, declined by €3.3 billion as against year-end 2013 to €98.0 billion. This is primarily due to a €2.8 billion decline in commercial loans.

Private mortgage lending was down year-on-year and amounted to €69.2 billion (previous year: €70.5 billion), mainly due to expiries of €1 billion in purchased mortgage loan portfolios that could not be fully offset by new business. The consumer credit business expanded clearly by €0.7 billion or 11.8 % to €6.1 billion.

Money and capital market investments

Money and capital market investments, comprising investment securities, trading assets, and loans and advances to other banks, declined by €2.1 billion to €53.8 billion in the year under review.

In line with our de-risking strategy, we reduced our holdings of investment securities by an additional €0.5 billion in 2014, to €33.5 billion.

Loans and advances to other banks declined by €0.5 billion to €19.7 billion due to a further reduction in securities repurchase transactions.

Trading assets declined by €1.1 billion to €0.7 billion.

Due to customers

On the liabilities side of the balance sheet, amounts due to customers were down €1.1 billion on the previous year, at €119.3 billion. Savings deposits declined by 4.1 % from €46.4 billion in the previous year to €44.5 billion in the year under review, while home savings rose slightly by €0.3 billion to €18.9 billion. The decrease in savings deposits is mainly due to the historically low level of interest rates and the resulting preference of consumers for spending over saving. Other liabilities increased from €55.4 billion to €55.9 billion, largely as a result of higher demand deposits.

Money and capital market liabilities

Money and capital market liabilities, comprising deposits from other banks, debt securities in issue, and trading liabilities, declined by 16.1 % or €4.4 billion in 2014, to €22.9 billion.

Deposits from other banks decreased by €0.7 billion year-on-year to €17.6 billion. The decline is primarily attributable to a lower volume of securities repurchase transactions.

Our strong liquidity position, together with the low need for new issues as well as expiring positions – including a public-sector jumbo *Pfandbrief* with a volume of €1.5 billion – led to a further €2.8 billion decline in debt securities in issue to €4.6 billion at the end of the year under review.

Largely in line with trading assets, trading liabilities decreased by €0.9 billion compared with December 31, 2013, to €0.8 billion.

Equity

Recognized capital was up €454 million as against the adjusted prior-year figures on December 31, 2013, to reach €6,601 million. This is largely attributable to the consolidated net profit of €278 million and an increase in the revaluation reserve from €23 million at the end of 2013 to €337 million at year-end 2014. Remeasurement gains and losses on defined benefit plans had an offsetting effect, declining from €–36 million over the course of the year to €–121 million.

The regular phased-in Common Equity Tier 1 capital ratio rose from 9.6 %[1] at year-end 2013 to 11.0 %[2]. The fully phased-in Common Equity Tier 1 capital ratio rose from 8.8 %[1] at the end of 2013 to 10.5 %[2]. Consequently, we again significantly increased our Tier 1 capital ratio by building our capital base.

For information on the financial position, please see the "Monitoring and managing liquidity risk" section of the Risk Report.

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Postbank's investment focuses in 2014

Postbank's investments are broken down into the categories of regulatory requirements, maintaining competitiveness, expanding competitiveness, and – in regard to the Bank's integration into the Deutsche Bank Group – integration.

In 2014, investments relating in particular to regulatory requirements were a focal point at the Bank. These included guaranteeing SEPA capabilities (Single Euro Payments Area), the fulfillment of regulatory requirements including those related to Basel III, liquidity requirements, and amendments to the *Pfandbriefgesetz* (PfandBG – German Pfandbrief Act).

[1]Pro forma figures in accordance with CRR/CRD IV on the basis of the consolidated financial statements as of December 31, 2013, in the approved version
[2]On the basis of the consolidated financial statements as of December 31, 2014, pending approval

In 2014, investments in maintaining competitiveness centered mainly on structural measures and measures related to the partnership with Deutsche Post. The primary focus of the investments in expanding competitiveness in 2014 was on digitization projects and cash cycle enhancement at part of the branches.

Contrary to our forecasts, integration-related expenses decreased from €182 million in 2013 to €147 million in 2014.

Overall assessment of business performance in 2014
Postbank's net assets, financial position, and results of operations remained stable, despite the ongoing difficult conditions and the measures taken to increase the focus of our business. This is largely attributable to the sustained performance of our retail and corporate banking business, which has not shown itself to be susceptible to fluctuation, as well as to non-recurring effects. The lending business continued to have the greatest influence on net assets. The customer business developed steadily. In line with our de-risking strategy, we further reduced our holdings of investment securities and debt securities in issue and significantly increased our fully phased-in Common Equity Tier 1 capital ratio from 8.8 %[1] to 10.5 %[2].

Financial and non-financial key performance indicators
The return on equity (RoE) before tax including the discontinued operation was 7.2 %, compared with 5.5 % in the previous year. The cost/income ratio was 83.0 %, after 83.8 % in the previous year.

The following will address the development of key non-financial indicators year-on-year.

The results of the people survey carried out in 2014 on the "commitment" dimension were an improvement on the corresponding results for 2013. Approval ratings were up considerably, meaning that employee satisfaction has continuously improved. We attribute this in particular to the range of measures put in place to implement Postbank's mission statement and values and the Postbank Agenda in 2014.

Analysis of the customer satisfaction survey for 2014 showed a slight improvement on the previous year. This was lifted by factors including performance improvement measures in telephone banking (e.g., a new voice portal/new telephony management) and online banking (functionality/usability/interaction improvements, e.g., the e-mail service), as well as measures to improve backup processes affecting customers.

REPORT ON POST-BALANCE SHEET DATE EVENTS

There were no reportable events in the period from December 31, 2014, up to the preparation of the consolidated financial statements by the Management Board on February 25, 2015.

OPPORTUNITY REPORT

Low interest rates stimulate private demand for loans
Today's historically low interest rates have prompted retail customers to step up their spending. The low rates are also spurring demand for private residential mortgages. In 2014, Postbank continued to profit from these trends, with new business for consumer loans (€2.3 billion) and for residential mortgages (€9.0 billion) remaining brisk. In contrast, the volume of savings deposits at Postbank continued its decline, at –4.3 %.

Purchasing power in Germany may continue to grow
A number of factors could further bolster the purchasing power of the German population and as a result benefit Postbank's retail banking business. The introduction of a statutory minimum wage and an anticipated improvement in collective agreements, in connection with low energy prices, could in the short term lead to a palpable increase of real income and heightened consumer confidence in Germany. However, in the medium to longer term, these factors could also have a retarding effect on employment trends.

Monetary policy reversal unlikely in the short run
It is unlikely that the European Central Bank will reverse its current course in the short term and introduce a more restrictive interest rate policy, given its decisions of January 22, 2015. Instead, a substantially more expansive monetary policy has been initiated for the foreseeable future. But this scenario could be dramatically altered by decisions related to the future structure of the eurozone and, in particular, to the long-term refinancing of the union or its member countries. This would especially be the case if eurobonds or similar instruments were considered as an option for the collective (partial) refinancing of eurozone member countries.

Joint (partial) funding in the eurozone would immediately drive up interest rates for and in Germany. Over the short term, this could stimulate demand for private lending, particularly long-term residential mortgages with fixed interest rates. Uncertainty about the future direction of interest rates would likely result in higher long-term interest rates in premiums covering the interest rate risk and have a positive effect on margins in the customer business.

In addition, a reversal of European monetary policy, acting as an altered macroeconomic scenario, would cause private investors to rethink their positioning in terms of asset allocation going forward. This, in turn, would fuel fee and commission income.

The short-term opportunities for improved income and expenditures at Postbank that would be created by these developments are juxtaposed against mid- and long-term risks arising in the areas of credit, interest rate and liquidity risks in particular.

[1]Pro forma figures in accordance with CRR/CRD IV on the basis of the consolidated financial statements as of December 31, 2013 in the approved version
[2]On the basis of the consolidated financial statements as of December 31, 2014 pending approval

RISK REPORT

Implementation of disclosure requirements

The following risk report includes disclosures on credit, market, and other risks in accordance with International Financial Reporting Standard 7 (IFRS 7) "Financial Instruments: Disclosures", in addition to information in accordance with section 315 of the *Handelsgesetzbuch* (HGB – German Commercial Code) and the German Accounting Standard 20 (GAS 20) on risk reporting.

Please refer to the section entitled "Regulatory Disclosures" in chapter 5 of the Annual Report ("Other Information") for further information on the implementation of the regulatory disclosure requirements.

Summary overview of risk exposure

The focus of Postbank's risk profile is on lending and deposit business with retail and corporate customers. In light of the low interest rate policy of the European Central Bank (ECB) and the positive performance of a large number of credit spreads, risk management at Postbank in 2014 primarily addressed business risk and operational risk. In the previous year, the focus was on market and credit risks. Postbank's operational risk profile is largely defined by its strategic positioning as a multi-channel bank with a comprehensive branch and service network, as well as a leading position in electronic banking in Germany. This exposes Postbank to an increased latent risk of external fraud attacks.

With interest rate and spread volatilities on the European bond markets still low, market risk attributable to Postbank's banking book at the 2014 year-end closing date was down slightly on the prior-year figure. Trading book activities were discontinued in full in the year under review. Retail and business customer lending profited from the year-on-year improvement in the economic environment in Germany which was mainly buoyed up by the continuing positive labor market situation, the real estate price trend, and the performance by German industry. The measures taken by the Bank to permanently reduce risk also contributed to a positive trend in the allowance for losses on loans and advances.

No risks that could impair the development of Postbank and its subsidiaries, or that could even jeopardize its existence as a going concern, are discernible at present. However, significant downside variance in our current assumptions as to how the European sovereign debt crisis will develop, coupled with a tangible downturn in macroeconomic conditions, could impact the performance of the banking sector as a whole, and hence Postbank's performance as well.

Overall bank risk

Taking risks in order to generate earnings is a core function of Postbank's business activities. Risks entered into are regularly identified, measured, monitored, and allocated limits using the ICAAP (Internal Capital Adequacy Assessment Process), and are incorporated in the overall management of the Bank via the assessment of the Bank's risk-bearing capacity. Group limits for market, credit, and operational risks were consistently complied with in 2014. The Group's risk-bearing capacity was ensured at all times.

Credit risk

The allowance for losses on loans and advances in the year under review was again well below the prior-year level due to the ongoing positive trend in Postbank's customer business. This was also attributable to a favorable macroeconomic environment, healthy recovery proceeds from collateral realization in the mortgage lending area, and systematic risk management.

For 2015, we are expecting a stable trend in the risk situation and the macroeconomic environment to remain positive overall.

Market risk

Postbank's market risk is influenced in particular by interest rate and credit spread trends in the European bond markets. In the year under review, the money and capital markets were dominated by a trend toward declining yields and comparatively low interest rate and spread volatility. Against this backdrop, the market risk indicators for the banking book as of the end of 2014 were only slightly below the prior-year figure.

The Bank again invested selectively in new investment securities in the year under review and plans to continue this strategy in the coming year. If market volatility remains unchanged, Postbank therefore expects market risk utilization to increase slightly as against the current level.

Liquidity risk

Postbank's liquidity situation remains sound due to its stable refinancing basis in the form of customer deposits and its extensive holdings of highly liquid securities.

In 2014, the first measures were taken to actively reduce the high levels of surplus liquidity. The liquidity situation was consistently sound overall and is expected to remain very stable, despite plans to further reduce surplus liquidity in 2015.

Operational risk

Postbank's operational risk loss profile primarily reflects its strategic focus as a retail bank. A focal point over the last few years has consistently been on high frequency/low impact losses, i.e., loss events that individually involve only minor loss but that occur several times a year.

In addition, there was an increase in litigation and complaints about investment advice. Most of these relate to advice provided and transactions entered into in the area of closed-end funds, the distribution of which was discontinued in 2012. The increase in loss events as of the end of 2014 was due in particular to the rulings of Germany's Federal Court of Justice on the reimbursement of consumer loan processing fees.

Postbank assumes that operational risk losses will gradually decline over the next few years as a result of measures that have been initiated or already implemented.

The following sections describe in detail Postbank's risk position and risk management, and the measures taken.

New developments in risk management

Changes in banking supervision in 2014 included the implementation of Basel III in Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation – CRR), the related Implementing Regulation and technical standards, as well as the national requirements on the basis of the Capital Requirements Directive (CRD). The *Kreditwesengesetz* (KWG – German Banking Act) and the national regulations (the *Großkredit- und Millionenkreditverordnung* (GroMiKV – German Regulation Governing Large Exposures and Loans of €1.5 Million and More), *Solvabilitätsverordnung* (SolvV – German Solvency Regulation), *Liquiditätsverordnung* (LiqV – German Liquidity Regulation), and the *Institutsvergütungsverordnung* (InstVergV – Regulation Governing Supervisory Requirements for Remuneration Systems of Institutions)) were amended to this effect.

Postbank continued the project work needed to implement the banking supervision requirements in the reporting period, in particular the expanded requirements for calculating regulatory own funds and risk-weighted assets for counterparty credit risk, as well as the associated reporting requirements (Common Solvency Ratio Reporting – COREP). Postbank also implemented the Financial Reporting (FINREP) requirements and other new reports (including on forbearance and non-performing exposures, and on asset encumbrance). The first FINREP report was submitted to the supervisory authority on September 30, 2014, as scheduled.

In addition to using the Basic IRB Approach and the IRB Approach to calculate the capital requirements for its retail business, Postbank uses the Advanced IRB Approach (A–IRBA) to calculate the capital requirements for its corporate banking Germany, banks, and domestic and UK commercial real estate finance portfolios. The Bank plans to extend its use of the A–IRBA to its PK-Dispo portfolio (overdraft facility portfolio for retail customers) in 2015, subject to obtaining the necessary approval from the supervisory authorities.

Postbank has been continuously implementing liquidity risk management projects designed to meet new/more specific regulatory requirements since 2011. As well as preparing the reports on the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) that are now required, it created the necessary data pool, established new processes, adapted line structures, and integrated ongoing reporting into the lines. Project activities on the liquidity front will extend into 2015 as a result of additional regulatory requirements and to further improve the data pool.

Postbank is integrated with Deutsche Bank's risk management activities via established structural links between the relevant bodies and the functional reporting lines between Postbank and Deutsche Bank. Postbank submits regular risk reports to Deutsche Bank, ensuring that risks are comprehensively captured and managed. A joint reporting system has been drawn up for the key management reports and core ratios.

The first pillar of the banking union was established under the auspices of the ECB on the entry into force of the Single Supervisory Mechanism (SSM) Regulation in the year under review. Postbank is part of Deutsche Bank and as such affected by banking supervisory inquiries directed at Deutsche Bank, in particular with respect to the comprehensive assessment conducted in the year under review.

Postbank faces extensive regulatory changes beyond 2014 as well. These changes include the supervisory review and examination process (SREP), the principles for effective risk data aggregation and risk reporting issued by the Basel Committee on Banking Supervision (BCBS; consultative document 239), and the Analytical Credit Dataset project (AnaCredit project) established by the ECB.

Integration with Deutsche Bank's risk management activities

Subject to the applicable company law and supervisory law requirements, Postbank is integrated into Deutsche Bank AG's risk management system, the aim being to guarantee uniform, appropriate, and effective risk management at the level of the Deutsche Bank Group. To this end, Postbank is integrated in a suitable system for identifying, assessing, managing, monitoring, and communicating risk that permits an end-to-end overview of the risk situation and the institutional protection system as a whole, and that allows the Group to exert a corresponding influence. In addition, an established, uniform risk governance structure ensures a common risk culture is put into practice.

In the course of the integration process, further progress was made on preparations to establish common A–IRBA rating models so that a uniform Group rating method can be used in future, starting with the toleration of Deutsche Bank's LC/FI model.

In preparation for the Single Supervisory Mechanism (SSM) under the control of the ECB, the supervisory authority conducted a comprehensive assessment of the relevant banks in the period under review. This includes both the asset quality review (AQR) examining the asset side of bank balance sheets and the joint stress test conducted by the European Banking Authority (EBA) and the ECB in order to probe banks' capital resources. Postbank is being treated as part of the Deutsche Bank Group for the purposes of the comprehensive assessment. A Single Resolution Mechanism (SRM) has been agreed to supplement the SSM, with all elements scheduled to become effective by the beginning of 2016. Postbank is integrated into the Deutsche Bank Group's risk management in this respect.

Risk types

The risk types that are tracked within Postbank are determined on the basis of a Group-wide risk inventory.

The annual risk inventory reviews the materiality of the risk types and the existence of additional, previously untracked risks. When performing the risk inventory, Postbank uses instruments that, in the aggregate, cover all material organizational units and risk areas within the Bank. The risk types identified as material in the risk inventory are quantified during the risk-bearing capacity assessment and backed by risk capital. They are monitored on a regular basis. For details of the quantification procedure, please see Note 49 of the Notes to the Consolidated Financial Statements.

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Effective January 1, 2014, Postbank adapted its risk allocations and risk definitions, due among other things to its integration with Deutsche Bank's risk management. Among other things, collective risk and reputational risk have now been assigned to business risk. Market risk from pension obligations, real estate risk, and investment risk are components of market risk.

Postbank distinguishes between the following risk types:

- Market risk
  Market risk is the result of uncertainty regarding changes in market prices and factors determining fair value (e.g., interest rates, credit spreads, exchange rates), the correlations between them, and the specific volatilities.

  Postbank is exposed to market risk in the narrower sense of the term from its banking book positions and from its defined benefit pension plans. The remaining trading book positions were scaled back over the course of the year. Postbank defines market risk in the broader sense of the word as also including:

  a) Rental default risk, risk related to writedowns to the lower current value under the going concern principle, and risk associated with losses on sales relating to properties owned by Postbank (real estate risk)

  b) Potential losses due to fluctuations in the fair value of strategic equity investments, to the extent that these are not already included in the other risk types (investment risk).

- Credit risk
  Credit risk arises in the case of transactions founding actual, contingent, or future claims against counterparties, borrowers, or debtors, including receivables intended for resale. These transactions generally relate to our traditional, non-trading lending activities (such as loans and contingent liabilities) or to direct trading activities with customers (such as OTC derivatives, currency forwards and interest rate forwards). Postbank distinguishes between three different types of credit risk:

  a) Counterparty credit risk and credit quality risk: Whereas credit quality risk measures the deterioration of a counterparty's credit quality, counterparty credit risk is the risk that counterparties will not meet their contractual obligations in respect of the above-mentioned claims.

  b) Settlement risk arises when the settlement or netting of transactions is unsuccessful. It represents potential losses arising in the case of counterparty default when cash and cash equivalents, securities, or other assets are not exchanged simultaneously.

  c) Country risk arises in the context of a variety of macroeconomic or social events as a result of unexpected default or settlement risks, accompanied by corresponding losses, in specific countries; these risks primarily impact the counterparties in the jurisdictions concerned. The risks include a deterioration in the overall macroeconomic framework, political unrest, the nationalization and appropriation of assets, the refusal by governments to honor foreign debts, or an extreme devaluation of national currencies. Country risk also includes transfer risk. This arises when debtors are unable to transfer assets to non-residents to meet their obligations due to direct state intervention.

- Liquidity risk
  When managing liquidity risk, Postbank makes a distinction between two types of funding risk: illiquidity risk and liquidity maturity transformation risk:

  a) Illiquidity risk is the volume risk associated with being unable to meet current or future payment obligations in the full amount due or as they fall due.

  b) Liquidity maturity transformation (LMT) risk is the cost risk arising from higher refinancing costs when remedying the maturity mismatch due to an increase in the Bank's funding spreads on the swap rate.

- Operational risk
  The likelihood of losses that could be incurred as a result of inadequate or failed internal processes and systems, people, or external events. Legal risk is part of operational risk. It consists among other things of the potential requirement to pay administrative or other fines, or other penalties resulting from supervisory measures or private law agreements. Legal risk can also arise as a result of changes in the legal situation following new rulings or of legislative amendments affecting transactions that have already been entered into. It does not include the costs of modifying processes to implement changes in the framework. Other risks – and in particular reputational risk and strategic risk – are not part of operational risk.

- Business risk
  Business risk covers savings and checking account risk, collective risk, reputational risk and residual business risk:

  a) Savings and checking account risk: Potential losses that can occur as a result of volume or margin changes and that are triggered by the unexpected behavior of savings and checking account customers.

  b) Collective risk – the specific business risk associated with BHW Bausparkasse AG's home savings business – comprises potential negative effects on the net assets, risk position, and results of operations due to variances between the actual and the forecast behavior of the home savings collective.

  c) Reputational risk: The risk of events that damage Postbank's reputation among its stakeholders in such a way that this may result in indirect or direct financial loss for Postbank.

d) Residual business risk is the risk of a decline in earnings due to unexpected variances in income and associated expenses compared with the original planning that are not caused by other risks.

Risk capital is allocated at segment level for all quantified risk types as part of the internal management process. Internal transfer pricing is used to transfer all market risks with the exception of credit spread risks in the Non-Core Operating Unit (NCOU) to the Financial Markets segment. NCOU securities holdings that are exposed to market risk are to be reduced.

Organization of risk management

Postbank has a risk management organization that serves as the basis for risk- and earnings-oriented management of the Bank as a whole by identifying all key risks and risk drivers, and measuring and evaluating these independently. Risks are limited and managed using the ICAAP while strictly reflecting the Bank's risk-bearing capacity, with the aim of generating a corresponding return and exploiting market opportunities.

Risk management within the Group is the responsibility of the units at head office and the local units networked with these. Unless otherwise noted, all items in the Risk Report specifically relate to these Group functions. Subsidiaries are included in risk management in line with their materiality for the Group. Compliance with specific regulatory requirements relating to subsidiaries is always assured.

The internal risk management system that has been established at Postbank ensures that the risks associated with the individual business segments are identified, assessed, managed, and monitored. The goal of the relevant processes is to ensure a permanent improvement in the management of earnings, capital, and risk, with continuous quality enhancements being considered a cross-divisional task. In this context, the portfolios are also subjected to a risk-return analysis as part of the Bank's overall management, so as to identify opportunities to enhance the business and risk strategy for the individual business divisions in a more risk-appropriate manner.

Responsibilities and risk strategy

The Group Management Board is responsible for the Bank's risk profile and capital profile, its risk strategy, its risk-bearing capacity concept, and the appropriate organization of risk management, as well as for monitoring the risk associated with all transactions and for risk control.

The control function is exercised by the Supervisory Board and its Risk Committee. The Risk Committee advises the Supervisory Board in particular on issues related to risk appetite, the risk profile, and the risk strategy, and addresses topics relating to current market developments or events with significant effects on the risk profile or individual portfolios. The Management Board regularly informs the Supervisory Board and the Supervisory Board's Risk Committee of Postbank's risk profile and capital profile.

As required by the *Mindestanforderungen an das Risikomanagement* (MaRisk – Minimum Requirements for Risk Management), the Group's risk strategy is consistent with its business policies and takes into account all significant areas of business and types of risk. The risk strategy applies throughout the Group; the risk strategies adopted by individual Group units (e. g., BHW) are consistent with the Group risk strategy.

The nature and extent of the risks taken, as well as the strategy for managing such risks, depend on the strategies defined by the individual business divisions in line with Postbank's risk appetite, risk profile, and target returns. They are defined and documented as part of the risk strategy that is adopted each year on the basis of the divisions' business strategies.

The objective of risk management is to safeguard earnings and to optimize the risk-return profile by improving capital allocation and by ensuring operational excellence. As part of this process, risk governance is continuously enhanced so as to establish a uniform risk culture within the Group.

The continuation of the restrictive risk policy aims to create opportunities for growth over the long term. Measures include strengthening the regulatory and economic capital base (e. g., through earnings retention). The risk appetite of the individual business divisions will continue to be curtailed to avoid risk since the allowance for losses on loans and advances is expected to increase moderately in 2015. In addition, minimum credit quality standards will be defined for portfolios, limits set, and risk mitigation measures taken.

Risk committees

The Management Board is supported in its tasks by the Bank Risk Committee (BRC), which serves as the central risk committee. As the Management Board's management and monitoring committee, the BRC has material decision-making powers. The Management Board has delegated risk management for the individual risk types to additional, subordinate risk committees. The following graphic illustrates the committees' areas of responsibility.

Tasks of the Bank Risk Committee and its subordinate risk committees

	Bank Risk Committee (BRC)	Credit Risk Committee (CRC)	Market Risk Committee (MRC)	Operational Risk Committee (ORC)	Cover Business Committee (CBC)	Model and Validation Committee (MVC)
Frequency of meetings	Monthly	Quarterly	Monthly	Half-yearly	Monthly	Monthly
Tasks	Advise the Management Board with respect to: • Risk appetite (economic, regulatory) • Risk strategies and risk profile • Allocation of risk capital • Measures to limit and manage Bank-wide risk positions	Allocate credit risk limits Define limit system Analyze and evaluate credit risk Issue credit risk management guidelines	Allocate market risk limits Define liquidity risk profile Analyze and evaluate collective risk and savings and checking account risk Manage strategic focus of the banking book Discuss the Bank's earnings and risk positions	Define minimum requirements for Group units Define operational risk parameters Allocate risk capital amounts to the business divisions	Address issues relating to the cover business register Implement regulatory requirements relating to the *Pfandbrief* business Ensure conformity with targets relating to strategic orientation and ability to access the capital markets	Monitor and validate all rating systems and risk classification procedures Validate all models annually Modify rating systems, risk classification procedures, and internal models

The Bank Risk Committee is a Group-wide risk committee in which the Chief Risk Officer is represented. It aggregates all risk issues and submits them to the Group Management Board. The Credit Risk Committee (CRC), the Market Risk Committee (MRC), the Operational Risk Committee (ORC), the Cover Business Committee (CBC), and the Model and Validation Committee (MVC) are headed by members of the Bank's senior management. The Cover Business Committee develops management triggers for Postbank's cover business. The Model and Validation Committee is responsible for modifications to and extensions of risk models and risk classification procedures, as well as for approving the validation reports.

Postbank has established a separate Reputational Risk Committee, on which the Management Board is also represented, in order to manage its reputational risk. Another body is the Non-Core Operating Unit Committee, which manages and plans Postbank's non-core portfolios and which performs its duties in close cooperation with the Bank Risk Committee and the operational management units. The Data Quality Committee's work is conducted in the same way.

Centralized risk monitoring and management

Risk Control function

The Chief Risk Officer (CRO) is responsible throughout the Group for risk monitoring and risk management functions. He heads the Risk Control function and reports directly to the Group Management Board, the Supervisory Board's Risk Committee, and the Supervisory Board on the Group's overall risk position.

The organizational structure of the Chief Risk Office provides the basis for active portfolio management across different risk types and serves to bundle all credit decisions. A Chief Operating Office ensures that credit processing standards are complied with and implements central project and resource management for the Chief Risk Office. The Risk Management and Credit Risk Control units ensure the management of all risk types. The Credit Office, which comprises the Credit Analysis and Credit Service Workout & Collections units, bundles all credit decisions and organizes the implementation of the Bank's business and risk strategies in close cooperation with the sales units. The Operations Financial Markets unit is responsible for trade settlement and collateral management.

The Pfandbrief Management unit, which includes the Trusteeship unit, was allocated to the CRO board department in 2014. The Trusteeship unit monitors the required cover for Postbank's *Pfandbriefe* and maintains the cover register. The unit thus works together closely with the Cover Business Management unit, which is allocated to the Products board department.

The following overview explains the roles of the individual CRO functions.

Risk management units and tasks	
Unit	**Tasks**
Chief Operating Office	Resource management and projects Credit framework/guidelines Credit processing Collateral management Quality assurance
Risk Management	Overall bank risk management and reporting including risk-bearing capacity and integrated stress tests Definition of risk strategy and risk profile Management and reporting of market, liquidity, business and operational risks Quality assurance of market data and fair values for risk management and financial reporting
Credit Risk Control	Responsibility for all rating and scoring procedures Portfolio management Credit risk reporting Coordination of process for allowance for losses on loans and advances and watch list Authority over risk quantification methods and models
Credit Analysis	Credit approvals, support and credit monitoring for banks, countries, corporates, and real estate finance
Credit Service Workout & Collections	Problem loan processing Workouts Collection Collateral realization Increase of recovery rate
Operations Financial Markets	Trade settlement Collateral management
Pfandbrief Management	Trusteeship Maintenance of the cover register and monitoring of the required cover for Postbank's *Pfandbriefe*

The Internal Audit unit is a key element of Postbank's process-independent business monitoring system. In terms of the Bank's organizational structure, it is assigned to the member of the Management Board responsible for Resources and reports independently to the Group Management Board.

Seminars are held on an ongoing basis to ensure that Risk Management employees are appropriately qualified. Consequently, Postbank's centralized training offering also includes courses that are dedicated solely to risk management issues (and particularly to credit risk).

Risk management by risk type

Within the Group, responsibility for risk management at an operational level – in the sense of position-taking activities – is spread across a number of units. Chief among these are Treasury/ALM (Asset/Liability Management), the Corporate Finance, Commercial Real Estate Finance, and Banking & Capital Markets credit units, the Retail Banking credit functions and the Non-Core Operating Unit (NCOU). In addition, the subsidiaries BHW Bausparkasse AG, PB International S. A. (Luxembourg, until its transfer to the Luxembourg branch) and PB Factoring GmbH manage their risks independently using separately defined risk limits.

As a matter of principle, operational management of the Group's market risk is performed centrally by the Treasury/ALM unit and, in the case of the non-core business, by Deutsche Postbank AG's Chief Operating Office. In addition, Treasury/ALM performs operational liquidity risk management for the Group, focusing on ensuring solvency at all times by acting as a lender of last resort. Limit monitoring and reporting of market and liquidity risks is performed centrally by the Market Risk Management and Liquidity Risk Management teams within the Risk Management unit.

The Credit Risk Control Risk Models unit is responsible for developing, validating, and calibrating the rating models, whereas the Credit Risk Control Credit Risk Management unit performs credit risk limit monitoring, reporting, and management. The Chief Operating Office Risk Standards unit is responsible for issuing standards on the treatment of credit risk exposure.

A two-tier organizational structure with decentralized operational risk managers has been created for each unit and subsidiary to ensure the management of operational risk at an operational level. Operational Risk Control is responsible for central coordination and reporting. Postbank's Legal Affairs department is primarily responsible for identifying and managing legal risk.

The individual board departments are responsible at an operational level for achieving the goals defined for them as part of the business strategy and for complying with the framework set for them, and by doing so contribute to operational income and risk management.

BHW Bausparkasse AG is responsible for the decentralized operational management and monitoring of collective risk.

The Market Risk Management unit performs central risk analysis and reporting for savings and checking account risk and for residual business risk; responsibility for these business risks remains with the relevant front office units.

Postbank is not exposed to significant reputational risk in the course of its business activities. The main focus is on risk in respect of its "customer" stakeholder group. Key reputational risks are managed at Group level by Postbank's Reputational Risk Committee.

Overarching risk management

Risk-bearing capacity

In addition to its regulatory own funds in accordance with the CRR, the Bank's risk-bearing capacity is assessed both from the perspective of a liquidation approach (economic creditor protection) and in line with the going concern concept (regulatory going concern approach). Postbank considers its risk-bearing capacity to be adequate if the risk cover amount exceeds the allocated risk capital and the current level of overall risk (VaR).

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For the purposes of economic creditor protection, risk potential is calculated using a confidence level of 99.93 %. In this approach, the risk cover amount represents the economic asset value and is derived from the IFRS consolidated financial statements; it serves above all to protect prior-ranking liabilities in a liquidation scenario.

Under the regulatory going concern perspective, the difference between Tier 1 capital for regulatory purposes (in accordance with Basel III since 2014) and the minimum Tier 1 capital required to satisfy Postbank's risk appetite is calculated. The resulting free Tier 1 capital and the planned income represent the risk cover amount. Under this approach, risk potential is calculated using a confidence level of 95 %.

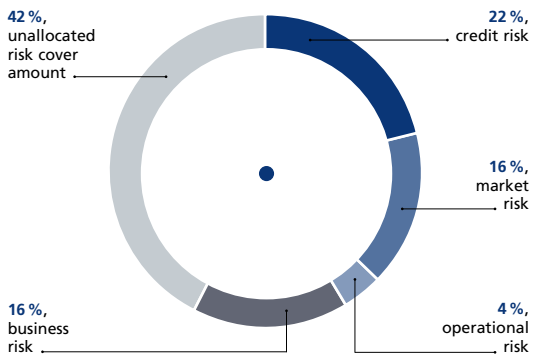
Risk capital and risk limitation

The capital from the risk cover amount that is allocated to the various units and risk types is known as risk capital. Risk capital allocation is reviewed on at least a quarterly basis by the Group Management Board and/or the Bank Risk Committee (BRC) and adjusted as necessary. The risk committees are responsible for breaking down the risk capital allocated to the individual risk types in greater detail and, where necessary, for adjusting the individual limits for them.

Economic capital is allocated to all the risk types listed in the section entitled "Risk types" with the exception of liquidity risk and reputational risk. To prevent the risk of illiquidity, Postbank maintains a liquidity buffer consisting of highly liquid and liquid assets for a two-month survival period in a stress scenario in accordance with the MaRisk. Real estate risk and investment risk are not considered to be material.

The percentage allocation of Postbank's economic creditor protection risk cover amount by risk type, after factoring in correlation effects, is as follows for fiscal year 2014 (calculated as of December 31, 2014):

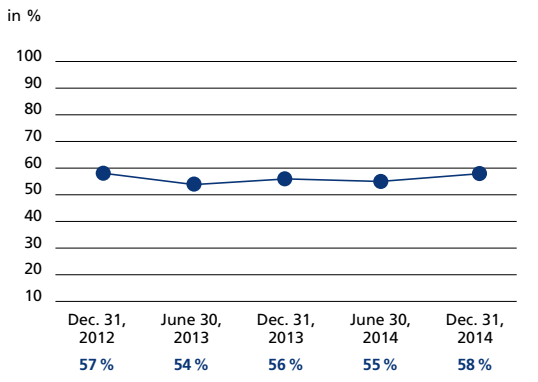
Breakdown of Postbank's risk cover amount by risk type (approved risk capital)



The absolute amount of economic creditor protection risk cover and a breakdown of the absolute amount of risk capital by risk type as of December 31, 2014 and the previous year are given in Note 49 of the Notes to the Consolidated Financial Statements.

The following graphic shows the development of approved risk capital in relation to the total risk cover amount:

Development of the ratio of approved risk capital to risk cover amount



Risk cover utilization, measured in terms of the allocated risk capital after diversification, amounted to 58 % as of the reporting date. Since Postbank aims to improve the impact of its management measures on the risks by managing limits actively, higher limit utilization must generally be expected. In the first half of 2014, the only increase in allocated capital related to real estate and investment risks. In the second half of the year, capital for credit risk declined and capital for business risk and operational risk increased. Overall, this saw allocated capital rise by 2.5 % over the course of the year. In contrast, the risk cover amount remained almost unchanged. Utilization increased slightly compared with the start of 2014.

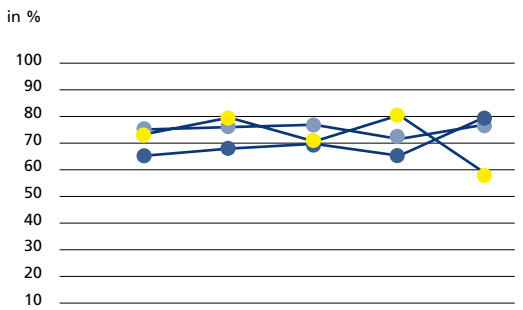
From a going concern perspective as well, the available risk cover amount (free Tier 1 capital) provides sufficient cover for the risk potential calculated.

In addition to limiting the risk positions for the individual risk types on the basis of the allocated risk capital, product, volume, and sensitivity limits are used to restrict risk concentrations in individual positions or risk types above and beyond the risk positions themselves.

Market risk is managed by allocating VaR and loss limits both at Group level and for the relevant portfolios. In the second half of 2014, a stressed value at risk (VaR) was introduced for market risk – a method of calculating capital requirements for market risk assuming a period of stress. For loans to banks, corporates, and countries (central and regional governments and local authorities), credit risk is primarily managed by allocating limits at portfolio level and by defining a target portfolio. The retail business volume is managed using variance analyses. In the case of operational risk, limits and warnings thresholds are defined for each segment. The other risk types are managed using Group-wide limits.

The following graphic depicts limit utilization for operationally managed risk types over time:

Development of the limit utilization for operationally managed risk types



	Dec. 31, 2012	June 30, 2013	Dec. 31, 2013	June 30, 2014	Dec. 31, 2014
Market risk	64 %	67 %	69 %	64 %	80 %
Credit risk	75 %	76 %	77 %	71 %	77 %
Operational risk	73 %	80 %	70 %	81 %	57 %

As of December 31, 2014, utilization of the authorized risk capital for market risk in the narrower sense of the term amounted to 80 % (December 31, 2013: 69 %). The greater utilization compared with the previous year is attributable in particular to the use of stressed VaR for the first time to measure potential market risk as part of the assessment of Postbank's risk-bearing capacity. The authorized risk capital for credit risk was reduced from €3,000 million to €2,800 million in the second half of 2014. Reflecting the reduced risk capital, limit utilization was unchanged year-on-year at 77 % as of December 31, 2014 (December 31, 2013: 77 %). The decrease in credit risk is due in particular to a reduction in risky positions in the commercial mortgages portfolio as well as to rating upgrades. The reduction in limit utilization for the authorized risk capital for operational risk, from 70 % as of December 31, 2013, to 57 % at the 2014 year-end, is attributable on the one hand to the increase in the limit for operational risk to €700 million (December 31, 2013: €600 million) and on the other to an approved model change.

Postbank's risk-bearing capacity was ensured at all times.

Risk concentrations and stress testing

Concentrations of credit, liquidity, market, and other risks are identified and monitored using sensitivity analyses and stress tests, among other things, and are limited using risk factor or gap limits (in the area of interest rate risk and credit spread risk). Sensitivity analyses and stress scenarios are used to describe hypothetical future developments for the various portfolios, value drivers, and risk drivers. Consequently, macroeconomic scenarios for inflation, stagflation, recession, and other hypothetical or historical scenarios are calculated across all risk types.

Concentration risks are managed as part of management activities (e. g., via hedging). The holdings of European government, federal state, and bank bonds are particularly relevant in this context due to their spread risk.

In the course of credit portfolio management, risk concentrations are systematically identified and reported at the borrower unit level as well as at sector level (industries, regions, etc.) and limited using a predetermined procedure that takes risk-bearing capacity and risk/return considerations into account. Guidelines for improving the management of risk concentrations are laid down in Postbank's organizational instructions. The focus is on specifically identified sectors – commercial real estate finance, banks, and countries – for which additional rules exist above and beyond the limit matrix applicable to corporates. Risk concentrations are closely monitored in a timely manner using the segment-specific risk assessment reports and the risk circles used in risk management.

Postbank took additional measures to reduce concentration risk in the Financial Markets and Non-Core Operating Unit segments.

A strategy designed to prevent specific regional concentration risks is being pursued for the commercial mortgage portfolio. The focus is mainly on Germany and Europe.

At present, based on the economic capital, a risk concentration is discernible in particular with respect to sovereign exposures. Monthly reporting of the economic capital requirement for credit risk and of risk concentrations is a key component of Postbank's credit risk report.

Due to its business model – that of a retail bank operating primarily in Germany – Postbank is also subject to earnings risk in the sense that the earnings generated from its customer business could be lower than planned. Such earnings risk is monitored with the help of the Controlling department as part of the planning process. This involves monitoring earnings risk concentrations using sensitivity analyses and statistical techniques, and taking appropriate measures to manage it.

End-to-end risk assessment is ensured by regularly subjecting the key risk types for which operational limits are used (credit, market, business, and operational risks) to defined scenario analyses and stress tests as part of the assessment of risk-bearing capacity. Stress tests across all risk types at the level of the Bank as a whole are supplemented by inverse stress tests and risk type-specific stress tests. The stress tests are performed as required by market developments and are continuously and dynamically enhanced on the basis of Postbank's risk profile.

New products process

The risk factors for new and modified products are systematically identified in line with the MaRisk using a new products process, and are documented in a product database. The resulting risks are included in Postbank's risk measurement and monitoring system.

Group-wide risk reporting

Postbank's risk reporting focuses on risk-bearing capacity and risk utilization in the individual risk types and comprises a large number of regular and one-off reports. Above and beyond the regular management reports, rules have been established for an ad hoc early warning reporting system that is differentiated by risk type. This means that recipients can be kept informed of changes in relevant parameters in a timely manner. The following table provides an overview of the content of the key reports, their publication frequency, and their recipients, broken down by risk type.

Group-wide reporting

Topic	Report contents	Frequency	Addressees
Cross-risk type	Risk-bearing capacity, individual risks, risk concentrations, performance calculated periodically and on a present value basis, stress test results	Quarterly	Supervisory Board, Risk Committee, Group Management Board, Bank Risk Committee
Market risk	Risk indicators, limit utilization, performance calculated on a present value basis, material transactions	Daily	Group Management Board, operational front office units
	Market development, trends in material market risk, limit utilization, performance calculated on a present value basis and risk indicators, stress test and scenario analyses, risk concentrations, backtesting results	Monthly	Group Management Board, Market Risk Committee, operational front and back office units
Credit risk	Counterparty limit monitoring	Daily	Group Management Board, operational front and back office units
	Economic capital (EC) reporting, key performance indicators, country risk, trends in allowance for losses on loans and advances including variance analyses	Monthly	Operational back office units
	Portfolio development/early warning, specific portfolio analyses, key performance indicators, rating distributions, country risk, limit utilization including EC/ risk-bearing capacity trends, trends in allowance for losses on loans and advances including variance analyses, problem loans/watch list, risk concentrations, development of risk-weighted assets (RWA), expected loss (EL) trends, results of scenario analyses/stress tests, mandatory MaRisk disclosures	Quarterly	Group Management Board, Risk Committee, Bank Risk Committee, Credit Risk Committee
Liquidity risk	Liquidity status including limit utilization, cash flows, liquidity sources	Daily	Group Management Board, Market Risk Committee, Financial Markets
	Liquidity status including limit utilization, cash flows, liquidity sources, results of scenario analyses/stress tests	Weekly	Bank Risk Committee, operational front office units
	Liquidity status, stress test, liquidity reserve, funding structure, surplus liquidity, liquidity coverage ratio (LCR)	Monthly	Group Management Board, Market Risk Committee
Operational risk	Loss events	Weekly	Fraud Committee, Operational Risk Committee
	Loss events, risk indicators, results from scenario analyses and self-assessments, utilization of VaR limits, risk assessment related to new products and the outsourcing of functions	Monthly	Group Management Board, Operational Risk Committee
Business risk	Volume growth in customer products	Daily	Group Management Board, operational front and back office units
	Risk indicators related to savings and checking account risk, stress test results related to savings and checking account risk	Monthly	Group Management Board, Market Risk Committee

There is an ad hoc escalation requirement for all decision-relevant events and developments, regardless of the risk type involved.

Monitoring and managing market risk

Postbank manages its market risk in the narrower sense of the word using, on the one hand, VaR limits and present-value based loss limits at Group level and for subportfolios. On the other, sensitivity indicators and maturity structures are used as additional management indicators. The changes in value of positions exposed to market risk are derived from daily marking to market. In the case of inactive market segments, a special process has been instituted to regularly review whether the market data available still permits adequate valuations to be made. As a result, specific portfolios are marked to model. The management of market risk exposures from an earnings perspective focuses primarily on the present value. All market risk is measured using value at risk. Risks from potential changes in spreads have been taken into account in risk measurement.

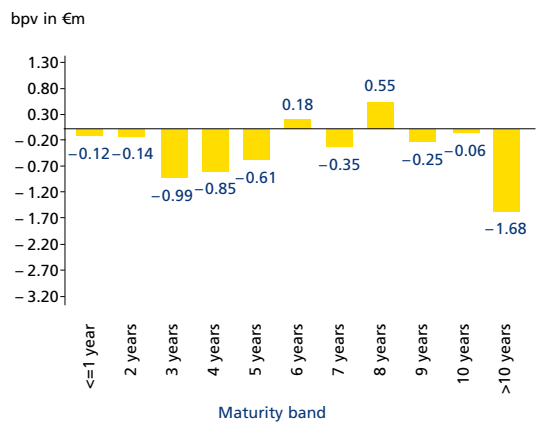
Escalation mechanisms have been defined for critical management parameters and for exogenous events so as to account for the relative significance of market risk to Postbank. These mechanisms ensure a prompt reaction to situations in which limits are approached or exceeded, or to extreme market movements impacting Postbank.

Interest rate risk management

Interest rate risk arises where there are differences in the amounts and interest rates of the interest-sensitive assets and liabilities for individual maturity bands. Specific behavioral assumptions are made on the basis of past behavioral patterns in order to quantify the interest rate risk for customer transactions involving significant implicit options. Particularly important in this connection are Deutsche Postbank AG's variable-interest customer deposits, the exposures in BHW Bausparkasse AG's home savings collective, as well as the customer loans business. The assumptions and inputs used in interest rate risk modeling and management are reviewed for appropriateness on an ongoing basis. Those elements of capital made available to the Bank indefinitely are excluded when determining interest rate risk.

Interest rate risk analysis is an integral part of daily market risk measurement in the trading and banking books. The following chart presents the profile of Postbank's open interest rate positions as of December 31, 2014, 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. Overall, Postbank continued to have a long interest rate position as of December 31, 2014.

The Postbank Group's interest rate positions (bpv) as of December 31, 2014



The chart shows that the long positions as of the reporting date of December 31, 2014, are primarily concentrated in the medium-term maturity range of between three and five years as well as in the long-term maturity range of over ten years. In the eight-year maturity range, on the other hand, the majority of interest rate risk overhangs were on the short side. Overall, a long interest rate position was maintained throughout the year under review, as in the previous year. The strategic interest rate position also increased as a result of new investments in investment securities in the year under review: The total bpv as of December 31, 2014, amounted to €–4.3 million, after €–1.5 million as of December 31, 2013. Interest rate sensitivity is primarily the result of positions in euros; interest rate sensitivities in other currencies are immaterial. Postbank mainly uses interest rate swaps to actively manage interest rate risk. The risk from equity holdings remains negligible.

Value at risk measurement, limit setting, and backtesting

The Postbank Group uses the value at risk (VaR) concept to quantify and monitor the market risk it assumes. The VaR of a portfolio describes the potential decline in fair value that will not be exceeded in that portfolio within a certain period for a given probability. VaR is calculated consistently for all trading book and banking book positions with market risk exposures, regardless of how they are presented in the financial statements.

VaR is calculated uniformly throughout Postbank using a Monte Carlo simulation. Operational management is based on a confidence level of 99 % and a holding period of 10 days. The material risk factors taken into account when calculating VaR are interest rates and credit spread curves, share prices, exchange rates, and volatilities. No major changes to the market risk model were made in 2014.

Volatilities and correlations between the risk factors are derived from historical data. Whereas historical values for the past 250 trading days are used for operational management, VaR for assessing risk-bearing capacity is based on a historical period that represents an extreme stress period by comparison with the current positioning (stressed VaR).

In addition to total VaR, which reflects all diversification effects for the risk factors, VaR inputs are also calculated and analyzed daily for the main subtypes of market risk (interest rate risk, credit risk, equity risk, and currency risk).

Market risk is managed using a system of risk limits. The aggregate risk capital for market risk is resolved by the Bank Risk Committee and allocated by the Market Risk Committee to the individual units and portfolios in the form of operating sublimits. In addition to limits for total VaR and for the main subtypes of market risk, loss limits are allocated for potential fair value losses in individual portfolios. End-of-day risk measurement and monitoring are used for the whole bank; in addition, intraday monitoring is performed for market risk in the trading portfolios. The limits used are dynamic outcome-based limits; any losses incurred over and above the loss limit reduce the limit, while gains replenish it, at a maximum, to the originally defined level. The VaR limits authorized at Group and portfolio level were complied with at all times in the reporting period.

In addition to the VaR limits, the Market Risk Committee has defined sensitivity limits that restrict the credit spread and interest rate sensitivities in the different segments, portfolios, and maturities.

The methods used to compute VaR are regularly validated and tested for reliability. The predictive accuracy of the calculated VaR is tested by comparing it with the hypothetical gains and losses arising from actual changes in fair value for the same portfolio (clean mark-to-market backtesting), among other things. As of December 31, 2014, backtesting (one-sided binomial test in accordance with the Basel traffic light approach) only produced one outlier at Group level within the statistically expected range. The appropriateness of the VaR methodology used can be confirmed unchanged on the basis of the backtesting results.

Stress testing

In addition to the VaR calculations, scenario analyses and stress tests are performed at regular intervals to permit the specific analysis of the impact of extreme market movements and to identify risk concentrations. These analyses quantify the effects of extraordinary events and extreme market conditions on the relevant Postbank exposures. Scenario analyses and stress tests are performed for all material risk factors. The assumptions and inputs underlying the stress tests are regularly reviewed for appropriateness. Stress tests comprise both scenarios derived from historical changes in risk factors and hypothetical extreme scenarios. The Group Management Board, the members of the BRC and the MRC, and the Supervisory Board are kept regularly informed of the key results of the scenario analyses. The greatest risks that emerge from the regularly performed internal stress tests for market risk continue to be those in connection with interest rates and spreads. In contrast, sensitivities to changes in equity prices, currency rates, and volatilities are significantly less pronounced.

In fiscal year 2014, the risk capital available for market risk was sufficient at all times to cover the fair value losses arising in even the most adverse of the historical and hypothetical stress scenarios examined.

Particular attention is paid to the requirement to take risk concentrations into account when measuring market risk. This is done by regularly analyzing the effects of the stress tests per exposure class and segment and identifying existing risk concentrations using sensitivity analyses. Instruments used in this context include interest rate gap analyses, credit spread sensitivity analyses by issuer, asset class, or credit rating, and analyses of the Group's exposure to equities and foreign currencies.

Appropriate market terms

In addition to monitoring market risk, Postbank checks trades entered into in its own name and for its own account to ensure that market prices have been applied (market conformity verification). This is monitored by internal units that are independent of the trading functions.

Risk indicators

The following VaR figures were calculated for fiscal year 2014 and fiscal year 2013:

Value at risk, market risk Postbank Group

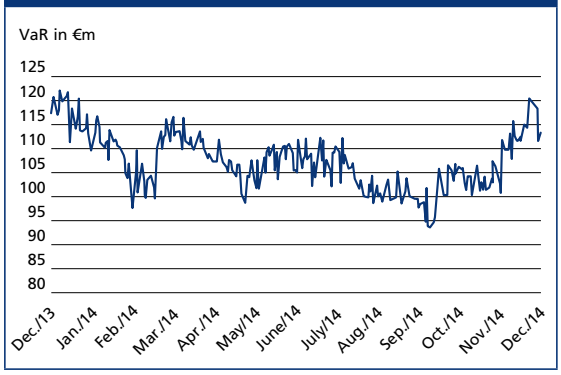
Group VaR (10 days, 99 %)	As of		Maximum VaR		Minimum VaR		Average VaR	
	Dec. 31, 2014 €m	Dec. 31, 2013 €m	2014 €m	2013 €m	2014 €m	2013 €m	2014 €m	2013 €m
Interest rate risk	43.5	47.3	49.6	98.1	18.2	30.1	35.3	61.9
Equity/stock index risk	3.5	3.5	4.0	6.0	2.4	1.7	3.2	2.5
Currency risk	0.6	3.7	8.3	25.2	0.6	1.3	1.9	6.3
Other market risk (spread)	97.0	120.3	122.6	360.5	89.4	119.2	104.0	217.5
Diversification effects	–31.6	–57.9	–58.9	–124.8	–20.2	–25.3	–37.4	–89.6
Total	**113.0**	**116.9**	**121.0**	**353.2**	**94.3**	**115.7**	**107.0**	**198.6**

The VaR for market risk (confidence level of 99 %, holding period of 10 days) amounted to a total of €113 million as of December 31, 2014 (for comparative purposes: €117 million as of December 31, 2013).

The calculation incorporates all material market risk-bearing positions in the trading and banking books, including pension obligations and the corresponding plan assets. In line with Postbank's business strategy, the level of market risk is largely determined by the interest rate risk and spread risk. Currency risk, which is mainly incurred as a result of the business activities of the Luxembourg and London branches, is of relatively minor significance. The present value risks resulting from foreign currency positions are input into the daily market risk measurements and reports. Management focuses on the one hand on present value considerations, and on the other on minimizing potential risk to the income statement as a result of foreign currency positions. Equity risk, which arises among other things from managing the risk associated with customer products, is minor.

The following graphic shows the VaR (confidence level of 99 %, holding period of 10 days) for Postbank during the period under review:

VaR Postbank Group for the period from January 1, 2014 to December 31, 2014



VaR declined over the first half of the year due to a decrease in interest rate and spread risks caused by declining volatilities. In contrast, a strategic increase in the net interest risk exposure led to a gradual rise in VaR in the second half of the year. VaR at the end of the year under review was down only slightly on the prior-year figure.

The trading book has not contained any active positions since May 2014. There is not currently any new trading book business. The VaR for the trading book (confidence level of 99 %, holding period of 10 days) amounted to €0.3 million as of the end of the previous year, mainly as a result of currency risk. The maximum VaR in 2014 was €0.5 million.

Real estate risk management

The properties in the Postbank portfolio are primarily owner-occupied properties used by Deutsche Postbank AG and BHW Bausparkasse AG. They are reappraised every three years in order to monitor their value on an ongoing basis.

Investment risk management

Equity investments are defined as all equity interests recognized in the annual financial statements of Deutsche Postbank AG under "equity investments" and "investments in affiliated companies", and investments in companies pursuant to section 16(2) and (4) of the *Aktiengesetz* (AktG – German Stock Corporation Act). As of the reporting date of December 31, 2014, Deutsche Postbank AG held a total of 36 (previous year-end: 43) direct and a large number of indirect equity investments.

These holdings are predominantly strategic investments that reflect Postbank's product and service areas, and that provide internal services for Postbank. As of December 31, 2014, Postbank held one equity investment in the amount of €433 million that was accounted for using the equity method (see Note 24).

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Postbank has established procedures to ensure the adequate management and monitoring of key investment risks at Group level. The relevant lending departments within Postbank monitor credit-equivalent investment risks or risks serving as credit substitutes.

These also include the interests held by Postbank in special purpose entities (SPEs). Postbank has no interests in SPEs designed for asset outplacement. The large number of management and monitoring systems in existence, which are continually being enhanced, guarantees that Postbank is in a position to monitor and manage shareholding risks, including strategic investment risks, at all times.

Monitoring and managing credit risk

Postbank uses a target portfolio as a reference for the overall composition of its loan portfolio, which focuses on retail banking, corporate customers including commercial real estate finance, banks, and countries (central and regional governments and local authorities), in addition to related risk concentrations. This target portfolio was constructed in line with the principle of a balanced risk/return profile and is used as the basis for structuring allocations to rating classes, sectors, and regions. The current portfolio of receivables is compared quarterly with the target portfolio. In the case of the Corporate Banking division, an individual profitability analysis is also performed on the basis of the ratio of the risk-adjusted net margin to the regulatory capital tied up. Due to the high degree of risk diversification in the retail business, no proportionate limit is set on this in principle when defining the target portfolio; instead, it is managed using the expected net margin less the expected risk.

Counterparty credit risk is managed and monitored, and hence the credit risk strategy implemented, on the basis of individual risks on the one hand and the entire portfolio on the other.

Managing individual risks

Credit approval procedures

Postbank's credit guidelines contain detailed targets for all lending transactions. Credit approvals are subject to an established system of approval powers, which act as a framework within which decision-makers (including the Risk Committee and the Executive Committee in the case of loans to members of executive bodies) are authorized to enter into lending transactions. Credit approval powers are defined on the basis of fixed upper limits per group of connected clients (see Article 4(1) no. 39 of the CRR (Capital Requirements Regulation)), depending on the rating and amount in the case of corporate banking, commercial mortgage financing, and the transactions in the case of Financial Markets. An important feature of the credit approval procedure is the separation of front office functions (sales/trading) and back office units in accordance with the supervisory requirements (MaRisk). A permissible exception to the strict separation of functions according to banking supervision law is the standardized credit approval process in business that is not relevant for risk purposes, which Postbank defines as loans for up to €1 million; in these cases, simplified and standardized processes are applied.

Scoring and rating

Postbank has internal rating systems that have been approved for the use of the IRB Approach in accordance with the CRR and the SolvV. In addition to meeting the methodological and procedural/organizational requirements, these rating systems have proven their suitability in relation to the classification of existing portfolios and new business. Regardless of the size and type of the loan, individual rating or scoring is performed during the credit approval process as well as at least annually and on an as-needed basis.

The Credit Risk Control Risk Models unit is responsible for the design, methodological supervision, calibration, and validation of all rating procedures used, as well as for implementing the internal rating procedures that have been transposed into internal IT routines. In addition, a Model and Validation Committee (MVC), which was established to provide process support, is responsible together with its subordinate Model Change Policy Committee (MCPC) for ensuring that the results of the monitoring of internal ratings processes are incorporated into the internal reporting system and the Bank's management processes. Postbank's Management Board is provided with regular information on the operability of the rating systems, as well as on the results of the ratings performed as part of the management reporting process, by the bodies responsible (BRC, CRC, MVC). The Risk Standards unit, which is attached to the Chief Operating Office of the CRO function, is responsible for monitoring the processes. In addition to ongoing integration projects, the work performed by the Bank's Credit Risk Control function in 2014 focused among other things on the enhancement, ongoing validation and, where necessary, recalibration of the scoring and rating systems. Internal Audit audits the appropriateness of the internal rating systems, including adherence to the minimum requirements for use of the rating systems, on an annual basis.

In Retail Banking, loans are approved, decisions to extend them are made, and terms are defined using the results of statistical scoring models and approval guidelines. The scoring models utilized at Postbank make use of internal and external information about the borrower and employ statistical methods to individually estimate the probability of default for borrowers or loans (PD). The loss given default (LGD) is calculated to estimate the recovery rates individually, taking any eligible collateral into account, or globally, in the case of small-scale uncollateralized retail business. The credit conversion factor (CCF) is calculated to estimate the degree of utilization of open credit lines at the time of default.

Rating models, which generally comprise a statistical balance sheet rating or a simulation of expected cash flows, and which also incorporate qualitative, shorter-term information in the internal rating in the form of a heuristic component, are used to make loan decisions and define terms for customers and guarantors in the corporates, banks, and countries areas.

All internal ratings and scorings are presented using a uniform master scale, which assigns each rating or scoring result to a rating class, as well as the default probability determined for that class. Postbank uses the terminology of the Standard & Poor's rating agency here.

The rating and scoring methods are validated as part of Postbank's annual model validation process and of ongoing monitoring. The model validation process is based on standard core analyses comprising the stability of the model formula/the estimated inputs and the distributions, as well as the accuracy of the rating model, and the predictive power of the models, but also takes qualitative aspects into account. During the validation process, any changes in the loss history are taken into account in any subsequent recalibration (where necessary) by adjusting the inputs.

By including model validation in Postbank's processes, it is generally possible to derive business policy and model-specific measures directly from the results of the core analyses. Electronic records are maintained of all relevant input factors and rating results, enabling a continuous rating history to be kept for each customer and transaction.

In addition to supporting the loan approval process, these ratings and scores serve among other things as a basis for calculating the expected loss, i.e., the loss that is to be expected as a statistical average over a one-year period. They are factored indirectly into margin calculations as standard risk costs (see the following section), along with other variables.

Risk/return key performance indicators
When calculating the loan losses expected for Postbank, the average standard risk costs are factored into the advance calculation on an individual loan basis. This allows all lending transactions to be evaluated during the advance calculation. The standard risk costs are priced in as a premium for the expected loss and are included in the profitability calculation for exposures to corporates. The profitability calculation aims to ensure an end-to-end assessment of customer relationships and is performed at product or portfolio level for retail customers, and at an individual level for non-retail customers.

Collateral management and credit risk mitigation techniques
Collateral management is an important and integral component of the credit management process at Postbank. Strict standards have been established regarding the quality (e. g., the legal validity and enforceability) of the collateral accepted. The value of the collateral is continuously monitored on the basis of uniform Group standards, not only when the loan is granted but also during its term. The associated collateral processes are regularly reviewed with respect to the regulatory requirements and further enhanced.

Postbank uses the following protection instruments as prudential credit risk mitigation techniques:

- Real estate liens to secure private and commercial real estate financing
- Master netting agreements
- Guarantees, trade credit insurance, and credit derivatives
- Financial collateral (cash collateral).

Postbank does not recognize other physical collateral (e. g., assignment of receivables) in the portfolios calculated using IRB Approaches to determine own funds.

The back office units are responsible for collateral management (there are partial exemptions for Deutsche Postbank AG's non-risk-relevant lending transactions). This includes recognition of an instrument as collateral, its legal ranking, and regular review and measurement, as well as the administration of the eligible collateral. The exposure management systems provide electronic support for the management of immovable collateral. The amounts recognized as eligible collateral are reviewed at fixed intervals, depending on the type of protection; as a rule, this occurs annually or at shorter intervals in the case of critical exposures.

Guarantees, trade credit insurance, and credit derivatives must be irrevocable and unconditional in order to qualify as credit risk mitigation instruments when calculating the minimum capital requirements for credit and counterparty risk. Only guarantees by governments (central and regional governments and local authorities), other public-sector entities, banks, supranational organizations, and legal persons are recognized. With regard to credit derivatives, guarantors and protection sellers are subject to the same risk classification, risk limitation, and risk monitoring procedures as borrowers.

Real estate liens are taken into account when calculating the possible loss arising from default on a loan. The collateral is realized in the event that a borrower becomes more than temporarily insolvent. To secure private real estate financing, Postbank uses real estate liens as a key instrument for minimizing the risks associated with the lending business. The real estate liens are included directly in the calculation of the supervisory LGD for the retail business and for the portfolios calculated using the Advanced IRB Approaches.

Loan collateral in the Corporate Banking segment taking the form of real estate liens is reviewed regularly, and at least annually, for impairment at the level of the properties concerned. In Germany, market developments are also monitored using the fair value fluctuation concepts produced by vdpResearch GmbH (the real estate market research company belonging to the Verband deutscher Pfandbriefbanken e.V.) and, in the case of hotel properties, by Deutsche Kreditwirtschaft, while the front office and back office units perform qualitative monitoring of the relevant sectors and real estate markets on an ongoing basis. In the case of loans and property values with volumes in excess of €3 million, valuations are always reviewed at the latest after three years by independent, qualified credit specialists or a new appraisal is performed by real estate experts, as appropriate.

Where it is not possible or feasible to immediately realize the collateral furnished to Postbank as security for a loan for legal or economic reasons, its liquidation can be postponed until the legal situation is clarified or until a more favorable economic situation arises, in which case it will be managed and enhanced as well as possible (active/passive retention).

In the case of prudential credit risk mitigation using netting agreements, the underlying exposure is reduced either by netting offsetting individual transactions or by using netting agreements. As part of its collateral management activities, Postbank uses netting agreements for derivatives and repurchase agreements. The agreements are entered into on the basis of standard international master agreements and comply with the requirements of the CRR. Netting agreements are entered into with most key trading counterparties. Collateral is managed using a computerized process that complies with the required collateral management standards. Netted positions are integrated into risk management for the counterparties concerned and the aggregate credit risk exposure.

In order to manage credit risk concentrations as part of its credit risk mitigation measures, Postbank applies a conservative approach to positive correlations between the borrower's counterparty credit risk and the risk of deterioration in the value of the collateral. Postbank's collateral acceptance and monitoring process takes account of risk concentrations when collateral is initially recognized. In particular, Postbank monitors guarantees together with loans granted by guarantors.

Credit monitoring and problem loan procedures
In the case of non-standardized loans, credit risks are monitored using credit assessments performed at least once annually and whenever events occur that could affect a borrower's credit quality. The checks are made by the operational lending units in the back office in accordance with banking supervision requirements and, in the case of trading transactions, by Risk Control as well.

In the area of individual lending to corporate customers and mortgage lending in excess of €750,000 per borrower or borrowing entity, Postbank has implemented a credit monitoring process in accordance with banking regulatory requirements. The process enables higher-risk loans to be identified using defined qualitative and quantitative early warning and risk indicators (e.g., sector information, management accounting data, customer and account data, and rating changes). The use of early warning and risk indicators to enable advance identification of an increasing risk of default enables Postbank to take risk mitigation measures in a timely manner, to develop and implement loan restructuring plans with the borrower if necessary, or to arrange for settlement.

When a corporate loan is identified as having a higher risk, the borrower in question is placed in the monitoring category if early warning indicators are present and on the watch list (intensive care, restructuring, or workout) if risk indicators are present. In the case of hard ("rule-based") risk indicators, transfer is mandatory; if there are only soft ("principle-based") risk indicators, the decision is made at the discretion of the credit specialist responsible for the account, in cooperation with the workout specialists. The watch list is updated as needed, or at least on a quarterly basis, by the various lending departments and submitted quarterly to the member of the Management Board responsible for the CRO board department and to the CRC. The largest individual exposures and loans that were approved by the Group Management Board are reported to the Group Management Board and the Supervisory Board's Risk Committee as part of the quarterly credit risk report.

Past due and impaired exposures
An exposure is classified as "delinquent" or "past due" in cases of delinquency – i.e., when the obligor has exceeded an external limit notified to the obligor or has borrowed funds without prior agreement – but where the corresponding exposures have not yet been classified as "impaired."

The "impaired" classification indicates that Postbank has recognized an allowance for losses on loans and advances or that an event of default for the customer or facility has occurred. The "impaired" category includes all loans and advances in respect of which specific valuation allowances, writedowns, and provisions for defaulted exposures in relation to sureties, other guarantees, and irrevocable loan commitments have been recognized, or for which obligors are more than 90 consecutive calendar days past due with respect to a material portion of their overall debt. The regulatory classification of "impaired" is more comprehensive than the concept used in accounting, e.g., the former applies to all exposures of a customer as a result of a cross-default clause.

Under Article 178 of the CRR, an obligor is in default if a material portion of its total credit exposure to the institution is more than 90 consecutive calendar days past due. A borrower may be placed in default prior to the end of this period if the institution is of the opinion that the obligor is unlikely to meet all of its payment obligations without recourse by the institution to additional measures to enhance the credit, such as the realization of collateral.

In the retail business, defaults are detected automatically using the data fields specified as relevant for the individual transactions. Defaults of purchased loans are also automatically flagged. Indicators of default for the central governments, institutions, and corporates asset classes, including specialized lending, are recorded manually in a separate system (ABIT Banknology). Capital market securities, as well as the securities and derivative exposures of the investment funds, are analyzed and recorded in conjunction with daily marking-to-market.

A monthly watch list is generated based on risk exposures recorded in the ABIT system. The Credit Risk Control function has methodological responsibility for parameterizing the system and is also responsible for its ongoing development.

Allowance for losses on loans and advances
The allowance for losses in the lending business comprises specific valuation allowances, collective specific valuation allowances, and portfolio-based valuation allowances.

A specific valuation allowance is recognized if – taking into account any collateral – the estimated recoverable amount of the loans and advances is lower than their carrying amount, i.e., if a loan or advance is wholly or partly uncollectible and is, therefore, permanently impaired. The amount of the specific valuation allowance is measured for the respective unsecured portions of the loans and advances as the difference between the carrying amount of the loans and advances and the present values of estimated future cash flows, including cash flows from the realization of collateral. In general, the original effective rate is used to discount the cash flows, with the effective rate for the current fixing period being used for variable-interest loans. The proceeds from the realization of the collateral and the time of its realization are taken into account on a case-by-case basis. An ongoing review of all exposures is performed for objective evidence of impairment and impairment tests are conducted where needed. In addition, all exposures on the watch list are tested for impairment on a quarterly basis.

A collective specific valuation allowance is recognized for a portfolio of homogeneous loans with similar characteristics, to the extent that there is objective evidence that the loans have become impaired and the amount of the impairment for each loan can be estimated with reference to past statistics on loan performance. Collective valuation allowances are measured using flow rates and the loss given default (LGD). The combined flow rate indicates the probability of a receivable being transferred to a portfolio designated for termination. The LGD represents the size or percentage amount of the economic loss for the outstanding exposure amount. The ratio is calculated regularly on the basis of the repayments obtained from recovery proceedings. Postbank recognizes collective specific valuation allowances on overdrafts, consumer loans, and credit card loans, as well

as on mortgage loans that have been past due for between three and six months.

The portfolio-based valuation allowances account for all loan losses that have occurred but that Postbank has yet to identify; this may be because the respective customer is still currently meeting his or her payment obligations, for example. Postbank factors in expected default probabilities, loss rates, and the estimated time between when the default occurs and when this is identified (the loss identification period (LIP) factor), depending on the type of product and customer group concerned in each case. The default probabilities and the loss rates for defaults at the portfolio level are calculated at portfolio level and updated where necessary on the basis of the results of the annual validation and recalibration of the IRBA rating systems; LIP factors are estimated on an individual basis, regularly reviewed, and adjusted where necessary in line with the relevant risk monitoring processes.

Uncollectible loans are written off directly through profit or loss.

Provisions are recognized for liabilities under sureties, other guarantees, and irrevocable loan commitments involving an acute default risk.

Forbearance and forborne and non-performing exposures
The terms "forbearance" and "forborne" are used in conjunction with all of a bank's exposures for which the contract terms have been modified due to financial difficulties of the obligor. These may involve renegotiations, restructurings, and refinancing arrangements, as well as guarantees for refinancing purposes.

The term "non-performing" is used to describe all exposures of which a material portion is more than 90 days past due or for which – irrespective of whether or not they are past due – there is an identifiable risk that full repayment will not be made. This includes all exposures defined as being in default for regulatory purposes as well as exposures for which specific valuation allowances or collective specific valuation allowances have been recognized. Classification as non-performing does not take into account whether the institution could have recourse to additional measures to enhance the credit, such as the realization of collateral. The EBA's definition of "non-performing" borrows heavily from the definition of "default" in the CRR and the IFRS requirements governing impairment, although there is no 1:1 equivalence for "forborne exposures". A distinction is also made between a defaulted exposure and the default of an obligor; the latter results in all exposures of that obligor being declared non-performing (because of pulling).

Managing credit risk at portfolio level

Portfolio management
Above and beyond monitoring individual risks, Postbank calculates the necessary economic capital (EC) for all Group exposures subject to credit risk. The credit portfolio model used by Postbank takes account of internal and external risk inputs, concentration risks in the credit portfolio, and reinvestment effects in the case of maturities of less than one year, as well as the ability to drill down to individual debtors.

EC is the potential negative change in the present value of the total loan portfolio resulting from actual or potential credit risk losses that will not be exceeded within one year for a 99.93 % probability. Under Postbank's Group-wide risk-bearing capacity concept, EC (as a measure of the unexpected loss from credit risk) must be backed by risk capital.

In contrast to EC, the expected loss indicated in the "Credit risk" table in the section entitled "Portfolio structure" is the expected amount of losses due to credit risk in the Group portfolio over a one-year period. This is calculated approximately as the product of the default probability, the total size of exposure, and the loss rate. It depends on the counterparty/transaction rating and on the transaction term. The expected loss does not contribute to the Bank's overall risk, but is factored into margin calculations via the standard risk costs.

EC is calculated on the basis of the migration behavior of borrower-specific creditworthiness and correlation effects within the portfolio, so as to quantify risks arising from an adverse concentration of borrowers in terms of their sector, creditworthiness, and country. The probability of a rating change (migration) is continually updated and adjusted to reflect the changes observed in the current economic environment. In calculating EC, all loans and advances are recorded together with their future cash flows and are discounted to the observation date. This allows the loan loss risk to be measured over a one-year observation period, as well as quantifying the effects on the present value of all changes in creditworthiness occurring outside the observation period. Credit risk is measured using current internal and external credit ratings as well as internally and externally calculated assumptions relating to loss rates.

External inputs used to calculate the EC include constantly updated rating agency data, migration tables derived from this data, yield curves, and a covariance matrix for the risk factors used in the correlation model. Homogeneous, granular exposures are aggregated when calculating EC and are not computed at individual transaction level. These relate in particular to retail products.

The updated portfolio and market data is used to calculate EC in the Group loan portfolio on a monthly basis. The calculation of EC in the Group loan portfolio takes diversification effects between the portfolios in the business divisions into account. The utilization of the EC limits made available to individual profit centers by the CRC and of the aggregate credit risk limit is monitored regularly.

In addition to the calculation of the EC, the Group loan portfolio is subject to regular stress testing and sensitivity analyses across all risk types with the aim of quantifying losses that might arise from extreme events.

Portfolio structure

The following table provides an overview of material credit risk indicators for the various profit centers as of December 31, 2014, compared to the end of 2013 (volumes: IFRS carrying amounts):

Credit risk	Volume		Expected loss		Economic capital (EC)[1]	
	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Retail Banking	76,361	75,999	297	274	794	781
Corporate Banking	13,928	16,541	47	66	307	465
Financial Markets	50,008	51,406	5	6	368	343
Non-Core Operating Unit	11,194	13,481	11	19	668	709
Pension funds	n/a	n/a	0	0	7	5
Total	**151,491**	**157,427**	**360**	**364**	**2,145**	**2,302**

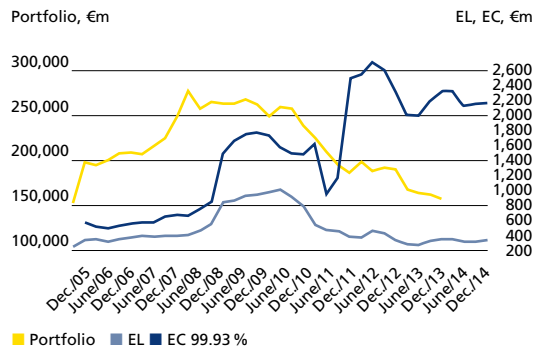
[1]The underlying confidence level is 99.93%.

Most of the risk indicators for the expected loss (EL) and the economic capital (EC) declined as against the previous year.

In the Corporate Banking segment, a marked decline in the EL and the EC reflects the scaling-back of risk-bearing assets in the commercial mortgages portfolio. The corporates also saw an improvement in ratings over the course of the year. The rise in the EL and EC in the Retail segment is attributable to business growth and, to a lesser extent, to model recalibrations. The decline in risk recorded in the non-core portfolio is due to maturing positions and the disposal of bonds.

The following graphic shows the portfolio, EC, and EL over time. The increase as at the 2011 closing date was due to the introduction of a new credit portfolio model. The change in 2014 is attributable to the factors described in the paragraph above. Commercial mortgages in particular were subject to de-risking in the first half of 2014. The risk situation changed only slightly in the second half of the year.

Overall bank portfolio and risk development over time



The "Maximum counterparty credit risk" table depicts the maximum credit risk as of December 31, 2014, compared with December 31, 2013. The "Maximum counterparty credit 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 credit risk exposures resulting from the utilization of irrevocable loan commitments or other off-balance sheet items correspond to all externally approved lines. The presentation contains no information on ratings, in contrast to the economic risk quantification contained in the "Credit risk" table. In addition to the items shown in the following tables, Postbank held an equity investment in the amount of €433 million as of December 31, 2014, which was accounted for using the equity method (see Note 24).

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Maximum counterparty credit risk								
Risk-bearing financial instruments	Maximum counterparty credit risk exposure		Collateral[1]		Guarantees/ credit derivatives		Maximum counterparty credit risk exposure after credit risk mitigation[1]	
	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Trading assets	**697**	**1,824**	**134**	**142**	**–**	**–**	**563**	**1,682**
Held for trading	697	1,824	134	142	–	–	563	1,682
Hedging derivatives	**119**	**113**	**–**	**–**	**–**	**–**	**119**	**113**
Loans and advances to other banks	**19,659**	**20,153**	**16,357**	**15,077**	**–**	**–**	**3,302**	**5,076**
Loans and receivables	19,659	20,153	16,357	15,077	–	–	3,302	5,076
Securities repurchase agreements	16,373	15,101	16,357	15,077	–	–	16	24
Overnight money	891	1,826	–	–	–	–	891	1,826
Loans	384	808	–	–	–	–	384	808
Registered bonds	228	324	–	–	–	–	228	324
Term deposits	1,101	1,248	–	–	–	–	1,101	1,248
Other loans and advances	682	846	–	–	–	–	682	846
Loans and advances to customers	**97,972**	**101,313**	**74,263**	**76,740**	**630**	**704**	**23,079**	**23,869**
Loans and receivables	93,040	95,483	69,516	71,198	630	704	22,894	23,581
Private mortgage lending	64,317	64,633	62,060	62,430	–	–	2,257	2,203
Home savings loans	3,564	3,690	3,425	3,503	–	–	139	187
Commercial loans	13,775	16,603	4,031	5,265	630	704	9,114	10,634
Public-sector receivables	3,789	3,815	–	–	–	–	3,789	3,815
Installment loans	6,098	5,454	–	–	–	–	6,098	5,454
Other loans and advances	1,497	1,288	–	–	–	–	1,497	1,288
Fair value option	4,932	5,830	4,747	5,542	–	–	185	288
Private mortgage lending	4,932	5,830	4,747	5,542	–	–	185	288
Investment securities	**33,044**	**34,024**	**–**	**–**	**–**	**–**	**33,044**	**34,024**
Loans and receivables	20,642	23,786	–	–	–	–	20,642	23,786
Available for sale	12,402	10,238	–	–	–	–	12,402	10,238
Bonds and other fixed-income securities	12,195	10,084	–	–	–	–	12,195	10,084
Investment fund shares	179	123	–	–	–	–	179	123
Equity investments	22	25	–	–	–	–	22	25
Investments in unconsolidated subsidiaries	6	6	–	–	–	–	6	6
Subtotal	**151,491**	**157,427**	**90,754**	**91,959**	**630**	**704**	**60,107**	**64,764**
Contingent liabilities from guarantees	**394**	**359**	**–**	**–**	**–**	**–**	**394**	**359**
Irrevocable and revocable loan commitments	**19,054**	**19,532**	**–**	**–**	**–**	**–**	**19,054**	**19,532**
Total	**170,939**	**177,318**	**90,754**	**91,959**	**630**	**704**	**79,555**	**84,655**

[1]Figures as of December 31, 2013 adjusted

Since the third quarter of 2008, Postbank has scaled back its holdings of investment securities as part of its program to reduce financial market-related portfolios and risks. A further reduction of €1 billion occurred in 2014.

The table as of the end of the year under review contains netting effects relating to trading assets and hedging derivatives in the amount of €9.5 billion (December 31, 2013: €5.5 billion) and netting effects of €2.4 billion (December 31, 2013: €2.4 billion) relating to securities repurchase agreements in the amount disclosed for the maximum counterparty credit risk before collateral.

€6.7 billion of the amount disclosed in the "investment securities" balance sheet item as of the 2014 closing date and to a lesser extent in the "loans and advances to other banks" balance sheet item relates to covered bonds (December 31, 2013: €4.0 billion). In addition, the investor securitization positions also contained in the "investment securities" item, which amounted to €0.1 billion as of December 31, 2014 (December 31, 2013: €0.2 billion), can be considered to be fully collateralized.

Sector structure of the loan portfolio

The following table illustrates the risk concentrations by sector and borrower group, broken down by balance sheet item, holding category, and product group:

Risk concentrations by sector and borrower group																
Risk-bearing financial instruments	Retail customers		Banks/ insurers/ financial services		Countries		Commercial real estate finance		Services/ wholesale and retail		Industry		Other sectors		Total	
	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Trading assets	**139**	**150**	**281**	**1,368**	**–**	**–**	**104**	**140**	**46**	**63**	**25**	**28**	**102**	**75**	**697**	**1,824**
Held for trading	139	150	281	1,368	–	–	104	140	46	63	25	28	102	75	697	1,824
Hedging derivatives	**–**	**–**	**119**	**113**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**119**	**113**
Loans and advances to other banks	**–**	**–**	**19,659**	**20,148**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5**	**19,659**	**20,153**
Loans and receivables	–	–	19,659	20,148	–	–	–	–	–	–	–	–	–	5	19,659	20,153
Securities repurchase agreements	–	–	16,373	15,101	–	–	–	–	–	–	–	–	–	–	16,373	15,101
Overnight money	–	–	891	1,826	–	–	–	–	–	–	–	–	–	–	891	1,826
Loans	–	–	384	804	–	–	–	–	–	–	–	–	–	4	384	808
Registered bonds	–	–	228	324	–	–	–	–	–	–	–	–	–	–	228	324
Term deposits	–	–	1,101	1,248	–	–	–	–	–	–	–	–	–	–	1,101	1,248
Other loans and advances	–	–	682	845	–	–	–	–	–	–	–	–	–	1	682	846
Loans and advances to customers	**80,869**	**82,499**	**339**	**432**	**3,696**	**3,649**	**6,660**	**8,524**	**3,574**	**3,377**	**1,953**	**1,918**	**881**	**914**	**97,972**	**101,313**
Loans and receivables	75,937	76,669	339	432	3,696	3,649	6,660	8,524	3,574	3,377	1,953	1,918	881	914	93,040	95,483
Private mortgage lending	64,141	64,454	1	1	1	–	–	–	27	26	–	–	147	152	64,317	64,633
Home savings loans	3,564	3,690	–	–	–	–	–	–	–	–	–	–	–	–	3,564	3,690
Commercial loans	680	1,830	314	405	–	–	6,660	8,513	3,544	3,347	1,953	1,918	624	590	13,775	16,603
Public-sector receivables	–	–	–	–	3,695	3,649	–	–	2	2	–	–	92	164	3,789	3,815
Installment loans	6,098	5,454	–	–	–	–	–	–	–	–	–	–	–	–	6,098	5,454
Other loans and advances	1,454	1,241	24	26	–	–	–	11	1	2	–	–	18	8	1,497	1,288
Fair value option	4,932	5,830	–	–	–	–	–	–	–	–	–	–	–	–	4,932	5,830
Private mortgage lending	4,932	5,830	–	–	–	–	–	–	–	–	–	–	–	–	4,932	5,830
Investment securities	**–**	**–**	**14,551**	**16,774**	**16,078**	**15,020**	**–**	**–**	**1,199**	**993**	**622**	**647**	**594**	**590**	**33,044**	**34,024**
Loans and receivables	–	–	9,746	12,565	9,757	10,021	–	–	484	540	344	362	311	298	20,642	23,786
Available for sale	–	–	4,805	4,209	6,321	4,999	–	–	715	453	278	285	283	292	12,402	10,238
Bonds and other fixed-income securities	–	–	4,619	4,063	6,321	4,999	–	–	715	453	278	285	262	284	12,195	10,084
Investment fund shares	–	–	179	123	–	–	–	–	–	–	–	–	–	–	179	123
Equity investments	–	–	1	17	–	–	–	–	–	–	–	–	21	8	22	25
Investments in unconsolidated subsidiaries	–	–	6	6	–	–	–	–	–	–	–	–	–	–	6	6
Subtotal	**81,008**	**82,649**	**34,949**	**38,835**	**19,774**	**18,669**	**6,764**	**8,664**	**4,819**	**4,433**	**2,600**	**2,593**	**1,577**	**1,584**	**151,491**	**157,427**
Contingent liabilities from guarantees	**13**	**19**	**13**	**18**	**–**	**–**	**11**	**13**	**209**	**205**	**83**	**71**	**65**	**33**	**394**	**359**
Irrevocable and revocable loan commitments	**16,521**	**16,671**	**53**	**33**	**1**	**1**	**123**	**155**	**1,355**	**1,681**	**705**	**768**	**296**	**223**	**19,054**	**19,532**
Total	**97,542**	**99,339**	**35,015**	**38,886**	**19,775**	**18,670**	**6,898**	**8,832**	**6,383**	**6,319**	**3,388**	**3,432**	**1,938**	**1,840**	**170,939**	**177,318**

Overall, the sector distribution of the instruments subject to credit risk, measured in terms of volume, displays a balanced structure except for the concentrations with respect to banks and countries. The Group's loan portfolio consists mainly of loans to retail customers with a focus on domestic private mortgage lending. It also includes loan exposures in the Corporate Banking division, predominantly in the German business customers segment and in domestic and international commercial real estate finance. The holdings of investment securities primarily comprise a portfolio of mainly German and European government bonds as well as bonds issued by banks (including covered bonds and *Pfandbriefe*), insurers, and other financial services providers.

A target portfolio that has been aligned in terms of diversification has been defined as part of the credit risk strategy to manage investments in the non-retail area.

Regional distribution of the loan portfolio

Postbank has established country-specific limits for credit allocation in order to manage country risk. The country limits are largely determined by internal and external ratings, and by the economic strength of the particular country as measured by its gross domestic product. A Group-wide database keeps track of the limits established for each country and their current utilization, as well as the economic data used in allocating countries to risk categories. Postbank also uses an early warning system to monitor country limits.

The regional distribution of the credit volume reveals a concentration on the domestic German market in line with Postbank's strategy, as well as selected exposures in Western Europe.

Risk concentrations by geographic region								
Risk-bearing financial instruments	Germany		Western Europe		Other regions		Total	
	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Trading assets	**478**	**1,098**	**219**	**706**	**–**	**20**	**697**	**1,824**
Held for trading	478	1,098	219	706	–	20	697	1,824
Hedging derivatives	**54**	**71**	**43**	**40**	**22**	**2**	**119**	**113**
Loans and advances to other banks	**11,160**	**16,364**	**8,486**	**3,752**	**13**	**37**	**19,659**	**20,153**
Loans and receivables	11,160	16,364	8,486	3,752	13	37	19,659	20,153
Securities repurchase agreements	8,729	12,821	7,644	2,280	–	–	16,373	15,101
Overnight money	303	1,264	576	527	12	35	891	1,826
Loans	176	313	208	495	–	–	384	808
Registered bonds	228	324	–	–	–	–	228	324
Term deposits	1,101	1,188	–	60	–	–	1,101	1,248
Other loans and advances	623	454	58	390	1	2	682	846
Loans and advances to customers	**89,911**	**91,757**	**7,389**	**8,456**	**672**	**1,100**	**97,972**	**101,313**
Loans and receivables	84,994	85,946	7,376	8,441	670	1,096	93,040	95,483
Private mortgage lending	60,435	60,542	3,828	4,037	54	54	64,317	64,633
Home savings loans	3,542	3,668	20	20	2	2	3,564	3,690
Commercial loans	9,713	11,343	3,454	4,225	608	1,035	13,775	16,603
Public-sector receivables	3,747	3,701	42	114	–	–	3,789	3,815
Installment loans	6,077	5,436	17	15	4	3	6,098	5,454
Other loans and advances	1,480	1,256	15	30	2	2	1,497	1,288
Fair value option	4,917	5,811	13	15	2	4	4,932	5,830
Private mortgage lending	4,917	5,811	13	15	2	4	4,932	5,830
Investment securities	**12,794**	**12,924**	**19,365**	**20,100**	**885**	**1,000**	**33,044**	**34,024**
Loans and receivables	8,176	8,928	11,965	14,024	501	834	20,642	23,786
Available for sale	4,618	3,996	7,400	6,076	384	166	12,402	10,238
Bonds and other fixed-income securities	4,416	3,859	7,395	6,059	384	166	12,195	10,084
Investment fund shares	179	121	–	2	–	–	179	123
Equity investments	22	15	–	10	–	–	22	25
Investments in unconsolidated subsidiaries	1	1	5	5	–	–	6	6
Subtotal	**114,397**	**122,214**	**35,502**	**33,054**	**1,592**	**2,159**	**151,491**	**157,427**
Contingent liabilities from guarantees	**351**	**306**	**43**	**53**	**–**	**–**	**394**	**359**
Irrevocable and revocable loan commitments	**18,855**	**19,287**	**186**	**232**	**13**	**13**	**19,054**	**19,532**
Total	**133,603**	**141,807**	**35,731**	**33,339**	**1,605**	**2,172**	**170,939**	**177,318**

The following table "Exposures to debtors in selected European countries" comprises exposures to debtors in the "GIIPS" countries (Greece, Ireland, Italy, Portugal, Spain). The amounts disclosed are the IFRS carrying amounts.

Exposures to debtors in selected countries[1]

	Countries		Banks/insurers/ financial services		Retail		Corporates[2]		Other[3]		Total	
	Dec. 31. 2014 €m	Dec. 31. 2013 €m	Dec. 31. 2014 €m	Dec. 31. 2013 €m	Dec. 31. 2014 €m	Dec. 31. 2013 €m	Dec. 31. 2014 €m	Dec. 31. 2013 €m	Dec. 31. 2014 €m	Dec. 31. 2013 €m	Dec. 31. 2014 €m	Dec. 31. 2013 €m
Greece	0.0	0.0	0.0	0.0	1.0	2.0	4.8	3.0	0.0	0.0	5.8	5.0
Ireland	372.0	361.2	211.5	242.4	2.9	4.9	37.2	26.6	74.3	52.6	697.9	687.7
Italy	3,404.8	3,433.7	814.6	1,115.7	2,461.3	2,664.5	383.7	292.1	0.0	0.0	7,064.4	7,506.0
Portugal	61.3	62.7	220.6	288.8	3.0	6.0	3.6	1.6	0.0	0.0	288.5	359.1
Spain	431.7	608.0	1,317.9	2,432.1	27.2	34.6	81.6	126.9	0.0	26.0	1,858.4	3,227.6
Total	**4,269.8**	**4,465.6**	**2,564.6**	**4,079.0**	**2,495.4**	**2,712.0**	**510.9**	**450.2**	**74.3**	**78.6**	**9,915.0**	**11,785.4**

[1]Based on IFRS carrying amounts. For holdings categorized as available for sale this is the fair value.
[2]Including commercial real estate
[3]Including investor securitization positions

In addition to the exposures shown in the table above, as of December 31, 2014, Postbank had accepted securities amounting to a total of €7.64 billion as collateral in securities repurchase transactions entered into with the Deutsche Bank branches in Spain and Italy.

As at the year-end closing date for the prior year, Postbank did not hold any credit default swaps with sovereign borrowers in its portfolio as of the reporting date.

Rating structure of the loan portfolio

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 December 31, 2014, reporting date (with the exception of "contingent liabilities" and "other liabilities").

In principle, Postbank uses the same rating for risk management as for capital requirements; this is normally the issuer rating rather than the rating given to a specific issue. Postbank has a large portfolio of *Pfandbriefe* and similarly collateralized issues that are relatively low-risk in nature. For this reason, the issue ratings are shown in the following table. The distribution of ratings in the Group loan portfolio reflects Postbank's conservative approach. The good rating categories predominate: 94 % of the rated portfolio is classified as investment grade (rated BBB or better).

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	
	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Trading assets	**1**	**37**	**45**	**231**	**238**	**554**	**88**	**645**	**89**	**91**	**97**	**116**	**558**	**1,674**
Held for trading	1	37	45	231	238	554	88	645	89	91	97	116	558	1,674
Hedging derivatives	**–**	**–**	**–**	**–**	**118**	**112**	**1**	**1**	**–**	**–**	**–**	**–**	**119**	**113**
Held for trading	–	–	–	–	118	112	1	1	–	–	–	–	119	113
Loans and advances to other banks	**102**	**1,276**	**216**	**1,693**	**18,963**	**16,586**	**274**	**400**	**36**	**152**	**68**	**44**	**19,659**	**20,151**
Loans and receivables	102	1,276	216	1,693	18,963	16,586	274	400	36	152	68	44	19,659	20,151
Securities repurchase agreements	–	–	–	1,500	16,373	13,601	–	–	–	–	–	–	16,373	15,101
Overnight money	3	1,000	167	111	688	672	33	43	–	–	–	–	891	1,826
Loans	96	229	–	–	194	334	–	56	31	152	63	35	384	806
Registered bonds	–	–	–	–	63	143	165	181	–	–	–	–	228	324
Term deposits	–	44	–	60	1,101	1,101	–	43	–	–	–	–	1,101	1,248
Other loans and advances	3	3	49	22	544	735	76	77	5	–	5	9	682	846
Loans and advances to customers	**3,273**	**1,778**	**2,612**	**4,025**	**1,820**	**1,387**	**4,363**	**4,302**	**3,633**	**5,146**	**838**	**1,206**	**16,539**	**17,844**
Loans and receivables	3,273	1,778	2,612	4,025	1,820	1,387	4,363	4,302	3,633	5,146	838	1,206	16,539	17,844
Private mortgage lending	16	6	10	12	25	20	33	35	40	45	22	23	146	141
Commercial loans	1,450	1,659	932	913	1,795	1,367	4,329	4,266	3,560	4,987	497	651	12,563	13,843
Public-sector receivables	1,807	113	1,669	3,100	–	–	–	–	33	103	280	499	3,789	3,815
Other loans and advances	–	–	1	–	–	–	1	1	–	11	39	33	41	45
Investment securities	**12,832**	**10,151**	**8,594**	**5,997**	**8,841**	**13,357**	**2,191**	**3,193**	**554**	**960**	**18**	**358**	**33,030**	**34,016**
Loans and receivables	6,235	4,345	5,320	4,409	7,215	11,840	1,373	2,279	481	835	4	78	20,628	23,786
Available for sale	6,597	5,806	3,274	1,588	1,626	1,517	818	914	73	125	14	280	12,402	10,230
Bonds and other fixed-income securities	6,597	5,806	3,268	1,578	1,447	1,517	818	914	65	118	–	143	12,195	10,076
Investment fund shares	–	–	–	–	179	–	–	–	–	–	–	123	179	123
Equity investments	–	–	–	9	–	–	–	–	8	7	14	9	22	25
Investments in unconsolidated subsidiaries	–	–	6	1	–	–	–	–	–	–	–	5	6	6
Total	**16,208**	**13,242**	**11,467**	**11,946**	**29,980**	**31,996**	**6,917**	**8,541**	**4,312**	**6,349**	**1,021**	**1,724**	**69,905**	**73,798**

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 December 31, 2014, reporting date (with the exception of "contingent liabilities" and "other liabilities"). Postbank's retail business continued to exhibit a stable rating performance.

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	
	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Trading assets	**–**	**–**	**2**	**4**	**14**	**17**	**70**	**56**	**53**	**57**	**–**	**16**	**139**	**150**
Held for trading	–	–	2	4	14	17	70	56	53	57	–	16	139	150
Loans and advances to customers	**5**	**35**	**739**	**804**	**5,568**	**5,355**	**30,897**	**25,546**	**38,684**	**33,588**	**2,693**	**14,940**	**78,586**	**80,268**
Loans and receivables	5	31	711	695	5,142	4,782	28,310	23,688	36,843	31,973	2,677	13,312	73,688	74,481
Private mortgage lending	3	14	401	466	4,313	4,081	25,711	22,250	30,566	27,200	1,895	9,303	62,889	63,314
Home savings loans	–	17	98	215	736	604	1,750	821	720	447	111	1,458	3,415	3,562
Commercial loans	2	–	206	–	19	–	85	3	47	33	317	1,789	676	1,825
Installment loans	–	–	1	12	31	84	502	560	4,791	4,137	190	147	5,515	4,940
Other loans and advances	–	–	5	2	43	13	262	54	719	156	164	615	1,193	840
Fair value option	–	4	28	109	426	573	2,587	1,858	1,841	1,615	16	1,628	4,898	5,787
Private mortgage lending	–	4	28	109	426	573	2,587	1,858	1,841	1,615	16	1,628	4,898	5,787
Total	**5**	**35**	**741**	**808**	**5,582**	**5,372**	**30,967**	**25,602**	**38,737**	**33,645**	**2,693**	**14,956**	**78,725**	**80,418**

Loans past due but not impaired

The following table shows those risk-bearing financial instruments that were past due but not impaired as of December 31, 2014:

Time bands for financial instruments past due but not impaired												
Risk-bearing financial instruments and collateral	Financial instruments past due but not impaired										Fair value of the collateral for 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			
	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Loans and advances to customers	**239**	**282**	**22**	**64**	**49**	**158**	**202**	**217**	**512**	**721**	**433**	**571**
Loans and receivables	238	281	21	63	44	151	195	205	498	700	422	553
Private mortgage lending	217	253	12	37	40	64	182	162	451	516	389	410
Home savings loans	4	4	2	3	4	5	11	12	21	24	20	22
Commercial loans	6	4	4	22	–	82	1	30	11	138	4	113
Installment loans	2	6	–	–	–	–	–	–	2	6	–	–
Other loans and advances	9	14	3	1	–	–	1	1	13	16	9	8
Fair value option	1	1	1	1	5	7	7	12	14	21	11	18
Private mortgage lending	1	1	1	1	5	7	7	12	14	21	11	18
Total	**239**	**282**	**22**	**64**	**49**	**158**	**202**	**217**	**512**	**721**	**433**	**571**

Impaired loans

The following table shows all impaired financial assets as of December 31, 2014, and December 31, 2013, broken down into loans and advances to other banks for which specific valuation allowances have been recognized, loans and advances to customers, 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 and the amount of the impairment loss.

Impaired financial instruments								
Impaired risk-bearing financial instruments and collateral	Carrying amount before impairment		Amount of impairment loss[1]		Carrying amount after impairment		Fair value of collateral for impaired instruments	
	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Loans and advances to other banks	**–**	**2**	**–**	**2**	**–**	**–**	**–**	**–**
Loans and receivables	–	2	–	2	–	–	–	–
Loans	–	2	–	2	–	–	–	–
Loans and advances to customers	**2,335**	**2,480**	**1,208**	**1,314**	**1,127**	**1,166**	**1,061**	**1,169**
Loans and receivables	2,315	2,458	1,208	1,313	1,107	1,145	1,040	1,149
Private mortgage lending	831	712	320	369	511	343	787	578
Home savings loans	128	154	4	3	124	151	118	135
Commercial loans	525	797	262	333	263	464	135	436
Installment loans	581	508	377	324	204	184	–	–
Other loans and advances	250	287	245	284	5	3	–	–
Fair value option	20	22	–	1	20	21	21	20
Private mortgage lending	20	22	–	1	20	21	21	20
Investment securities	**71**	**51**	**57**	**43**	**14**	**8**	**–**	**–**
Loans and receivables	71	42	57	42	14	–	–	–
Bonds and other fixed-income securities	71	42	57	42	14	–	–	–
Available for sale	–	9	–	1	–	8	–	–
Bonds and other fixed-income securities	–	9	–	1	–	8	–	–
Total	**2,406**	**2,533**	**1,265**	**1,359**	**1,141**	**1,174**	**1,061**	**1,169**

[1]Portfolio-based valuation allowances were not considered.

Overall, the decline in impaired financial instruments in the period under review is due to a reduction in commercial loans in particular.

Forborne and non-performing exposures
The following table shows the performing and non-performing loans within the "Loans and advances to customers" balance sheet item, broken down by forborne and non-forborne exposures.

Forborne and non-performing exposures to customers			
Financial instruments within the "Loans and advances to customers" balance sheet item	Forborne	Non-forborne	Total
	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m
Performing loans	**298**	**94,428**	**94,726**
not impaired	298	94,428	94,726
Non-performing loans	**348**	**2,898**	**3,246**
impaired	305	2,030	2,335
not impaired	43	868	911
Total	**646**	**97,326**	**97,972**

Within the "Loans and advances to customers" balance sheet item, forborne exposures totaled €646 million and non-performing exposures €3,246 million.

In addition to the exposures presented in the table above, Postbank recorded a non-performing exposure for trading assets in the amount of €5 million and investment securities in the amount of €15 million. Outside of the "Loans and advances to customers" balance sheet item, the "Loans and advances to other banks" balance sheet item contains a forborne exposure in the amount of €3 million.

Securitization positions
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.

The following synthetic securitization transactions involving the securitization of residential mortgage loans relating to Germany and Italy not only reduced regulatory capital requirements but also lowered risk concentrations. The amounts reported represent the regulatory bases for assessment. As of the reporting date, Postbank had not conducted any securitization transactions relating to revolving counterparty credit risk.

PB Domicile 2006-1	€847 million	(Deutsche Postbank AG)
Provide Blue 2005-2	€827 million	(BHW Bausparkasse AG)
PB Domicilio 2007-1	€497 million	(BHW Bausparkasse AG)

In addition, Postbank structured the Provide Domicile 2009-1 synthetic originator securitization transaction, for which no significant transfer of risks has taken place so far and which was terminated effective October 6, 2014. The Provide Blue 2005-1 originator securitization transaction was terminated in January 2010. This transaction is in deferred redemption; the principal amount after distribution is €16.9 million.

Postbank invested in structured credit products (SCPs) in connection with intragroup and own issues. The portfolio is valued periodically using arranger quotes or an internal valuation model.

The composition of the portfolio has not changed since the end of 2013; it consists of redeemed residential mortgage-backed securities (RMBSs) and impaired holdings. The portfolio had a notional volume of €127 million as of year-end 2014, having risen slightly due to exchange rate fluctuations (December 31, 2013: €123 million). Please see Note 4h of the Notes to the 2014 Consolidated Financial Statements for further details on measurement.

Environmental risk
Postbank also takes into account environmental risk when making credit decisions. Postbank and its employees are aware of their social responsibility both in their lending policy and in individual credit decisions.

Identifying and quantifying environmental risk forms part of Postbank's standard risk assessment and management procedures in its domestic and foreign business. With regard to its customers, Postbank believes that fulfilling current environmental standards and acting responsibly toward the environment are key factors for assessing corporate governance.

As a result, Postbank meets the requirements for sustainable and future-oriented management and complies with international guidelines such as the UN Global Compact.

Monitoring and managing liquidity risk
The goal of liquidity risk management is to ensure Postbank's solvency at all times, including in certain stress situations. As a matter of principle, operational liquidity risk management is performed centrally by Deutsche Postbank AG's Chief Operating Office. BHW Bausparkasse AG and the branch in Luxembourg manage their risks independently but are subject to Group-wide risk monitoring on the basis of uniform procedures and processes. Deutsche Postbank AG serves as the lender of last resort in the case of local liquidity squeezes. In the event of a liquidity shock at the level of the Postbank Group, the Liquidity Crisis Committee has clear responsibility and authority over all portfolio managers at Postbank as well as at its subsidiaries and its foreign branches.

Postbank has laid down the principles for handling liquidity risk, among other things, in its overarching risk strategy.

Due to its strategic focus as a retail bank, Postbank enjoys a strong refinancing base in its customer business and is therefore relatively independent of the money and capital markets. As in the past, no significant funding measures on the money and capital markets are planned. Concentration risk during refinancing is taken into account in the stress tests. We do not see any key concentration risks in respect of individual creditors from a liquidity perspective due to the Bank's business strategy. In the case of unexpected cash outflows, cash holdings, central bank balances, and an extensive portfolio of unencumbered, highly liquid, central bank-eligible securities can be used to obtain liquidity rapidly, including on (private) repo markets. To further diversify its refinancing activities, Postbank has a *Pfandbrief* license allowing it to issue public-sector *Pfandbriefe* and mortgage *Pfandbriefe*. There are no longer any plans to issue public-sector *Pfandbriefe* under Register E in future;

however, mortgage *Pfandbriefe* may be issued in future under Register D as a potential long-term financing instrument.

The management process is based on a number of pillars. The Liquidity Risk Management unit determines Postbank's liquidity status under both normal and stress conditions on each business day using funding matrices and cash flow forecasts. This is used as the basis for operational management. Furthermore, risk management is based on regular Group-wide liquidity and issue planning and on a series of more far-reaching analyses and forecasts.

Risk management activities focus above all on ensuring solvency at all times, including in extreme stress situations. The scenarios cover both institution-specific and general market issues and, in the MaRisk scenario, the combination of the two. This permits changes in a variety of market factors, panic reactions by customers, and structural changes in funding resources (e.g., due to a decline in market liquidity) to be reflected. The MaRisk scenario simulates severe outflows of savings, demand, and corporate banking deposits, restricted access to the uncollateralized money market, and increased haircuts on central bank-eligible securities. A requirement for all stress scenarios was to maintain customer loans at existing levels at least, even in times of stress.

The following table shows the financial liabilities as of December 31, 2014, and December 31, 2013, broken down into residual maturity bands.

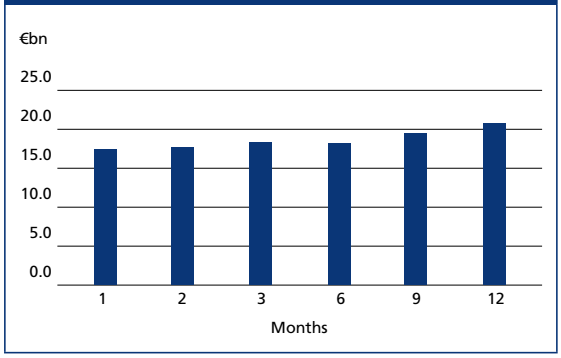
Liabilities by residual maturity

Liabilities	Payable on demand		≤ 3 months		> 3 months and ≤ 1 year		> 1 year and ≤ 5 years		> 5 years		Total	
	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Non-derivative liabilities	**57,634**	**56,936**	**53,433**	**58,083**	**21,265**	**23,279**	**11,410**	**18,364**	**17,587**	**20,744**	**161,329**	**177,406**
Deposits from other banks	94	193	7,552	7,627	622	744	3,482	5,845	6,039	4,884	17,789	19,293
Due to customers	38,067	36,852	45,315	47,968	19,424	20,284	5,825	7,603	7,150	10,715	115,781	123,422
Debt securities in issue	–	0	40	1,114	1,015	1,896	298	2,518	2,858	2,436	4,211	7,964
Subordinated debt	–	–	0	541	204	355	1,805	2,398	1,540	2,709	3,549	6,003
Other liabilities	–	–	526	833	–	–	–	–	–	–	526	833
Contingent liabilities and other obligations	19,473	19,891	–	–	–	–	–	–	–	–	19,473	19,891
Derivative liabilities	**–**	**–**	**136**	**192**	**115**	**444**	**378**	**1,192**	**436**	**559**	**1,065**	**2,387**
Hedging derivatives	–	–	53	60	12	85	155	260	78	207	298	612
Trading liabilities	–	–	83	132	103	359	223	932	358	352	767	1,775
Total	**57,634**	**56,936**	**53,569**	**58,275**	**21,380**	**23,723**	**11,788**	**19,556**	**18,023**	**21,303**	**162,394**	**179,793**

The contractual cash flows from on- and off-balance sheet liabilities have been assigned to the respective categories. In conformity with the requirements, the contractual cash flows of the financial liabilities are presented in accordance with the worst-case scenario, meaning that if the financial liabilities involve options or termination rights that could affect their maturity date, the most unfavorable case from a liquidity perspective is assumed. This is particularly relevant for demand deposits and savings deposits that are held at call or that have a short maturity of usually three months but that are available to the Bank for a significantly longer period of time, statistically speaking.

In contrast to the presentation of the contractual cash flows of the financial liabilities, the following overview of Postbank's liquidity status as of December 31, 2014, presents the expected cash inflows/outflows for the coming twelve months on a cumulative basis, in accordance with the principles of internal liquidity management:

Liquidity status of the Postbank Group as of December 31, 2014



The expected values for cash outflows from liabilities with no fixed capital commitment period, such as savings and checking account deposits, the probability of utilization of irrevocable loan commitments, and the quality of the fungible assets available for ensuring liquidity are based in part on observed historical data and in part on estimates that are validated regularly. These show that Postbank has significant liquidity surpluses across all maturity bands, which serve as liquidity buffers for stress situations and hence underscore its adequate cash position.

The results of the stress tests in fiscal year 2014 also underline Postbank's solid liquidity position. Even after the combined stress effects in the MaRisk scenario were taken into account, comfortable surpluses existed in the net liquidity position at all times, both during and beyond the survival period.

Postbank is integrated with Deutsche Bank's liquidity risk management process.

Monitoring and managing operational risk

The economic capital requirements for operational risk for the Bank as a whole and for the individual business divisions are determined using the internal capital model. Postbank's Advanced Measurement Approach (AMA) capital model is based on a loss distribution approach (LDA) that initially uses internal and external loss events, supplemented by scenario data, in its calculations. A scorecard is used to assess the quality of operational risk management in the business divisions so as to enable qualitative modifications to be made to the capital amounts calculated for them using Monte Carlo simulations; this also represents a material incentive to improve operational risk management.

Postbank uses an Advanced Measurement Approach (AMA) to calculate the capital requirements for its operational risk.

The VaR limit for operational risk at overall bank level amounted to €700 million as of the year-end closing date. In the case of limit exceedances, the limit for operational risk is increased (including during the course of the year) at the expense of other risk types or of the unallocated risk cover amount. Postbank's business divisions have been allocated specific risk capital amounts, utilization of which is also monitored each quarter.

In addition to the regular calculation of the operational risk indicators, quarterly stress tests are performed. Their results are used to analyze how the risk indicators behave under extreme conditions. For example, the effects of a general increase in loss frequencies or an additional, "artificial" major loss are examined.

Apart from the quantification model, Postbank uses the following qualitative instruments in particular throughout the Group:

- Structured capture of internal losses of €1,000 or more (fraud cases starting at €0)
- Definition of risk indicators as an early warning instrument
- Half-yearly self-assessment to evaluate the internal control framework
- Definition of scenarios for evaluating specific risk situations
- IT-based central activity tracking system to reduce operational risk.

A two-tier organizational structure with decentralized operational risk managers has been created for each unit and subsidiary to ensure the management of operational risk at an operational level. Operational Risk Control is responsible for central coordination and reporting in the CRO board department.

At €192 million, operational risk losses rose significantly year-on-year in 2014 (2013: €105 million). This development is due on the one hand to an increase in litigation and complaints about investment advice. Most of these relate to advice provided and transactions entered into in the area of closed-end funds, the distribution of which was discontinued in 2012. The increase is also the result of the rulings of Germany's Federal Court of Justice in May and October 2014 on the reimbursement of consumer loan processing fees.

Another point of emphasis in operational risk management is on averting acts of fraud. The focus in the fight against fraud remains on using the FRAUD committee to communicate all material cases of fraud promptly throughout the Bank, as well as on raising the awareness of the employees involved in the relevant processes in order to ensure the systematic and widespread early identification of cases of fraud. Various technical and organizational measures saw losses decline year-on-year in 2014.

As part of the identification and management of legal risk, the Legal Affairs department regularly reports to the Management Board and prepares analyses to ensure that the business divisions have access to differentiated estimates for decision-making purposes. The Legal Affairs department uses various individual measures to identify legal risk. It helps to measure Postbank's risk tolerance with respect to legal risk and participates in the Deutsche Bank Group's Annual Legal Risk Assessment Program. The necessary steps to address or mitigate potential legal risks arising from the Bank's business activities are agreed by the Legal Affairs department in consultation with the corporate divisions.

Legal risks are also identified within Operational Risk Control using various procedures in the established structure with operational risk managers. Risks are identified and measured both systematically and comprehensively using scenario analyses and self-assessments, as well as on an as-needed basis when introducing new products and assessing asset outplacement projects.

The following table shows the operational value at risk (OpVaR) after adjustment at the level of the Bank as a whole and of the individual divisions, for a confidence level of 99.93 %:

Business division	Operational value at risk (OpVaR)	
	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Retail Banking	269	243
Corporate Banking	38	35
Transaction Banking	–	71
Financial Markets	94	70
Postbank total	**401**	**419**

Postbank's strategic focus on retail and business customers can clearly be seen from the operational value at risk figures for the individual divisions. The Retail Banking business division has by far the highest capital requirements, at €269 million (December 31, 2013: €243 million). The portfolios of the Non-Core Operating Unit (NCOU), which are relevant for operational risk capital modeling and which are allocated in full to Retail Banking, account for €108 million.

Postbank's business continuity management (BCM) activities cover the value chain for business activities and critical Group functions. BCM is the term used to describe the implementation of preventive and restorative measures taking the form of emergency, crisis, and test planning for all board departments. Business impact analyses and risk identification and assessment exercises (RIAs) are performed on a regular basis to assess key business processes and how critical they are. Tests are used to demonstrate that these emergency plans work.

Monitoring and managing business risk

Business risk covers savings and checking account risk, collective risk, reputational risk, and residual business risk. These risks are managed by the system of decision-making bodies at Postbank.

Managing savings and checking account risk

Theoretical scenarios are defined for customer transactions with non-deterministic interest rates and capital commitment periods (primarily savings and checking account deposits) in order to permit interest rate risk to be managed. These scenarios appropriately reflect the repricing and capital commitment behavior associated with these customer products. Over time, unexpected volume and margin fluctuations can occur as a result of unexpected customer behavior or changes in the Bank's own interest rate adjustment policy (or as a result of a lack of opportunities for interest rate adjustments in marginal areas); this could endanger the ability to generate stable net interest income in the long term and hence also impact economic capital.

Limit monitoring and reporting of savings and checking account risk is performed centrally by Market Risk Management within the Risk Management unit.

Managing collective risk

BHW Bausparkasse AG uses a collective simulation model to quantify collective risk. The model captures planned new contracts and expected home savings customer behavior, such as savings habits, terminations, the financing of existing housing stock, home loan maturity dates, and principal repayments. Building on the individual contracts, the simulation model uses a broad range of behavioral parameters to calculate the statistically expected total cash flow and income statement/balance sheet data at the overall collective level on a quarterly basis for use in planning.

The plausibility and prediction quality of the collective simulation model was confirmed by an audit firm in connection with the exercise of the exception in accordance with section 1(4) of the *Bausparkassengesetzverordnung* (BSpkV – Building Societies Regulation). In addition, quality assurance of the model in the form of backtesting and variance analyses is performed annually.

The complex simulation of the home savings business, which uses a large number of different parameters, derives assumptions as to the behavior of home savings customers given different interest rate scenarios from historical data series. There is a risk of incorrect assumptions being made when modeling the parameters for savers' future behavior, which could result in adverse effects on the results of operations and net assets.

The collective simulation incorporates both existing contracts and assumptions as to new business in the coming years. Material effects on the medium-term results of operations would occur if actual new business were to be significantly below the assumptions, as in this case BHW Bausparkasse AG would have access to a reduced volume of low-interest customer funds.

Postbank considers the collective risk arising from its home savings and loan business to be material. A scenario-based model is used to quantify risk capital requirements for collective risk. Reporting and monitoring is performed by the Risk Control unit of BHW Bausparkasse AG which is functionally integrated in Postbank's Risk Management unit.

Reputational risk management

The core element of Postbank's reputational risk management is the prophylactic treatment of issues relevant to reputational risk resulting from certain customer-related transactions, business partners, or business practices. The primary responsibility for the identification, assessment, and escalation of such issues rests with the management of the relevant board departments and subsidiaries. The principle of local management responsibility applies, with the local units being assisted in the performance of their tasks by the central infrastructure units.

The Reputational Risk Committee (RepCo), as Postbank's escalation instance, must be consulted on issues representing a major reputational risk. This committee provides risk management support to the Group Management Board for the monitoring and management of reputational risk. The main management objective is to prevent reputational risk entirely if possible or, failing that, to minimize the effects of any reputational damage that has occurred by reacting with appropriate measures.

Managing residual business risk

The procedures for quantifying business risk have a direct and consistent relationship to the method used to determine the economic capital in Postbank's risk-bearing capacity concept. Residual business risk is calculated on the basis of historical variance analyses for the periods.

It is quantified and monitored partly on the basis of the value at risk concept and partly using scenario analyses, with the methods used being reviewed for accuracy at regular intervals. The BRC formally resolves the relevant limits.

In addition, extraordinary events are analyzed at regular intervals using both historically based and hypothetical scenario analyses and stress tests. Risk Management at Deutsche Postbank AG is responsible for limit monitoring and reporting which must be performed at least quarterly.

Controlling and the business divisions provide an early warning system by gathering and analyzing market and competitor data on an ongoing basis in order to identify potential risks, and by developing appropriate countermeasures.

Internal control and risk management system for the financial reporting process

As required by section 315(2) no. 5 of the *Handelsgesetzbuch* (HGB – German Commercial Code), the following section describes the key features of the internal control and risk management system for the Group financial reporting process. Postbank regards information as being material within the meaning of section 315(2) no. 5 of the HGB if failure to disclose it could influence the economic decisions taken on the basis of the consolidated financial statements and the other components of financial reporting. Materiality cannot always be determined in general terms, but is rather established in the context of the issue at hand, and is assessed on the basis of the nature and scope of the issues involved. Postbank assesses the question of the materiality of an issue by reference to its importance with respect to the consolidated financial statements.

Tasks of the internal control and risk management system relevant for financial reporting

Postbank sets high standards in regard to the correct presentation of transactions in its financial reporting. One of the tasks of the internal control system is to ensure due and proper financial reporting.

Postbank's internal control and risk management system comprises rules for managing corporate activities (internal management system/risk management system) and rules for monitoring compliance with these rules (internal monitoring system).

Postbank's internal control system performs the following tasks:

- Ensuring the effectiveness and economic efficiency of business activities in line with the corporate strategy
- Ensuring the propriety and reliability of both internal and external financial reporting
- Compliance with the legal provisions applicable to the Company.

Postbank's Management Board is responsible for establishing the internal control system. Appropriate principles, procedures, and measures ensure the system's implementation.

Organization of the internal control and risk management system relevant for financial reporting

The Management Board is responsible for preparing the annual and consolidated financial statements and the (group) management report. The Management Board has assigned responsibilities for the individual components and procedural steps relating to financial reporting in the form of organizational guidelines. The Finance, CEO, Resources and Chief Risk Office board departments are the main units involved in the preparation of the guidelines.

Postbank prepares its consolidated financial statements in compliance with IFRSs as endorsed by the European Union. Its financial statements are supplemented by the disclosures required by the German commercial law pursuant to section 340i of the HGB in conjunction with section 315a(1) of the HGB, the German Accounting Standards (GASs), as well as the sector-specific requirements for credit institutions and the

legal form requirements for German stock corporations (sections 150–161 of the AktG).

Consolidated subsidiaries and special-purpose entities prepare reports at Group level (Group reporting packages) in accordance with the Bank's group accounting policies.

Financial reporting is performed primarily by the departments within the Finance board department, whose main tasks are as follows:

- Monitoring of new legislation
- Preparation and maintenance of accounting policies
- Due and proper capture and processing of data/transactions relevant for financial reporting by the IT applications
- Preparation of the consolidated financial statements and the group management report
- Provision of information for segment reporting.

In addition, certain tasks with the following main functions are performed by the CEO board department:

- Coordination of the Declaration of Conformity as defined by section 161 of the AktG
- Provision of certain disclosures relating to the Notes.

With regard to the financial reporting process, the Resources board department primarily performs the following tasks:

- Creation of the conditions for recognition, measurement (best estimate), and ongoing review of the provisions for pensions and other employee benefits as well as provision of the relevant disclosures for the Notes
- Provision of additional relevant disclosures relating to the Notes and the Risk Report.

The Chief Risk Office performs the following tasks:

- Decisions on specific valuation allowances relating to domestic and foreign loans
- Provision of the information required to be disclosed with respect to market, credit, liquidity, and operational risks
- Provision of relevant disclosures relating to the Notes and the Risk Report.

The Supervisory Board supervises the Management Board. In the area of financial reporting, it is responsible for approving Postbank's consolidated financial statements. The Audit Committee set up by the Supervisory Board has the following tasks:

- Advice and supervision with respect to financial reporting, the internal control system, risk management and risk control (insofar as the Risk Committee is not responsible for this), internal audit, and compliance
- Discussion of questions relating to the requirement of auditor independence
- Engagement of the auditors, determination of the areas of emphasis of the audit, and agreement of the fee.

The Audit Committee makes use of its right to demand information from the Internal Audit function when performing its duties.

In addition, Postbank's Internal Audit unit plays a process-independent monitoring role. It performs audits in all areas of the Company on behalf of the Management Board and is directly assigned to the Management Board, to which it also reports. In addition to reviewing the propriety and functional reliability of the processes and systems, it assesses the effectiveness and appropriateness of the internal control system in particular and of risk management in general.

The consolidated financial statements and the group management report must be audited by the auditor elected by the Annual General Meeting before the consolidated financial statements are approved.

The audit report to be prepared by the auditor must be submitted to Postbank's Supervisory Board.

Components of the internal control and risk management system relevant for financial reporting

Postbank's control environment, as a component of its internal control and risk management system relevant for financial reporting, is the framework within which the rules applicable at Postbank are introduced and applied. It is determined by management's basic attitude, problem awareness, and behavior toward the internal control system. The control environment materially influences employees' control awareness. A positive control environment is a precondition for an effective internal control system.

Accounting policies and other rules serve to ensure the due and proper treatment of business transactions; the policies and rules are reviewed on an ongoing basis and modified as necessary. Postbank uses SAP for account entry. In addition, end user data processing tools are used, the design of which is supervised during monitoring of end user data processing. The Group reporting packages submitted by the companies to be included in consolidation are loaded into the SAP SEM system by the companies or entered manually in individual cases. This data, together with other information provided by the companies to be included in consolidation, is used by the Bank to prepare its consolidated financial statements.

The risk of non-compliant financial statements is addressed by corresponding instructions in the guidelines. Group reporting packages are checked for conformity with Group manuals. The quality of the consolidated financial statements is assured by the Accounting department. The subsidiaries are informed each month of the deadlines for, and changes relating to, the preparation of the consolidated financial statements. The Group guidelines are updated at regular intervals and the updated versions communicated to the subsidiaries.

Generally applicable measurement procedures are used. The procedures used and the underlying inputs are reviewed at regular intervals and modified as necessary.

The core principle behind the design of these processes is the clear separation of irreconcilable activities. The principle

of dual control plays a key role here, with all transactions being processed and entered in line with it. Dual control can be exercised at the technical or organizational level, or a combination of both.

The financial reporting process for the annual financial statements comprises technical support for the business transactions, data capture and processing, reporting, and the publication of the components of financial reporting. In addition, preparation of the consolidated financial statements comprises in particular determining the basis of consolidation, the reports by the companies included in consolidation, intercompany reconciliations, currency conversion, automated and manual consolidation entries and, ultimately, the generation of the consolidated financial statements.

The entire financial reporting process is IT-based. Both standard applications and custom software are used. Rules and procedures, which are based on Postbank's IT strategy and risk strategy, exist for program development and modifications, data backups, and access control, thus ensuring the propriety of the financial reporting.

Integrated process controls take the form of plausibility tests within the programs and automated and manual reconciliations. The Bank regularly reconciles the general and subledgers.

Internal Audit

The Internal Audit unit is a key element of Postbank's business and process-independent monitoring system. In terms of the Bank's organizational structure, it is assigned to the member of the Management Board responsible for Resources and reports independently to the Group Management Board.

Internal Audit is obliged to comply with the standards issued by the Institute of Internal Auditors (IIA) and the Deutsches Institut für Interne Revision (German Institute for Internal Auditing). It reviews the effectiveness and appropriateness of risk management in general and of the internal control system in particular in a risk-oriented and process-independent manner, in line with the MaRisk. In addition, it examines the propriety of all activities and processes. Internal Audit's responsibilities also extend, in a scaled-down form, to the subsidiaries of Postbank. Its activities in the subsidiaries range from advisory functions to full-scale Internal Audit procedures.

In line with Deutsche Bank's methodology, Internal Audit's audit planning is based on a dynamic process. The inherent risks associated with the business divisions and the corresponding control measures are analyzed and assessed as part of a continuous risk assessment. This is used to draw up the risk-based audit plan for the fiscal year, which the Management Board commissions Internal Audit to implement.

In addition to its regular audits, Internal Audit performs special examinations in certain circumstances, and provides audit and consulting services relating to the introduction and implementation of material projects. Audit concepts are continuously adapted to reflect the findings of the risk assessments. For instance, new products, changes in the internal control system, or organizational changes in the way audits are performed are all taken into account, as are any changes in the legal framework.

Remuneration systems

The *Verordnung über die aufsichtsrechtlichen Anforderungen an Vergütungssysteme von Instituten* (InstitutsVergV – Regulation Governing Supervisory Requirements for Remuneration Systems of Institutions) dated October 6, 2010, was replaced by a new version on December 16, 2013, which came into effect as of January 1, 2014. The structural requirements for establishing a Compensation Control Committee (Supervisory Board committee) and the function of a remuneration officer were resolved by the responsible bodies at the end of 2013. Postbank implemented the remaining changes to the InstitutsVergV in good time.

Postbank's remuneration systems comply with the general and specific requirements of the InstitutsVergV. They are in keeping with the goals laid down in the strategies and are designed in such a way that negative incentives are avoided. Employees are remunerated appropriately for their tasks and responsibilities.

With respect to the specific requirements to be met by the remuneration systems for senior managers and employees whose activities have a material influence on the overall risk profile, the remuneration systems were designed in such a way as to provide even greater support for sustainability-oriented enterprise goals. The remuneration systems comply with the requirements of the InstitutsVergV, in particular with respect to the amount of variable remuneration to be deferred and the deferral periods. Following a review in accordance with section 10 of the InstitutsVergV, the necessary changes were implemented in the relevant employment contracts insofar as this was possible under civil, employment, and company laws.

OUTLOOK

Overall economic parameters

Macroeconomic environment

Global economy

The prospects of a slight acceleration of global growth in 2015 are good. The economic upturn is expected to intensify in industrialized countries in particular. In those countries positive momentum for domestic demand could be generated by lower oil prices. In addition, the pressure toward fiscal consolidation has eased in many countries so that the drag on growth generated by these policies should also further ease. Monetary policy in the eurozone will remain very expansive for the foreseeable future and continue to bolster growth. The economies of emerging countries are likely to develop in a more differentiated manner. Factors that put the brakes on growth in some countries in 2014 may continue to have an impact or even intensify. The year of 2015 could also become problematic first and foremost for countries dependent on the export of raw materials and oil in particular. Emerging economies that import most of the raw materials are likely to benefit from price falls. Countries with a strong export sector should also profit from advancing demand in the industrialized countries. For global growth, the risks are posed primarily by the possible intensification of geopolitical conflicts. A renewed flare up of the sovereign debt crisis in the eurozone triggered by political conflicts of interest also cannot be ruled out. For 2015, the IMF expects world economic output to grow by 3.5 %, compared with the 3.3 % rise in 2014.

The economic upturn in the U.S.A. had an unusually broad foundation at the start of the year that should noticeably accelerate growth in 2015. Private consumption could benefit from another significant rise in employment and from the substantial relief that lower energy costs have brought to consumers. Powerful momentum is also expected to be generated by corporate investments and residential construction. Overall, gross domestic product (GDP) is likely to climb significantly higher than it did last year. We expect GDP growth of 3.7 % in 2015.

The Japanese economy should recover from the economic setback of last year. But with only a slight boost in private consumption and gross capital expenditures growing sluggishly, a strong upturn is not currently in sight. Overall, GDP growth should expand moderately, at 1.3 %.

The eurozone's gradual economic recovery is likely to continue. The rise in private consumption could pick up speed as well, since the steep fall in the price of oil should act as an additional stimulant. Even gross capital expenditures, which remain quite slim, are likely to be expanded. In contrast, government spending should only experience a slight uptick given persisting consolidation programs. Export growth should rally in the wake of the expected world economic recovery and a substantially weaker euro. Since imports are also likely to expand owing to somewhat stronger domestic demand, foreign trade should not generate any noteworthy growth momentum. Overall, GDP growth will probably see only a slight rise to 1.3 % in 2015.

Economic outlook for Germany

At the start of the year, the German economy was in a solid state of health. Early indicators like the Ifo Business Climate Index also point toward a lasting revival. Increasing global demand in conjunction with a weaker euro should lead to stronger export growth. The improvement of the global environment should also raise the confidence of companies and result in a gradual expansion of their investments. Because of dramatically low interest rate levels, investments in constructions are also expected to support economic momentum. Private consumption, which should benefit from solid income growth alongside very low inflation, could become the most important vehicle of growth. Overall, the economic upturn is likely to persist in 2015, leading us to expect GDP growth of 1.4 %. The labor market should also benefit. The unemployment rate may fall even further, with employment once again gaining ground.

Markets

In light of the ECB's expanded purchase program announced in January 2015, which encompasses bonds issued by eurozone central governments, agencies, and European institutions, and features a monthly volume amounting to €60 billion, we do not expect to see any other significant course changes in monetary policy this year. The ECB is likely to implement its program as announced. Key interest rates will probably remain at the same level throughout the year. The U.S. Federal Reserve (the Fed), in contrast, will probably further reduce the expansiveness of its monetary policy. We expect the first rise in the federal funds rate to occur in mid-2015, with 1.0 % reached by the end of the year. In our view, the risk of the Fed postponing a hike of the federal funds rate owing to dramatically low inflation is greater than the risk that it will raise the interest rate earlier and higher.

As a result of the once again more expansive monetary policy of the ECB, capital market interest rates in the eurozone are likely to remain very low, although some factors point toward a rise in yields over the course of the year. The slightly improved economic situation in the eurozone is included here. The price of oil is also unlikely to drop any further, which should lead expectations of inflation to stabilize. Moreover, as a result of the somewhat tighter monetary policy in the U.S.A., returns on U.S. Treasuries may tend to rise – a situation that commonly impacts the German market. The upward momentum this will generate for the yield level could be off-set by ECB bond purchases. As a result we expect that the yields of 10-year German Bunds will end 2015 at approximately the same level as they started. With key interest rates remaining constantly low, the yield curve may stay comparatively flat.

The prospects for corporate bonds are divided. On the one hand, they too should benefit from the expansion of ECB bond purchases. On the other, the drop in the price of oil has currently elevated the default risk of bonds overall but in particular of those issued by U.S. companies with low credit ratings, since many of these issuers are located in the energy sector. Even if this is not the case in Europe, the corresponding market segment is likely to be affected by events in the U.S.A., possibly leading to a rise in risk premiums. At minimum, it is indicative of increased volatility. European bonds with good credit ratings may in the meantime be further stabilized by the ECB program.

We see a certain potential for reduction in light of the ECB's government bond purchasing program and the expected moderate economic recovery regarding the risk premiums demanded for the government bonds of the so-called peripheral eurozone countries. Leeway for further reducing risk premiums is limited given the level achieved to date. At the same time the markets for government bonds may remain susceptible to setbacks, although these are more likely to be triggered by political than economic developments.

The question of particular relevance for today is how the conflict will be resolved between the new Greek government and the country's public creditors, involving the continuation of the current financial assistance program, a possible debt reduction measure and/or a restructuring of that debt, and the Greek obligation to continue with structural reforms. Should no agreement be reached on extending the financial assistance program, Greece faces the threat of insolvency. In this case, a Greek exit from the eurozone would not be ruled out. Such an event could then lead to a substantial rise in risk premiums if market participants subsequently call the fundamental stability of the eurozone into question. If the governments of other European countries accommodate Greece too much, this could awaken the envy of other debtor countries or help to strengthen populist tendencies. It could seriously disturb the process of necessary structural reform and also lead to a rise in risk premiums. Indeed, we believe the most likely solution to be a compromise that leads to a new, modified assistance program. However, it seems difficult at the moment to foresee just how the situation will develop.

Sector situation

German banks will likely face two key issues through the end of 2015: A clear and sustainable improvement of the operating business in a low interest environment as well as the implementation of new regulatory requirements. Starting in October of this year, for example, the liquidity coverage ratio will be gradually introduced. It is meant to ensure that each bank is in a position to survive a difficult liquidity stress scenario independently over a period of 30 calendar days.

We do not expect to see any significant rise in interest rates in 2015. This is a situation that would make interest margin increases difficult for most institutions, especially since tough competition in the German retail and corporate banking customer segments puts a strain on both net interest income and net fee and commission income. What is more, only moderate growth is to be expected for the lending business with these customer groups. Substantial increases in net fee and commission income and net interest income should therefore be quite difficult to achieve. Because of the persistently difficult conditions on the income side, many banks are likely to have additional cost optimizations on their agendas in 2015 as well. The financial resources banks must employ to implement new regulatory requirements also have a negative impact on the income statement and limit opportunities for cutting costs.

We believe that the three-pillar structure of private, public and cooperative banks is unlikely to change in 2015. Mergers and/or acquisitions should primarily take place within the respective banking groups. The implementation of a German *Trennbankengesetz* (Bank Separation Act) would lead to changes in the market position and/or competitive situation of individual banks.

Consumer protection, manifested in the administration of justice and legislation, can also affect the reputation and the business performance of the banking industry in 2015. This general development (e.g. with regard to banking fees or revocation instructions for consumer credits) is also relevant for Postbank.

Outlook for the Postbank Group

Postbank's investment focuses

In 2015, Postbank's activities will again focus on measures to observe new and amended regulatory requirements. These include the Supervisory Review and Evaluation Process (SREP), the principles for effective risk data aggregation and risk reporting issued by the Basel Committee on Banking Supervision (BCBS, consultative document 239) and the implementation of new technical standards for CRR. Postbank will also invest in preserving the Bank's competitiveness to approximately the same extent as it did last year. In contrast to 2014, a slight reduction of investments related to integration is planned. Investments toward preservation of the Bank's competitiveness, including additional initiatives for digitizing the customer business and automating the cash cycle, will be slightly higher than 2014 levels.

Non-financial key performance indicators

It is to be expected that customer and employee satisfaction, given current assessments, will reach the same level as last year or moderately exceed them in 2015. This forecast does not imply any fundamental changes in the strategic orientation of Postbank.

Expected development of the earnings situation of the Postbank Group

The following assessment of the presumed direction of business at Postbank in 2015 is based on the assumptions and expectations concerning overall economic parameters described in this Group Management Report. A renewed intensification of the sovereign debt crisis and/or possible setbacks or disruptions in international capital and real estate markets among other things could have a negative impact on this scenario. The continuing discussion about additional, unexpected and markedly stricter regulation of the banking industry could have a significant effect on the financial position, net assets and results of operations at Postbank that is not taken into consideration in the following base scenario. Our expectations are based on a forecast made prior to the ECB's latest decisions that foresees interest rate rising higher than the current level. If this development stabilizes, it would have a negative impact on the earnings trend in 2015.

The Deutsche Bank Group is currently conducting an open-ended examination of its future strategy. This could also impact Postbank's current integration process. Since the communication of potential changes in corporate strategy will not be announced until the second quarter of 2015 and no contrary information exists, we are proceeding in the following on the basis of a scheduled continuation of the current integration plan.

We expect the advancing integration of the Postbank Group into the Deutsche Bank Group to produce significant synergies. These synergies should positively affect the short-, mid- and long-term earnings situation of Postbank and its business divisions. The income and cost synergies currently anticipated from the integration as well as any non-recurring effects are considered in this outlook.

The solid income streams generated by its business with retail, business and corporate customers remain the foundation of future earnings performance at Postbank. The Bank's efforts will include improving its cost base, adjusted for integration-related expenses. Here Postbank's integration into the Deutsche Bank Group will allow potential for heightened efficiency to be tapped.

In detail, we expect net interest income in 2015 overall to rise slightly above the level of last year despite the sustained low level of interest rates. Net interest income from the NCOU segment could see improvements owing in particular to maturing high-interest liabilities. We also expect a stable development of the operating core business, with rising income in the lending business likely compensating for sinking income in the deposit business. These expectations are based on our interest rates forecast, higher than the current market level, made before the most recent ECB decisions.

Net fee and commission income will decline markedly in 2015. The decline can primarily be attributed to contractual stipulations for the cooperation with Deutsche Post, effective since the start of the year, which provide for reduced fee and commission income together with lower administrative expenses. Growing income in the securities and checking account business will in all likelihood only partially counterbalance the decline in fee and commission income.

We anticipate a pronounced decline in net income from investment securities in 2015 given the positive non-recurring effects from the bundling of the service companies in 2014 amounting to €162 million on balance. Overall we expect net income from investment securities to be slightly positive in 2015.

For net trading income in 2015, we expect slightly positive earnings contributions and thus a moderate improvement compared with 2014, due to improved hedge results for our optional savings books among other things.

We see the allowance for losses on loans and advances in 2015 somewhat above the historically low prior-year level. For our core activities we anticipate this item increasing mostly as a result of the intended growth of our business.

For administrative expenses, we are proceeding on the assumption they will again drop slightly in 2015. The main reason for this is that expenditures for service companies still included on a prorated basis in 2014 will no longer be accounted for. We also expect another noticeable dip in integration-related expenditures.

With regard to our workforce, we expect the number of full-time equivalents to increase slightly by approximately 200 in 2015. This development is mainly driven by increasing regulatory requirements.

Following substantial positive and negative non-recurring effects in 2014, we expect 2015 to offer a slight improvement of the cost/income ratio, our central performance indicator, despite continuing negative effects from integration-related expenditures. We also foresee a worsening of return on equity before tax on the order of one to two percentage points.

As a result of the positive non-recurring effects in 2014, we anticipate a downturn in profit before tax in the higher two-digit millions for 2015. Since substantial negative effects from tax payments will also no longer have an impact in 2015, we expect profit after tax to rise by an amount in the low to middle two-digit millions.

Expected developments in the key business divisions

Retail Banking

In light of the expected economic trend, we expect our retail banking business in Germany to remain stable in 2015. Retail banking is a low-volatility and low-risk business activity compared with others. While we do believe competition will intensify, we also believe our current positioning makes us well-prepared for the challenges.

For 2015, we expect net interest income to rise slightly in an unchanged interest rate environment, net fee and commission income to decline markedly, and the allowance for losses on loans and advances to increase moderately – while still remaining historically low – compared with the extraordinarily positive performance in 2014. The decline in net fee and commission income will result primarily from the amended structure of the contract with Deutsche Post, which will lead to a decrease in fee and commission income and a simultaneous reduction in administrative expenses with a negative effect on balance. Administrative expenses, including internal cost allocations, are also likely to shrink slightly owing to sinking integration-related expenses. For this segment in 2015, we expect markedly diminished negative effects from the reimbursement of loan processing fees in other expenses to lead to an amount in the low three-digit millions above the level of profit before tax in 2014.

Corporate Banking

We expect profit before tax of the Corporate Banking segment in 2015 to be slightly above the 2014 level. A moderate increase of the allowance for losses on loans and advances should be more than compensated by a minor decrease in expenses and an improvement in net interest income generated by planned business growth.

Financial Markets

In the Financial Markets segment, which includes the results from the management of our banking book, we anticipate negative net interest income for 2015 as well as markedly lower realized gains in net income from investment securities. The segment result should thus worsen significantly compared with the past fiscal year. Consequently, we expect a segment loss in the low three-digit millions for fiscal year 2015.

Non-Core Operating Unit

In the Non-Core Operating Unit segment (NCOU) in 2015, we expect to see an additional noticeable improvement of the persistent marked loss reported by this segment, amounting to a figure in the mid-three digit millions. No substantial maturities are to be expected for this year. The negative net interest income of the NCOU segment should palpably improve as a result of volumes reduced by maturing instruments in 2014 among other things. We expect other individual earnings components to remain stable. When opportunities arise, we will examine the option of an unscheduled reduction of positions, which could lead to positive or negative income and earnings effects not foreseen in this outlook.

Cost Centers/Consolidation

For this segment we expect to see a balanced result for 2015. This will be a result in particular of the aforementioned end of positive non-recurring effects in net income from investment securities in 2014 from the deconsolidation of service companies, which was recognized in the Cost Centers/Consolidation segment.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Bonn, February 25, 2015

Deutsche Postbank AG

The Management Board

Frank Strauss

Marc Hess

Susanne Klöss-Braekler

Ralph Müller

Hans-Peter Schmid

Ralf Stemmer

Hanns-Peter Storr

3,610 ATMs

Life is full of surprises and possibilities. And it is rich in gifts. What else would you call an outing with friends on a sunny day? Laughing, discovering the world, sharing dreams together – and making them come true. To do that anytime and anywhere, you'll need cash, and Postbank shows you where to get it with its GPS-powered ATM-finder. Thanks to 9,000 money machines in the cash group, the next cash pick-up point is just around the corner.

CONSOLIDATED FINANCIAL STATEMENTS

IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
FOR THE PERIOD ENDED DECEMBER 31, 2014

04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2014

Consolidated Income Statement	Note	2014 €m	2013 €m
Interest income	(7)	4,734	5,158
Interest expense	(7)	–2,226	–2,695
Net interest income	(7)	2,508	2,463
Allowance for losses on loans and advances	(8)	–265	–319
Net interest income after allowance for losses on loans and advances		2,243	2,144
Fee and commission income	(9)	1,187	1,270
Fee and commission expense	(9)	–258	–259
Net fee and commission income	(9)	929	1,011
Net trading income	(10)	–6	–53
Net income from investment securities	(11)	216	274
Administrative expenses	(12)	–2,729	–3,206
Other income	(13)	387	223
Other expenses	(14)	–802	–119
Profit before tax from discontinued operation	(15)	219	44
Total profit before tax		457	318
Income tax from continued operations	(16)	–106	19
Income tax from discontinued operation	(15)	–72	–6
Total income tax		–178	13
Profit from ordinary activities after tax – continued operations		132	293
Profit from ordinary activities after tax – discontinued operation	(15)	147	38
Profit from ordinary activities after tax		279	331
Non-controlling interests		–1	–1
Consolidated net profit		**278**	**330**
Basic earnings per share (€)			
from continued operations		0.60	1.34
from discontinued operation		0.67	0.17
Diluted earnings per share (€)			
from continued operations		0.60	1.34
from discontinued operation		0.67	0.17

Condensed Statement of Comprehensive Income	2014 €m	2013 €m
Profit from ordinary activities after tax	279	331
Other comprehensive income after tax	**201**	**51**
Items that will not be reclassified to profit or loss	–121	–36
Remeasurement gains/losses (–) on defined benefit plans	–121	–36
Income tax on items not reclassified to profit or loss	8	–2
Items that will be/may be reclassified to profit or loss, before tax	318	91
Change in revaluation reserve	318	–47
Unrealized gains/losses (–) for the period, before tax	311	–25
Gains (–)/losses reclassified to profit or loss, before tax	7	–22
Change in currency translation reserve	0	138
Unrealized gains/losses (–) for the period, before tax	0	0
Gains (–)/losses reclassified to profit or loss, before tax	0	138
Income tax on items that will be/may be reclassified to profit or loss	–4	–2
Total comprehensive income for the period attributable to non-controlling interests	–1	–1
Total comprehensive income	**479**	**381**

Earnings per share are calculated by dividing consolidated net profit (separately for continued operations and the discontinued operation) by the weighted average number of shares outstanding during the fiscal year. The average number of shares outstanding in fiscal year 2014 was 218,800,000 (previous year: 218,800,000).

Diluted earnings per share are the same as basic earnings per share because, as in the previous year, no conversion or option rights are outstanding and hence there is no dilutive effect.

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2014

Assets	Note	Dec. 31, 2014 €m	Dec. 31, 2013[1] €m	Jan. 1, 2013[1] €m
Cash reserve	(17)	1,230	1,739	2,054
Loans and advances to other banks	(18)	19,659	20,153	27,646
Loans and advances to customers	(19)	97,972	101,313	106,266
Allowance for losses on loans and advances	(21)	–1,361	–1,478	–1,745
Trading assets	(22)	697	1,824	5,135
Hedging derivatives	(23)	119	113	565
Investment securities	(24)	33,477	34,015	37,021
Intangible assets	(25)	1,952	2,028	2,248
Property and equipment	(26)	683	698	768
Current tax assets	(27)	148	115	113
Deferred tax assets	(27)	48	92	127
Other assets	(28)	823	728	719
Assets held for sale		–	157	7,039
Total assets		**155,447**	**161,497**	**187,956**

Equity and Liabilities	Note	Dec. 31, 2014 €m	Dec. 31, 2013[1] €m	Jan. 1, 2013[1] €m
Deposits from other banks	(29)	17,583	18,282	17,334
Due to customers	(30)	119,295	120,398	131,732
Debt securities in issue	(31)	4,571	7,342	9,436
Trading liabilities	(32)	767	1,681	5,953
Hedging derivatives	(33)	298	460	1,002
Provisions		1,952	1,664	3,033
a) Provisions for pensions and other employee benefits	(34)	155	93	1,530
b) Other provisions	(35)	1,797	1,571	1,503
Current tax liabilities	(36)	104	80	115
Deferred tax liabilities	(36)	51	84	137
Other liabilities	(37)	526	833	721
Subordinated debt	(38)	3,699	4,358	3,196
Liabilities directly related to assets held for sale		–	168	9,382
Equity	(39)	6,601	6,147	5,915
a) Issued capital		547	547	547
b) Share premium		2,010	2,010	2,010
c) Retained earnings		3,761	3,255	3,067
d) Consolidated net profit		278	330	287
Non-controlling interests		5	5	4
Total equity and liabilities		**155,447**	**161,497**	**187,956**

[1]Figures adjusted (see Note 6)

STATEMENT OF CHANGES IN EQUITY

	Issued capital €m	Share premium €m	Retained earnings €m	Currency translation reserve €m	Revaluation reserve €m	Consolidated net profit €m	Equity before non-controlling interests €m	Non-controlling interests €m	Total €m
Balance at Dec. 31, 2012	**547**	**2,010**	**3,198**	**–138**	**72**	**287**	**5,976**	**4**	**5,980**
Restatement			–65				–65		–65
Balance at Jan. 1, 2013	**547**	**2,010**	**3,133**	**–138**	**72**	**287**	**5,911**	**4**	**5,915**
Dividend payment							–		–
Changes in retained earnings			287			–287	0		0
Total comprehensive income Jan. 1 – Dec. 31, 2013			–38	138	–49	330	381	1	382
Treasury shares							–		–
Other changes			–150				–150	–	–150
Balance at Dec. 31, 2013	**547**	**2,010**	**3,232**	**–**	**23**	**330**	**6,142**	**5**	**6,147**
Dividend payment							–		–
Changes in retained earnings			330			–330	0		0
Total comprehensive income Jan. 1 – Dec. 31, 2014			–113		314	278	479	1	480
Treasury shares							–		–
Other changes			–25				–25	–1	–26
Balance at Dec. 31, 2014	**547**	**2,010**	**3,424**	**–**	**337**	**278**	**6,596**	**5**	**6,601**

Comprehensive income includes measurement and disposal gains and losses on available-for-sale financial instruments, which are recognized in the revaluation reserve, and remeasurement gains and losses from defined benefit plans, which are recognized in retained earnings.

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More detailed disclosures on the changes in the revaluation reserve can be found in Note 39.

Postbank did not hold any treasury shares as of December 31, 2014.

CONSOLIDATED CASH FLOW STATEMENT

	Note	2014 €m	2013 €m
Consolidated net profit		**278**	**330**
Non-cash items in consolidated net profit and reconciliation to cash flow from operating activities			
Depreciation and writedowns of property and equipment, writedowns of investment securities, loans and advances, and reversals of impairment losses on these items		424	408
Changes in provisions	(34), (35), (36)	168	–64
Changes in other non-cash items		–396	249
Gains on disposal of property and equipment and investment securities		–466	–274
Other adjustments (net, primarily net interest income)		–2,275	–2,398
Subtotal		**–2,267**	**–1,749**
Changes in working capital after adjustment for non-cash components			
Loans and advances to other banks		251	7,076
Loans and advances to customers		3,399	2,829
Trading assets		1,144	3,392
Hedging derivatives with positive fair values		270	387
Other assets		–85	–28
Deposits from other banks		–681	930
Due to customers		–1,645	–11,027
Debt securities in issue		–2,825	–1,908
Trading liabilities		–877	–4,263
Hedging derivatives with negative fair values		–97	–535
Other liabilities		–307	188
Interest received		4,604	5,230
Interest paid		–2,543	–2,945
Other cash inflows		12	7
Dividends received		0	0
Income taxes paid		–157	–57
Net cash used in operating activities		**–1,804**	**–2,473**

	Note	2014 €m	2013 €m
Proceeds from the disposal of			
Investment securities		3,672	2,720
Investments in subsidiaries	(2)	66	670
Property and equipment		2	7
Intangible assets		2	–2
Payments to acquire			
Investment securities		–1,626	–1,194
Investments in subsidiaries		–1	–11
Property and equipment		–51	–41
Intangible assets		–36	–41
Net cash from investing activities		**2,028**	**2,108**
Dividends paid		0	0
Net change in cash and cash equivalents from other financing activities		–733	50
Net cash from/used in in financing activities		**–733**	**50**
Cash and cash equivalents at start of period	(17)	**1,739**	**2,054**
Net cash used in operating activities		–1,804	–2,473
Net cash from investing activities		2,028	2,108
Net cash from/used in in financing activities		–733	50
Effects of exchange rate differences		0	0
Cash and cash equivalents at end of period	(17)	**1,230**	**1,739**

Reported cash and cash equivalents correspond to the cash reserve.

Net cash flow used in operating activities is calculated using the indirect method, i.e., on the basis of consolidated net profit plus non-cash expenses and less non-cash income in the fiscal year.

In addition, all income and expenses that are cash transactions but are not attributable to operating activities are eliminated. These payments are recognized in the cash flows used in/from investing activities or financing activities.

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BASIS OF PREPARATION

DB Finanz-Holding GmbH, Frankfurt am Main, a wholly-owned subsidiary of Deutsche Bank AG, Frankfurt am Main, is the parent company of Deutsche Postbank AG, Bonn. The Postbank subgroup companies are included in Deutsche Bank AG's consolidated financial statements.

(1) Basis of accounting

As a listed company, Deutsche Postbank AG has prepared its consolidated financial statements for the year ended December 31, 2014, 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). The annual report contains the components of an annual financial report within the meaning of section 37v of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act).

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The Annex to these consolidated financial statements provides an overview of the financial reporting standards applied (as of December 31, 2014).

Accounting and measurement are based on the going concern principle. Income and expenses are accrued. They are recognized and recorded in the period to which they relate.

The consolidated financial statements comprise the consolidated statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement, and the notes.

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

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 fair value measurement of certain financial instruments, including the assessment of whether an active or inactive market exists, the recognition and measurement of provisions, and the ability to realize deferred taxes. Among other things, the estimation uncertainty associated with measurement models for financial instruments is addressed in Note 42, Fair value of financial instruments. When determining the intention to hold financial instruments, business strategy and current market conditions are also taken into account. Where significant estimates were required, the assumptions made are explained in detail in the following Notes to the corresponding item. In individual cases, the actual values may differ from the assumptions and estimates made.

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The fair value of securities holdings in the form of government bonds, *Pfandbriefe*, and bank and corporate bonds is determined using observable market prices or inputs that are observable in the market.

The management of market risk, counterparty credit risk, and liquidity risk is described in the Risk Report section of the Group Management Report (subsections "Monitoring and managing market risk", "Monitoring and managing credit risk", and "Monitoring and managing liquidity risk").

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The management of the individual risk types and the disclosures on risks from financial instruments (in accordance with IFRS 7) are explained in the Risk Report contained in the Group Management Report.

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(2) Basis of consolidation

In addition to the parent company Deutsche Postbank AG, 22 (December 31, 2013: 28) subsidiaries that are presented in the following overview are included in the consolidated financial statements as of December 31, 2014.

Consolidated companies

Name and domicile	Equity (%) interest direct	Equity (%) interest indirect
BHW Holding AG, Hameln	100.0	
DSL Portfolio GmbH & Co. KG, Bonn	100.0	
DSL Portfolio Verwaltungs GmbH, Bonn	100.0	
PB Factoring GmbH, Bonn	100.0	
PB International S.A., Munsbach, Luxembourg	100.0	
PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Bonn	100.0	
Postbank Beteiligungen GmbH, Bonn	100.0	
Postbank Filialvertrieb AG, Bonn	100.0	
Postbank Immobilien und Baumanagement GmbH, Bonn	100.0	
Postbank Leasing GmbH, Bonn	100.0	
Postbank P.O.S. Transact GmbH, Eschborn	100.0	
Postbank Systems AG, Bonn	100.0	
BHW Bausparkasse Aktiengesellschaft, Hameln		100.0
BHW Gesellschaft für Vorsorge mbH, Hameln		100.0
BHW - Gesellschaft für Wohnungswirtschaft mbH, Hameln		100.0
Deutsche Postbank Finance Center Objekt GmbH, Munsbach, Luxembourg		100.0
PB Firmenkunden AG, Bonn		100.0
Postbank Filial GmbH, Bonn		100.0
Postbank Immobilien GmbH, Hameln		100,0
Postbank Versicherungsvermittlung GmbH, Bonn		100.0
Postbank Finanzberatung AG, Hameln	23.3	76.7
Postbank Immobilien und Baumanagement GmbH & Co. Objekt Leipzig KG, Bonn		90.0

In the fourth quarter of the fiscal year, Postbank established a new subpool of assets (Teilgesellschaftsvermögen PB 26) with a notional volume of €300 million, which was included in the consolidated financial statements together with seven other subpools of assets. All of the subpools of assets are structured entities in accordance with IFRS 12.

BHW – Gesellschaft für Wohnungswirtschaft mbH (BHW GfW) withdrew from BHW – Gesellschaft für Wohnungswirtschaft mbH & Co. Immobilienverwaltungs KG (Immo KG) as of December 31, 2014. Due to the withdrawal of BHW GfW as the sole general partner without a capital interest, Immo KG ceased to exist without being liquidated. As of December 31, 2014, all of the assets and liabilities of Immo KG were transferred by way of accretion of assets through succession (*Anwachsung according to Umwandlungsgesetz* – German Transformation Act, UmwG) to BHW Bausparkasse AG as the last remaining shareholder of Immo KG.

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A complete list of shareholdings in accordance with section 313 of the HGB is given in Note 60.

As part of the pooling of service companies within the Deutsche Bank Group, investments in five service companies were transferred by Postbank to PBC Banking Services GmbH as of April 1, 2014, and deconsolidated accordingly.

The proceeds received for the shares of BHW Kreditservice GmbH are reported as cash under the "Proceeds from the disposal of investments in subsidiaries" item in the cash flow statement.

The shares of Postbank Service GmbH, Postbank Direkt GmbH, Betriebs-Center für Banken AG, and VÖB-ZVD Processing GmbH, along with their equity interests, were transferred to PBC Banking Services GmbH as non-cash contributions. In return, Postbank received 49.9975 % of the shares of PBC Banking Services GmbH, which corresponds to 50 % less one share and/or one vote.

The transfer of the service companies resulted in an economic deconsolidation gain of €349.6 million. The derecognition of the companies' pension obligations had an additional positive earnings effect of €12.0 million.

At the date of disposal, the five service companies' assets disclosed in the consolidated balance sheet amounted to €107 million and their liabilities to €163 million. The main items were cash reserves (€42 million), other assets (€32 million), provisions (€68 million), and other liabilities (€71 million).

There were no other changes in the basis of consolidation.

Investment accounted for using the equity method

Name and domicile	Purpose of the company	Equity (%)
PBC Banking Services GmbH, Fankfurt am Main	Acquired and held equity investments in the service companies of the Deutsche Bank Group	49.9975

Due to the separate shareholders' agreement between Postbank and Deutsche Bank Privat- und Geschäftskunden AG (the parent company of PBC Banking Services GmbH), Postbank has significant influence over PBC Banking Services GmbH, which is therefore an associate in accordance with IAS 28. Consequently, the Bank recognized the shares of PBC Banking Services GmbH it received at cost, in the amount of €411.1 million, under the "Investment securities" item in the consolidated balance sheet as of April 1, 2014. See Note 24, Investment securities.

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(3) Consolidation methods

In accordance with IFRS 10.19, the consolidated financial statements of Deutsche Postbank AG have been prepared in accordance with uniform Group accounting and measurement policies.

Subsidiaries are consolidated using the acquisition method of accounting in accordance with IFRS 10.B86 in conjunction with IFRS 3. Recognition of the investments in subsidiaries at their carrying amount at the parent is replaced by the fair values of the assets and liabilities of the companies included.

Any goodwill arising from initial consolidation is tested for impairment once a year and written down if required.

Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated equity as "non-controlling interests". The consolidated profit attributable to non-controlling interests is presented separately in the income statement and the statement of comprehensive income.

Intercompany receivables and liabilities, income and expenses from intercompany transactions, and intercompany profits within the Group were eliminated in accordance with IFRS 10.B86.

The financial statements of the consolidated subsidiaries used to prepare the consolidated financial statements were prepared as of the parent company's reporting date.

(4) Accounting policies

Unless otherwise stated in the following, all accounting policies remained unchanged as against the previous year.

(a) Fair value and active market

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If available, the prices quoted in an active market are used for financial instruments measured at fair value; the principal or most advantageous market is determined in each case (IFRS 13.72ff. in conjunction with IFRS 13.B34).

Active markets are distinguished by high trading volumes and liquidity, in particular. If the above criteria are not met, the market is regarded as being inactive.

Postbank considers all of the following criteria in identifying the principal market:

- The market with the greatest trading volume and the highest market activity,
- The market normally used by the Bank,
- The Bank has access to the defined principal market.

The principal market can be the interbank market, the brokered market, stock exchanges, or futures exchanges, depending on the type of product.

The most advantageous market is used to measure fair value if the Bank does not have access to the principal market.

(b) Loans and advances

As a rule, loans and advances to other banks and customers are reported at amortized cost ("loans and receivables" category). These also include money market receivables.

Postbank applies the fair value option exclusively to specific loan portfolios in the mortgage lending business that are hedged by interest rate derivatives. In accordance with this, financial assets may be designated at fair value through profit or loss if this leads – among other things – to the elimination or significant reduction of inconsistencies in measurement or recognition (accounting mismatches). In accordance with IFRS 13.61ff. in conjunction with IFRS 13.B12ff., receivables are measured on the basis of discounted cash flow analysis using a current swap yield curve and loan-specific risk or cost premiums. A detailed description of the valuation technique used can be found in Note 42. Receivables are presented in the balance sheet under the "loans and advances to customers" item. Changes in fair value are reported in net trading income. The interest on portfolios allocated to the fair value option and the related interest rate swaps are reported in net interest income.

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The maximum credit risk on the loan portfolios allocated to the fair value option corresponds to the carrying amount of €4.9 billion (previous year: €5.8 billion); this risk is reduced by €0.3 billion (previous year: €0.4 billion) by credit default swaps, because these loans are part of the reference pools of synthetic securitizations and/or this credit risk has been placed in the market in connection with the RMBS transactions. The change in fair value attributable to changes in the default risk on financial assets was €3.5 million in the year under review (previous year: €32 million); the cumulative changes amounted to €3.5 million (previous year: €32 million).

The credit default swaps that reduce the credit risk are exclusively financial guarantee contracts that are accounted for under IFRSs or are measured only at the time of the recourse claim.

Impairments of loans and advances due to changes in credit risk that are not designated at fair value through profit or loss are recognized separately in the allowance for losses on loans and advances, and deducted from assets.

The carrying amount of collateralized loans for which hedge accounting is used is adjusted for the gains and losses from changes in fair value attributable to the hedged risk.

Premiums and discounts including transaction costs are recognized in net interest income over the term of the loans and advances using the effective interest method. Deferred interest on loans and advances, as well as premiums and discounts, are carried together under the relevant items of loans and advances.

Receivables are derecognized as soon as substantially all risks and rewards of ownership of the financial assets have been transferred or the contractual rights to the cash flows expire or have been transferred, or if these are passed through. The fair value of financial instruments measured at amortized cost or at the hedge fair value is determined using observable market prices or discounted cash flow analysis using inputs that are observable in the market (current swap yield curve plus credit spread). Additional information on the fair value of financial instruments is given in Note 42, Fair value of financial instruments.

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Financial instruments are grouped into classes as required by IFRS 7.6 at Postbank on the basis of the categories of financial instruments in accordance with IAS 39 together with the relevant balance sheet items. To further increase transparency, Postbank has broken down the credit risk information required to be disclosed under IFRS 7.36f. by individual classes in the Risk Report.

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(c) Leases

Leases are accounted for in accordance with IAS 17 and IFRIC 4.

In accordance with IAS 17, leased assets are allocated to and recognized at the lessor or the lessee, and the leases are classified as a finance or operating lease, on the basis of the risks and rewards incidental to ownership.

Where Postbank is the lessee in a finance lease, it capitalizes the leased asset at the fair value amount applicable at the beginning of the lease or at the lower present value of the minimum lease payments under property and equipment.

The lease payments due are reported in the balance sheet under other liabilities. Writedowns of the leased assets are recognized in administrative expenses.

Where Postbank is the lessor of a finance lease, it discloses the receivable at its net investment value under loans and advances to other banks or loans and advances to customers. The lease installments due are recognized as interest income (interest component; recognized in income) and deducted from the receivables reported (principal redemption component; recognized in other comprehensive income). Postbank has not entered into any finance leases relating to real estate.

Where Postbank is the lessee of an operating lease of properties, it reports the lease installments paid in full as rental expense under administrative expenses.

Where Postbank is the lessor of an operating lease, it carries the leased asset at amortized cost under property and equipment or intangible assets. The lease installments received during the respective period are reported in other income; writedowns of the leased assets are recognized under administrative expenses.

(d) Allowances and provisions for losses on loans and advances, writedowns, and impairments

Identifiable credit risks are covered by recognizing specific valuation allowances (or collective specific valuation allowances). Additionally, in the case of risks that have arisen but not yet been identified, portfolio-based valuation allowances are recognized for groups of financial assets with similar default risk profiles, the amounts of which are determined on the basis of the parameters of expected loss rates, default probabilities, and LIP factors. The allowance for losses on loans and advances is deducted from assets as a separate balance sheet item. It relates to writedowns of losses on loans and advances to other banks and to customers.

A potential need to recognize impairment losses is assumed in the case of the following indicators: delinquency over a certain period, the initiation of enforcement measures, imminent insolvency or over-indebtedness, the application for or opening of insolvency proceedings, or the failure of restructuring measures.

A financial asset is impaired if its estimated recoverable amount is lower than its carrying amount, i. e., if a loan is presumed to be (partly) uncollectible. If this is the case, the loss on financial assets carried at amortized cost must either be recognized through an indirect writedown (loan loss allowance) or by writing down the asset directly and recognizing the loss in profit or loss (IAS 39.63).

In accordance with IAS 39.63ff., the recoverable amount is determined using the following methods:

- the discounted present value of estimated future cash flows (interest and principal payments as well as payments received from the liquidation of collateral) from the financial asset;

- an observable market price, where there is an observable market price for the financial instrument, because marking-to-market reflects the increased counterparty credit risk.

Uncollectible loans and advances are written off directly against income in the appropriate amount; recoveries on loans previously written off are recognized in income.

Credit risk provisions are recognized for liabilities under sureties, other guarantees, and irrevocable loan commitments involving a default risk.

(e) Trading assets

Securities and derivatives with positive fair values acquired for the purpose of generating a profit from short-term fluctuations in market prices or dealing margins are carried under this balance sheet item. It also contains the positive fair values of banking book derivatives and derivatives relating to hedged items accounted for under the fair value option. These transactions are recognized for the first time at the trade date.

The assets are carried at their fair values. If there are publicly quoted prices in an active market within the meaning of IFRS 13.72ff. in conjunction with IFRS 13.B34, these publicly quoted prices are generally used as the fair value; otherwise the fair value is determined based on recognized valuation techniques (in accordance with IFRS 13.61ff. in conjunction with IFRS 13.B5ff.). A detailed description of the valuation techniques is given in Note 42. Remeasurement gains and losses as well as gains or losses realized on the sale or disposal of trading assets are recognized in net trading income.

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The interest on spot transactions and interest on swaps in portfolios allocated to the fair value option are recognized in net interest income. All other interest on swaps is reported in net trading income.

The embedded derivatives contained in the synthetic SCP portfolios (structured credit products) that are required to be separated are reported as standalone derivatives in the "trading assets" balance sheet item (in the case of positive fair values) or "trading liabilities" (in the case of negative fair values). Further information on the SCP portfolios can be found in Note 4 (h), Investment securities.

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The measurement methods used are described in Note 42, Fair value of financial instruments.

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(f) Securities lending and repurchase agreements

Postbank enters into genuine securities repurchase agreements. Securities sold under repo and sell-and-buyback transactions (cash sales) are carried as securities in the consolidated balance sheet. Cash inflows from such transactions are carried in the balance sheet as deposits from other banks or amounts due to customers, depending on the respective counterparty. These cash inflows are disclosed in the amount of the purchase price received (net); prepaid expenses are recognized ratably for the repo rate to be paid. Interest payments are carried under interest expense. Reverse repo and buy-and-sellback transactions (cash purchases of securities) are carried as loans and advances to other banks or loans and advances to customers. The securities purchased are not carried in the balance sheet; interest arising from such transactions is carried under interest income.

IFRSs only require an obligation to return the securities to be recognized by the borrower if the securities are passed on to another party. The lender continues to recognize the securities.

(g) Hedging derivatives

The aim of asset/liability management at the Postbank Group is to manage the Bank's overall exposure in a way that optimizes risk and return, with a particular focus being placed on present value risk. Fair value hedges are used for this purpose.

A fair value hedge is a hedge of the exposure to changes in the fair value of financial assets and liabilities.

For interest-bearing securities and non-current receivables, the instruments used in fair value hedges are primarily interest rate swaps. For issues, cross-currency swaps and structured swaps are also employed to convert fixed-income or structured items into variable-rate exposures. Fair value hedges are used to hedge both individual items and homogeneous subportfolios.

Hedging derivatives relate to those hedging instruments that meet the requirements for hedge accounting set out in IAS 39.

As a rule, a derivative held for hedging purposes may be allocated to a single hedged item or to several similar hedged items. Such hedges are generally known as microhedges.

IAS 39 governs the use of hedge accounting. Under IFRSs, hedge accounting may only be used for hedging relationships that meet the requirements of IAS 39.88ff. A hedging relationship ends when the hedged item or the hedging instrument expires, is sold, or is exercised, or if the hedge no longer meets the criteria for qualification for hedge accounting. The hedge accounting criteria must be satisfied at each balance sheet date and for each hedging relationship.

Derivatives entered into for the purposes of asset/liability management and derivatives from ineffective hedging relationships do not meet the conditions set out in IAS 39.88ff., and thus are always recognized in income and disclosed at their fair value as banking book derivatives under trading assets/liabilities. These derivatives generally relate to interest rate swaps entered into to hedge net positions of receivables and liabilities. Under IFRSs, measurement gains and interest income from these items are recognized in net trading income.

Effectiveness testing for all fair value hedges is performed prospectively by way of a sensitivity analysis of the hedged item and the hedging instrument, supplemented by homogeneity testing of the subportfolios. Actual changes in the fair values of the hedged item and the hedging instrument are compared retrospectively for each hedge at regular intervals using a retrospective effectiveness test.

Derivatives used for asset/liability management are entered into primarily as microhedges (fair value hedges). If there are no effective microhedges, the changes in value of the derivatives used for asset/liability management are reported in net trading income in accordance with IFRSs, regardless of whether risk management was successful or not from an economic perspective. New swaps taking the form of microhedges (microswaps) are entered into and existing hedges are unwound and settled as part of active management of the fixed-rate position in the overall bank balance sheet (asset/liability management). The review of the fixed-rate position and the decision to enter into or unwind and settle microhedges are based on economic factors. The unwinding of microswaps is accounted for in the balance sheet and in net profit or loss for the period in the same way as for ineffective hedges. Effectiveness tests – and hence measurement in profit or loss – are performed at the end of the month.

The Bank has managed interest rate risk arising from private mortgage lending using derivatives (plain vanilla swaps). Hedge accounting is used for the hedging instruments in accordance with the principles laid down in IAS 39.83. The hedged items are the individual loans, which as similar assets are grouped together and accounted for in loan classes

(h) Investment securities

Investment securities are composed of bonds not held for trading and other fixed-income securities, equities and other non-fixed-income securities, investments in unconsolidated subsidiaries, and other equity investments.

Investment securities are measured on initial recognition at fair value as of the trade date.

Loans and receivables (LaR) portfolios are recognized at amortized cost in the balance sheet.

Available-for-sale investment securities (AfS) are subsequently measured at their fair values where these can be reliably determined. Changes in the fair values of available-for-sale investment securities are recognized directly in the revaluation reserve in equity and are not recognized in income until the gain or loss is realized or impairment is identified. If hedge accounting is used for these investment securities, gains and losses from changes in fair value attributable to the hedged risk are recognized directly in income.

Postbank allocates financial instruments to the AfS measurement category that were not acquired for selling in the near term or for short-term profit taking, that were not designated as at fair value through profit or loss, and that are not to be held to maturity. The financial instruments are also quoted on an active market – as defined in Note 4 (a) – at their acquisition dates.

Premiums and discounts are allocated directly to the financial instruments and accrued over the remaining maturity while applying the effective interest method.

For equity instruments writedowns are charged in the event of significant or longer-term impairment of the fair value.

Investments in unconsolidated subsidiaries and other equity investments are generally carried at cost as their fair value cannot reliably be determined. Writedowns are charged in the event of permanent impairment.

The fair values of corporate bonds, government bonds, *Pfandbriefe*, and bank bonds are measured on the basis of observable market prices or inputs that are observable in the market in accordance with IFRS 13.72ff. in conjunction with IFRS 13.B34.

Postbank has invested in structured credit products (SCPs) to a limited extent as part of its own securitization transactions. These include synthetic residential mortgage-backed securities (RMBSs), for example, which are classified as available for sale (AfS).

For debt instruments impairment losses due to changes in credit risk are only charged in the event of permanent impairment. The existence of permanent impairment is determined by certain objective evidence. IAS 39.59 gives a number of examples of such objective evidence, such as significant financial difficulty of the issuer or obligor, or a breach of contract such as a default or delinquency in interest or principal repayments. Where objective evidence of permanent impairment exists, the following procedure must be followed:

In the case of LaR portfolios, the difference between the current carrying amount and the recoverable amount is recognized as an impairment loss in the income statement. In the case of AfS portfolios, the negative amount from the revaluation reserve must be reversed to the income statement.

If the reasons for impairment cease to apply, the impairment of the debt instrument is reversed to profit or loss. Any amount in excess of cost is recognized directly in equity. In the case of equity instruments, the full amount of the reversal is recognized directly in equity.

The impairment losses are reported in "net income from investment securities". Financial instruments are derecognized as soon as substantially all risks and rewards of ownership of the financial assets have been transferred.

150 The measurement methods used are described in Note 42, Fair value of financial instruments.

131 Information on the recognition and measurement of investments accounted for using the equity method is provided in Note 24.

(i) Intangible assets

Intangible assets are carried at cost less any accumulated amortization and impairment losses and relate primarily to internally generated and purchased intangible assets and purchased goodwill.

Intangible assets in the Postbank Group are only recognized in accordance with IAS 38.21–23 if it is probable that the expected benefit will flow to the entity and the cost can be reliably determined. Development costs for internally generated software are capitalized if the evidence required under IAS 38.57 (a)–(f) can be provided. If the criteria for capitalization are not met, the expenses are recognized immediately in the income statement for the period in which they arise.

Intangible assets with a finite useful life are amortized using the straight-line method over a period of 5 to 10 years, recognized customer relationships over a period of 25 years, and beneficial contracts over a period of 12 years. The amortization period for intangible assets with a finite useful life is reviewed at least at the end of each fiscal year.

Changes to expected useful lives are accounted for as changes in accounting estimates. Intangible assets with a finite useful life are reviewed at the balance sheet date for evidence of possible impairment. If this is the case, the impairment loss is determined. This is done by determining whether the respective carrying amount of the asset exceeds its recoverable amount, taking into account the possibility of a complete writedown and/or disposal of the asset. There were no indications of impairment in 2014. Intangible assets not yet ready for use are tested for impairment annually. The intangible assets with an indefinite useful life recognized at Postbank are brands and purchased goodwill.

Purchased goodwill is not amortized.

Purchased goodwill and other intangible assets with indefinite useful lives are tested for possible impairment annually (impairment test in accordance with IAS 36). To conduct the impairment test, the recognized goodwill and brands are allocated to the corresponding cash-generating units as required by IAS 36. For this purpose, pursuant to IAS 36.80, the operating segments in accordance with IFRS 8 are used as cash-generating units. The impairment test of goodwill subsequently determines whether the recoverable amount exceeds the respective carrying amount of the cash-generating unit. The recoverable amount is the higher of the value in use and the fair value less costs to sell. When testing brands for impairment, the fair value less costs to sell for the brands is determined at the level of the individual asset instead of the cash-generating unit. Value in use is determined based on the corresponding cash flows of the cash-generating unit. Fair value less costs to sell is only determined if calculating value in use would result in identification of an impairment. Value in use is calculated based on appropriate projections (management approach). The planning period covers five years. Following the detailed planning period, a projection using a 1 % growth rate (perpetual annuity) was used. A discount rate of 8.03 % was used to calculate the value in use of the Retail Banking cash-generating unit, while the discount rate for the Corporate Banking cash-generating unit was 8.67 %. The discount rate consists of a risk-free interest rate plus a company-specific risk premium, which is calculated on the basis of the systematic market risk (beta factor) and the current market risk premium.

With reference to IAS 36.134 (d) (ii), the recoverable amounts calculated in the projections (segment results) are based on both historical data and assumptions about future trends in markets that are crucial for Postbank's business. The key planning assumptions with regard to macroeconomic fundamentals are based on experience and the use of market models in Postbank's Research units, as well as on product managers' estimates of market trends in relation to the forecast performance of Postbank products. In addition, estimates and models by credit risk managers that are based on these fundamentals are used to assess changes in the allowance for losses on loans and advances.

In accordance with IAS 36.134 (d) (i), the key assumptions on which management has based its projections of the recoverable amounts are presented below.

With regard to the macroeconomic fundamentals in Germany, an above-average growth rate for gross domestic product (GDP) is assumed for the 2015 to 2017 planning period, with average growth for the following years until 2019. At the same time, the unemployment rate is expected to decline slightly until 2016 and then remain stable at a very low level. Private household disposable income is likely to rise by slightly more than average over the whole planning period. Moderate inflation of 1.5 % is assumed for 2015, with a slight rise in the following years towards 2 %.

Consumer spending should grow relatively strongly in 2015 and then at an average rate starting in 2016, while the savings rate should decline slightly. At the same time, management predicts that the lending business will profit slightly from the sustained low interest rates and that the portfolio of loans to retail customers will be expanded moderately. Despite the slight increase in uncertainty caused by the change of government in Greece, the probability of the sovereign debt crisis worsening again in 2015 is quite low thanks to the measures resolved by politicians and the ECB.

The forecast changes in the relevant market parameters for savings products, the number of Postbank checking accounts, installment loans, and home savings products in the Bank's core German market, which were derived from the above-mentioned macroeconomic environment, will result in only moderate overall growth in Postbank's business activities.

(j) Property and equipment

Property and equipment is carried at cost and reduced by depreciation over the standard useful life of the asset. Determination of the useful life of an asset reflects physical wear and tear, technical obsolescence, and legal and contractual restraints. Writedowns are charged in the event of additional impairment.

Property and equipment is depreciated using the straight-line method over the following periods

	Useful life (years)
Buildings	40 – 60
IT systems	4 – 5
Other operating and office equipment	5 – 20

Ongoing maintenance and acquisition costs of up to €150 are expensed in full as incurred. Costs for replacing components of property and equipment are capitalized.

The cost of low-value assets is expensed immediately for reasons of materiality.

(k) Other assets

Prepaid expenses as well as all assets not allocated to other asset items are reported under Other assets.

(l) Liabilities

Liabilities and subordinated debt are carried at amortized cost (IAS 39.47).

The carrying amount of secured liabilities that meet the requirements for hedge accounting is adjusted for the changes in fair value attributable to the hedged risk.

Premiums, discounts, and issue costs are recognized in net interest income by applying the effective interest method.

(m) Trading liabilities

Derivatives with negative fair values that were acquired for the purpose of generating a profit from short-term fluctuations in market prices or dealing margins are carried under this balance sheet item. It also contains the negative fair values of banking book derivatives. Remeasurement gains and losses and realized gains and losses are recognized in net trading income. Derivatives carried under trading liabilities are recognized for the first time at the trade date. Interest rate derivatives relating to the hedged items accounted for under the fair value option are also reported here. In addition, short sales of securities – insofar as these are permissible – are recognized at their negative fair value.

The embedded derivatives contained in the synthetic SCP portfolios that are required to be separated are reported as standalone derivatives in the "trading assets" balance sheet item (in the case of positive fair values) or "trading liabilities" (in the case of negative fair values).

(n) Provisions

Provisions for pensions and other employee benefits

There are commitments to provide occupational benefits at Deutsche Postbank AG and its subsidiaries. The commitments are classified as either defined contribution plans or defined benefit plans depending on the terms and conditions of the plans concerned.

The annual contribution to defined contribution plans is converted into a benefit using actuarial techniques and credited to a pension account.

Expenses for defined contribution plans mainly relate to payments made to Bundesanstalt für Post und Telekommunikation Deutsche Bundespost (Postbeamtenversorgungskasse, formerly: Bundes-Pensions-Service für Post und Telekommunikation e. V.) in the amount of €97 million (previous year: €97 million). These expenses and the employer contributions to statutory pension insurance in the amount of €47 million (previous year: €51 million) are recognized in administrative expenses in the income statement.

The existing defined benefit pension commitments provide for different benefits for different groups. The majority of the benefits are granted in the form of direct pension commitments plus, since the acquisition of the BHW Group, indirect pension commitments via BHW Bausparkasse VVaG's Pensionskasse (occupational pension fund).

Direct pension commitments: Direct pension commitments provide for old-age, disability, and survivors' benefits, mostly in the form of lifelong pension payments. Different arrangements exist due to the assumption of pension plans in connection with corporate transactions, among other things. Specifically, these are

- modular pension plans, where the future pension increases every year depending on the salary received;
- final salary-based commitments, where the future pension is linked to the length of service and the salaries received before the insured event;

- (indexed) fixed pensions, where the amount of the future pension is fixed but in some cases is indexed by a set percentage amount every year.

Postbank directly assumed the commitments to the pensioners and employees who were previously insured with Versorgungsanstalt der Deutschen Bundespost (VAP – Postal Service Institution for Supplementary Retirement Pensions).

BHW Bausparkasse VVaG's *Pensionskasse* (occupational pension fund): The *Pensionskasse* is a legally independent occupational pension provider in the form of a mutual insurance association (VVaG – *Versicherungsverein auf Gegenseitigkeit*), which grants beneficiaries a legal right to their pension benefits. As a regulated *Pensionskasse*, it is supervised in full by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Federal Financial Supervisory Authority) on the basis of the *Versicherungsaufsichtsgesetz* (VAG – German Insurance Supervision Act). The pension scheme is funded by the sponsoring employers, which make regular contributions to the *Pensionskasse*. The solvency of the *Pensionskasse* was ensured at all times in the fiscal year. The employees and pensioners insured by the *Pensionskasse* generally also have direct pension commitments that are credited toward the occupational pension fund insurance.

In 2013, Postbank established a CTA (contractual trust arrangement) to finance previously unfunded direct obligations that are not covered via the Pensionskasse. The assets held in the CTA qualify as plan assets under IAS 19. Transfers of funds to the CTA are not subject to any statutory minimum requirements; rather, they can be determined by Postbank in accordance with internal guidelines.

The amount of the liability is determined annually by independent actuaries using the projected unit credit method required under IAS 19. The discount rate applicable for the pension liability is set at the reporting date by reference to the yield on high quality long-term corporate bonds. The assumptions regarding the salary trend reflect Postbank's expectations as to how this will develop over the long term. The nominal rate of expected salary increases is determined based on inflation plus the expected long-term real salary trend ("building block approach"). The inflation rates implied by inflation swaps denominated in euros on the balance sheet date are used as a reference for long-term inflation.

In accordance with legal requirements, future pension adjustments are linked to inflation/salary trends, unless a guaranteed adjustment of 1% p.a. has been granted.

The following overview shows the input parameters used:

	2014	2013
Discount rate	2.0%	3.6%
Salary growth	2.0%	2.4%
Inflation rate	1.5%	1.9%
Mortality	Heubeck tables 2005G	Heubeck tables 2005G

Other provisions

Obligations resulting from other short-term and long-term employee benefits are primarily recognized in other provisions in accordance with the requirements of IAS 19. This applies in particular to partial retirement and early retirement benefits. The provisions attributable to these obligations amounted to €217 million as of December 31, 2014 (previous year: €271 million).

Provisions for uncertain obligations, for reimbursements of arrangement fees, and for interest premiums payable retroactively in the case of unutilized loans, or of changes in interest rates or tariffs, are recognized for the home savings business in line with the different tariffs and contract terms. These provisions are calculated as a percentage of the total potential liability, based on the statistical data available relating to customer behavior and taking into account the general environment likely to affect the business in the future.

Since home savings contracts typically have very long terms (in some cases more than 20 years), the timing and exact amount of the related expenses is uncertain. The collective simulation therefore incorporates assumptions and estimates regarding customer behavior and future conditions to determine the amount of the provisions.

Provisions for legal disputes in and out of court are recognized if current legal disputes are likely to lead to a cash outflow and a reliable estimate of the obligation can be made. The Bank takes into account a large number of factors to determine whether the cash outflow is more likely than not and to estimate the amount of the potential obligation. These factors include the nature of the claim and the underlying circumstances, the status and progress of the individual proceedings, court and arbitration board decisions, the experience of the Bank and third parties in similar cases (where the Group is aware of such cases), preliminary settlement discussions, available exemptions, and the opinions and assessments of legal advisors and other experts. Since the assessment of the probability and the amount of the obligation arising from legal disputes involves a level of uncertainty, the actual obligation at the end of the legal proceedings may exceed the provisions recognized.

Additions to provisions for interest premiums and changes in interest rates are reported in net interest income, while provisions established for the reimbursement of arrangement fees and other additions to provisions are mainly charged to other expenses.

(o) Currency translation

In accordance with IAS 21.23, all foreign currency monetary items and equities denominated in foreign currencies that are classified as non-monetary items in accordance with IAS 21.8 are translated into euros at the middle spot rate at the balance sheet date. There were no material non-monetary items at the balance sheet date measured at (amortized) cost (in particular property and equipment, prepaid expenses, and deferred income) and translated at the historical rate in accordance with IAS 21.23 (b). Foreign currency income and expenses are generally translated at the closing rate.

Gains and losses resulting from the translation of monetary assets and liabilities are recognized in the income statement. Gains and losses on the translation of non-monetary items are either taken directly to the revaluation reserve or recognized in net trading income, depending on the item's underlying measurement category.

(p) Income taxes

Income taxes are recognized and measured in accordance with IAS 12, with the consolidated income tax group with Deutsche Bank established in 2012 being taken into account from a formal legal perspective. According to this approach, income taxes are no longer recognized at the level of the Postbank consolidated tax group because they are now owed by the tax group parent, Deutsche Bank AG. The tax that continues to be owed by Postbank on the compensation payment to external shareholders in accordance with section 16 of the *Körperschaftssteuergesetz* (KStG – German Corporation Tax Act) is not covered by this rule.

The assessment of income tax assets and liabilities requires certain estimates to be made. A differing assessment by the tax authorities cannot be ruled out. Account is taken of the associated uncertainty by recognizing uncertain tax assets and liabilities if Postbank considers their probability to be greater than 50 %. A change in the assessment, for example based on final tax assessments, would affect the current and deferred tax items. The uncertain income tax items recognized are based on the best estimate of the expected tax payment.

The following applies to the taxes owed by companies not belonging to the Postbank consolidated tax group:

Deferred taxes are recognized for all temporary differences between the carrying amounts in the IFRS financial statements and the carrying amounts in the tax accounts (tax base). Deferred tax assets are recognized for tax loss carryforwards and temporary differences in the amount of their probable future utilization. Deferred tax assets are recognized for tax loss carryforwards based on future taxable income within a planning period that generally covers five years.

Deferred tax items are reported under "deferred tax assets" in the case of assets and "deferred tax liabilities" in the case of liabilities.

Current and non-current deferred tax assets and liabilities are offset in accordance with IAS 12.74.

Income and expenses from deferred taxes are recognized under income tax separately from current tax income and expenses. Recognition depends on the accounting treatment of the underlying item. For example, deferred taxes are recognized in net profit or loss when the balance sheet item is itself recognized in net profit or loss. Deferred taxes are credited or charged to the revaluation reserve in equity when the balance sheet item is itself credited or charged directly to equity (IAS 12.61A), e.g., in the case of remeasurement of available-for-sale securities.

(q) Non-current assets held for sale

Non-current assets (and disposal groups) are classified as held for sale in accordance with IFRS 5 if their carrying amount will be recovered principally through sale and their sale is highly probable.

Assets held for sale are generally measured at the lower of their previous carrying amount and fair value less costs to sell and are reported in the "Assets held for sale" balance sheet item. According to IFRS 5.5 exceptions to this measurement rule may, among other things, be applied to financial instruments. The liabilities associated with these assets are reported in the "Liabilities directly related to assets held for sale" balance sheet item.

(5) New developments in international accounting under IFRSs

New developments in fiscal year 2014

The following standards were required to be applied for the first time in the reporting period:

IAS 32

The amendment to IAS 32 regarding the offsetting of assets clarifies the conditions under which financial assets and financial liabilities must be offset. The amendment did not have a significant effect on the financial position, net assets, and results of operations of Postbank.

IAS 36

The amendments to IAS 36 concern the disclosure requirements regarding the recoverable amount of impaired assets determined based on fair value less costs of disposal. The amendments did not lead to any additional disclosure requirements for Postbank for fiscal year 2014.

IAS 39

The amendments to IAS 39 concern simplified requirements on the "Novation of Derivatives," which mean that novation of a hedging instrument to a central counterparty as a consequence of laws or regulations does not give rise to termination of a hedging relationship. The amendment did not have a significant effect on the financial position, net assets, and results of operations of Postbank.

IFRIC 21

IFRIC 21 provides guidance on how to account for levies imposed by governments, other than income taxes. The provisions are intended to clarify when the relevant liabilities should be recognized in the balance sheet. IFRIC 21 did not have a significant effect on the financial position, net assets, and results of operations of Postbank as of the 2014 year-end

Amendments resulting from standards and interpretations to be applied in future fiscal years

The principal standards issued, the effective date, and the expected effects on Postbank are summarized below. Postbank takes the effective date specified by the IASB in the individual standards as the effective date insofar as the EU permits early adoption.

Standard	Effective date	Description of amendments and their effects for Postbank
IAS 19 "Employee Benefits"	July 1, 2014 Commission Regulation 2015/29 of December 17, 2014	IAS 19 contains an amendment to "Defined Benefit Plans: Employee Contributions", as a result of which contributions from employees or third parties that are linked to service are recognized as a negative benefit in the period in which the related service is rendered.
IFRS 9 "Financial Instruments"	January 1, 2018 Not yet endorsed by the EU.	IFRS 9 "Financial Instruments" includes requirements on the classification and measurement of financial instruments, impairment, and general hedge accounting (excluding macro hedge accounting). Under these requirements, financial instruments must be classified on the basis of the entity's business model and contractual cash flow characteristics, depending on which the instruments are subsequently accounted for at amortized cost or at fair value (either recognized in profit or loss or directly in equity). With regard to impairment, the former incurred loss impairment model is replaced by an expected loss model that allows default risk to be accounted for in a more timely manner. The new general hedge accounting requirements are now largely aligned with internal risk management with fewer restrictive quantitative requirements regarding the measurement of hedge effectiveness. Postbank is currently examining the potential effects on its net assets, financial position, and results of operations, and changes to the consolidated financial statements.
IFRS 10 (amended 2014) and IAS 28 (amended 2014) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	January 1, 2016 Not yet endorsed by the EU.	The amendments are intended to provide clarification regarding the recognition of unrealized gains from transactions between an investor and an associate or joint venture. Postbank does not expect the new requirements to have any material effects.
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2017 Not yet endorsed by the EU.	IFRS 15 is a new standard on revenue recognition, which brings together the numerous requirements previously contained in various standards and interpretations in a single standard and provides a set of uniform principles that are applicable for all sectors and categories of sales transactions. Under IFRS 15, the amount of the consideration to which the entity expects to be entitled to, in exchange for transferring goods or services to a customer, must be recognized as revenue. Postbank is currently examining the potential effects on its net assets, financial position, and results of operations, and changes to the consolidated financial statements.
Annual Improvements 2010–2012	July 1, 2014 Commission Regulation 2015/28 of December 17, 2014	The IASB has implemented clarifications, amendments and additions to existing standards as part of its Annual Improvements 2010–2012 project. Postbank does not expect the new requirements to have any material effects.
Annual Improvements 2011–2013	July 1, 2014 Commission Regulation 1361/2014 of December 18, 2014	The IASB has implemented clarifications, amendments and additions to existing standards as part of its Annual Improvements 2011–2013 project. Postbank does not expect the new requirements to have any material effects.
Annual Improvements 2012–2014	January 1, 2016 Not yet endorsed by the EU.	The IASB has implemented clarifications, amendments and additions to existing standards as part of its Annual Improvements 2012–2014 project. Postbank does not expect the new requirements to have any material effects.

(6) Adjustments of prior-year figures

In the reporting period, the Bank determined that a provision relating to a purchase obligation entered into should have been recognized in 2012.

The retrospective adjustment resulted in an increase in provisions of €59 million as of January 1, 2013, and of €56 million as of December 31, 2013, and a reduction in investment securities of €6 million as of January 1, 2013, and of €9 million as of December 31, 2013.

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The retrospective adjustment reduced retained earnings by €65 million in the 2013 comparative period. See also the statement of changes in equity.

INCOME STATEMENT DISCLOSURES

(7) Net interest income

	2014 €m	2013 €m
Interest and current income		
Interest income from:		
Lending and money market transactions	4,078	4,410
Fixed-income and book-entry securities	641	738
Trading operations	0	1
Net gains/losses on hedges	3	2
	4,722	**5,151**
Current income from:		
Equities and other non-fixed-income securities	0	1
Equity investments	12	6
	12	**7**
	4,734	**5,158**
Interest expense on:		
Deposits	1,669	1,938
Debt securities in issue	183	245
Subordinated debt	201	219
Swaps	173	293
Trading operations	–	–
	2,226	**2,695**
Total	**2,508**	**2,463**

Interest income from the lending business and from money market transactions includes €24 million (previous year: €27 million) of interest income accrued on impaired assets (unwinding in accordance with IAS 39).

Interest expense on liabilities, debt securities in issue, and subordinated debt relates to financial instruments classified as liabilities at amortized cost.

Interest expense on trading operations includes refinancing expenses from trading activities.

The sustained low level of interest rates could result in a negative rate of return. Within the Postbank Group, this could affect individual money market transactions and repurchase agreements. The Postbank Group reports negative interest from receivables atypically as interest income and negative interest from liabilities atypically as interest expense. Details are not disclosed due to the immateriality of the amounts involved.

Interest income and expenses on swaps used in hedging relationships are reported as a net expense. The underlying transactions include hedging instruments that meet the qualification criteria for hedge accounting in accordance with IAS 39 amounting to €–27 million (previous year: €50 million). In addition, this item includes €200 million (previous year: €243 million) in derivatives that hedge loans and advances designated under the fair value option.

Gains and losses from the remeasurement of fair value hedges are reported under net gains/losses on hedges, which are composed of the following items:

	2014 €m	2013 €m
Gains/losses on the fair value remeasurement of hedged items	–247	109
Gains/losses on the fair value remeasurement of hedging instruments	250	–107
Total	**3**	**2**

(8) Allowance for losses on loans and advances

	2014 €m	2013 €m
Cost of additions to allowance for losses on loans and advances		
Specific valuation allowances	425	485
Portfolio-based valuation allowances	0	34
Cost of additions to provisions for credit risks	16	27
Direct loan write-offs	56	101
Income from reversals of the allowance for losses on loans and advances		
Specific valuation allowances	174	281
Portfolio-based valuation allowances	9	8
Income from the reversal of provisions for credit risks	24	16
Recoveries on loans previously written off	25	23
Total	**265**	**319**

The allowance for losses on loans and advances contains additions of €0 million (previous year: €2 million) and reversals of €1 million (previous year: €0 million) which relate to loans and advances to other banks.

€274 million (previous year: €306 million) of the allowance for losses on loans and advances relates to customer receivables classified as loans and receivables; income from the reversal of the allowance for losses on loans and advances of €8 million (previous year: cost of €11 million) relates to guarantees, warranties, and irrevocable loan commitments.

The cost of additions to and the income from reversals of the allowance for losses on loans and advances to customers can be broken down by product group as follows:

	2014 €m	2013 €m
Additions		
Private mortgage lending	149	183
Home savings loans	2	2
Commercial loans	113	158
Installment loans	109	80
Other loans and advances	52	60
Portfolio-based valuation allowances	0	34
Total	**425**	**517**

	2014 €m	2013 €m
Reversal		
Private mortgage lending	88	143
Home savings loans	1	1
Commercial loans	68	127
Other loans and advances	16	10
Portfolio-based valuation allowances	9	8
Total	**182**	**289**

(9) Net fee and commission income

	2014 €m	2013 €m
Checking account business	360	401
Securities business	46	47
Lending and guarantee business	29	81
Branch business	388	393
Other fee and commission income	106	89
Total	**929**	**1,011**

Fee and commission income includes €552 million (previous year: €645 million) and fee and commission expense €176 million (previous year: €169 million) which result from transactions with financial instruments not designated at fair value through profit or loss.

Net fee and commission income from trust activities amounted to €5 million (previous year: €6 million) and is reported in "Other fee and commission income".

(10) Net trading income

Quoted prices are generally used to establish the fair values of trading assets and trading liabilities. The fair values of unlisted products are established using the discounted present value method or suitable valuation techniques. In addition to trading income and expenses, net trading income also includes net remeasurement gains/losses on trading assets.

	2014 €m	2013 €m
Net income from sale of securities and loans	0	–1
Net gains/losses on remeasurement of securities and loans		
Bonds and other fixed-income securities	0	–1
Loans (held for trading)	–4	–5
	–4	**–6**
Net gains/losses on derivatives carried in the trading portfolio and the banking book		
Gain on derivatives	2,865	3,099
Loss on derivatives	–2,880	–3,157
	–15	**–58**
Net gains/losses from application of the fair value option		
thereof loans and advances to customers	17	–262
thereof derivatives substantively linked to the fair value option	–10	268
	7	**6**
Foreign exchange gain/loss	7	7
Net fee and commission income carried in the trading portfolio	–1	–1
Total	**–6**	**–53**

The net gains/losses on derivatives carried in the trading portfolio and the banking book include expenses from interest on swaps of €73 million (previous year: €71 million). The underlying swap holdings are not part of a hedging relationship as defined by IAS 39.

The net gains/losses on derivatives do not include any losses on the measurement of embedded derivatives from structured credit products (previous year: €13 million).

	2014 €m	2013 €m
Net income from interest rate products	–4	–7
Net losses on derivatives carried in the trading portfolio and the banking book	–15	–58
Net gain from application of the fair value option	7	6
Foreign exchange gain	7	7
Net fee and commission income carried in the trading portfolio	–1	–1
Total	**–6**	**–53**

(11) Net income from investment securities

Net income from investment securities contains net gains/losses from the sale and remeasurement of investment securities, investments in unconsolidated subsidiaries, and equity investments.

	2014 €m	2013 €m
Net income from loans and receivables investment securities	23	11
thereof net income from sale	32	11
Gains on sale	38	87
Losses on sale	6	76
thereof reversal of impairment losses/ impairment losses (net)	–9	0
Net income from available-for-sale investment securities	23	41
thereof net income from sale	24	41
Gains on sale	24	54
Losses on sale	0	13
thereof net impairment loss	–1	0
Net income from loans to other banks	0	0
thereof net income from sale of loans and receivables	0	0
Net income from equity investments	170	222
thereof net income from equity investments accounted for using the equity method	22	–
Total	**216**	**274**

	2014 €m	2013 €m
Net income from bonds and promissory note loans	56	52
Net income from equities and other non-fixed-income securities	0	0
Net income from equity investments	170	222
Impairment	–10	0
Total	**216**	**274**

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€10 million (previous year: €2 million) of the net impairment loss on investment securities relates to other debt instruments. Net income from equity investments comprises deconsolidation effects (see Note 2). In addition, net income from equity investments includes the €7 million impairment loss (previous year: €17 million) on closed-end funds.

(12) Administrative expenses

Consolidated administrative expenses are composed of staff costs, non-staff operating expenses, and amortization, depreciation, and writedowns of intangible assets and property and equipment. These expenses are composed of the following items:

	2014 €m	2013 €m
Staff costs		
Wages and salaries	879	1.000
Social security contributions	95	104
Expenses for pensions and other benefits	157	177
	1,131	**1,281**
Other administrative expenses	1,470	1,616
Amortization of intangible assets	64	246
Depreciation and writedowns of property and equipment	64	63
Total	**2,729**	**3,206**

Expenses for pensions and other benefits primarily include expenses for defined contribution plans amounting to €102 million (previous year: €92 million) and pension expenses for defined benefit plans amounting to €33 million (previous year: €59 million).

Other administrative expenses relate primarily to IT costs of €393 million (previous year: €358 million); expenses for intragroup services received from Deutsche Post AG in the amount of €158 million (previous year: €152 million); operating building and premises expenses of €140 million (previous year: €149 million); market communication costs of €95 million (previous year: €85 million), legal, consulting, and audit costs of €80 million (previous year: €112 million), as well as expenses for the banking levy amounting to €18 million (previous year: €3 million).

Other administrative expenses include lease expenses of €130 million (previous year: €129 million), which are composed of expenses for leased intangible assets, land and buildings, and operating and office equipment under operating leases.

Impairment losses of €6 million were charged on property and equipment in the year under review (previous year: €5 million).

(13) Other income

	2014 €m	2013 €m
Income from property and equipment	32	63
Reimbursements from internal welfare institutions	12	20
Income from uncollectable transactions	5	5
Miscellaneous	338	135
Total	**387**	**223**

Income from property and equipment mainly comprises rental income of €31 million (previous year: €62 million).

The miscellaneous item includes income from assets under operating leases. Future minimum lease payments amount to a total of €30 million and are due in full in the first year after the balance sheet date.

The increase in miscellaneous other income is due in particular to cost allocations for services provided or received by the service companies that were deconsolidated as of April 1, 2014.

In addition, the miscellaneous item includes a large number of individual items.

(14) Other expenses

	2014 €m	2013 €m
Expenses from litigation and customer redress	214	40
Expenses for claims settlement and ex gratia payments	29	31
Expenses for the Federal Posts and Telecommunications Agency (BAnstPT and StiftPT)	9	6
Expenses for other taxes	7	7
Expenses from property and equipment	2	1
Miscellaneous	541	34
Total	**802**	**119**

Expenses from property and equipment include losses on the disposal of property and equipment and intangible assets.

Expenses for other taxes relate primarily to land taxes amounting to €3 million (previous year: €3 million).

The increase in miscellaneous other expenses is due in particular to cost allocations for services provided or received by the service companies that were deconsolidated as of April 1, 2014.

In addition, the miscellaneous item includes a large number of individual items.

(15) Discontinued operation

The Bank discontinued the Transaction Banking segment effective from the third quarter. The assets and liabilities of the companies belonging to this segment were disposed of in the reporting period as part of the pooling of service companies within the Deutsche Bank Group.

The cash flows from the discontinued operation are presented in the following table:

	2014 Mio €	2013 Mio €
Net cash used in operating activities of the discontinued operation	–1	27
Net cash used in investing activies of the discontinued operation	0	–2
Net cash used in financing activies of the discontinued operation	3	–14

Net income from the discontinued operation:

	2014 Mio €	2013 Mio €
Net interest income	0	0
Fee and commission income	81	294
Fee and commission expense	–1	–6
Net fee and commission income	80	288
Net income from investment securities	198	0
Administrative expenses	–62	–253
Other income	3	9
Profit before tax	219	44
Income tax expense	–72	–6
Profit from ordinary activities after tax – discontinued operation	**147**	**38**

The net income from investment securities represents the deconsolidation gain from the companies belonging to the discontinued operation.

The tax effect of €64.5 million arising from the deconsolidation is reported in the "Income taxes" item.

(16) Income taxes

Income taxes in the Group were composed of the following items:

	2014 €m	2013 €m
Effective income tax expense		
Current income tax expense		
Corporate income tax and solidarity surcharge	28	14
Trade income tax	16	6
	44	**20**
Prior-period income tax	107	–14
	151	**6**
Deferred income tax		
from temporary differences	–40	–83
from the reversal of loss carryforwards	–5	58
	–45	**–25**
Total	**106**	**–19**

The following reconciliation illustrates the relationship between profit after tax and income tax expense:

	2014 €m	2013 €m
Profit from ordinary activities after tax	132	293
Income tax expense	106	–19
Profit before tax	238	274
Applicable tax rate	32.37 %	31.36 %
Expected income taxes	77	86
Tax effects		
Effect of changes in tax rate	0	–3
Effect of difference between applicable tax rates in Germany and abroad	–2	11
Effect of non-deductible expenses	41	71
Effect of tax-free income	–97	–18
Effect of additions/reductions for local income tax purposes	5	1
Effect of consolidated tax group	–35	–205
Effect of changes in valuation allowances on deferred tax assets	10	–1
Effect of prior-period taxes	107	37
Other	0	2
	29	**–105**
Income tax expense	**106**	**–19**

Due to the formal legal perspective, the weighted average tax rate is used for the applicable tax rate.

BALANCE SHEET DISCLOSURES

(17) Cash reserve

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Cash	960	899
Balances with central banks	270	840
Total	**1,230**	**1,739**

€266 million (previous year: €513 million) of the balances with central banks relates to balances with the Deutsche Bundesbank.

The minimum reserve requirement at the end of December 2014 was €848 million (previous year: €865 million).

(18) Loans and advances to other banks

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Domestic banks		
Payable on demand	1,055	984
Other loans and advances	13,152	12,316
	14,207	**13,300**
Foreign banks		
Payable on demand	460	1,399
Other loans and advances	4,992	5,454
	5,452	**6,853**
Total	**19,659**	**20,153**

€3,853 million (previous year: €4,182 million) of loans and advances to other banks is due after more than 12 months.

Loans and advances to other banks can be broken down as follows in accordance with the categories of financial instruments defined in IAS 39:

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Loans and advances to other banks (loans and receivables)	19,659	19,856
thereof fair value hedges	105	201
Money market assets (loans and receivables)	0	297
Total	**19,659**	**20,153**

The loans and advances to other banks can be broken down by product group as follows:

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Securities repurchase agreements	16,373	15,101
Overnight money	891	1,826
Loans	384	808
Registered bonds	228	324
Term deposits	1,101	1,248
Other loans and advances	682	846
Total	**19,659**	**20,153**

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	
	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Financial collateral	15,833	13,300	1,392	2,070
Non-financial collateral	–	–	–	–
Total	**15,833**	**13,300**	**1,392**	**2,070**

Collateral is utilized at standard market conditions.

As of December 31, 2014, receivables under genuine repurchase agreements amounted to €16,373 million (previous year: €15,101 million). Postbank is the lender in such transactions. Securities purchased under agreements to resell relate to listed bonds of public sector issuers, issuances by German and foreign banks, corporate bonds, and equities.

Loans and advances to other banks include fixed-interest loans in the amount of €18.2 billion (previous year: €18.9 billion) and variable-interest loans in the amount of €1.5 billion (previous year: €1.3 billion).

(19) Loans and advances to customers

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Private mortgage lending	69,249	70,463
Home savings loans	3,564	3,690
Commercial loans	13,775	16,603
Public sector	3,789	3,815
Installment loans	6,098	5,454
Other loans and advances	1,497	1,288
Total	**97,972**	**101,313**
thereof:		
Secured by mortgage charges	44,247	47,407
Public-sector loans	3,114	3,487
Domestic customers	90,613	91,863
Foreign customers	7,359	9,450
Total	**97,972**	**101,313**

Loans and advances to customers without a fixed maturity amounted to 1.4 % of total assets (previous year: 1.5 %). These loans and advances have been allocated to the shortest maturity band in the maturity structure.

€75,016 million (previous year: €75,387 million) of loans and advances to customers is due after more than 12 months.

Loans and advances to customers include fixed-interest loans in the amount of €56.9 billion (previous year: €87.5 billion) and variable-interest loans in the amount of €41.1 billion (previous year: €13.8 billion).

Loans and advances to customers can be broken down as follows in accordance with the categories of financial instruments defined in IAS 39:

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Loans and receivables	93,040	95,483
thereof fair value hedges	1,556	1,797
Fair value option	4,932	5,830
Total	**97,972**	**101,313**

Loans and advances to customers include amounts due under finance leases.

Total outstanding minimum lease payments amount to €227 million (previous year: €217 million) and have the following maturity structure:

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
in the first year after the balance sheet date	59	56
in the second year after the balance sheet date	50	47
in the third year after the balance sheet date	77	37
in the fourth year after the balance sheet date	23	63
in the fifth year after the balance sheet date	13	10
more than five years after the balance sheet date	5	4
Total	**227**	**217**

The reconciliation to the present value of the outstanding minimum lease payments is as follows:

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Outstanding minimum lease payments	227	217
Unguaranteed residual values	4	4
Total gross investment	**231**	**221**
Unearned finance income	18	22
Net investment	**213**	**199**
Present value of unguaranteed residual values	3	3
Present value of minimum lease payments	**210**	**196**

The accumulated allowance for uncollectible outstanding minimum lease payments amounts to €4 million (previous year: €3 million).

(20) Total credit extended

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Loans and advances to other banks	19,659	20,153
Loans and advances to customers	97,972	101,313
Guarantees	394	359
Total	**118,025**	**121,825**

(21) Allowance for losses on loans and advances

The allowance for losses on loans and advances covers all identifiable credit risks. Portfolio-based valuation allowances were recognized for risks that have arisen but not yet been identified.

Risks have been provided for by an allowance for losses on loans and advances carried under assets, and by the recognition of provisions for credit risks.

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

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Allowance for losses on loans and advances to other banks	0	2
Allowance for losses on loans and advances to customers	1,361	1,476
Total allowance for losses on loans and advances	1,361	1,478
Provisions for credit risks	43	52
Total	**1,404**	**1,530**

The allowance for losses on loans and advances carried under assets changed as follows in the year under review:

	Specific valuation allowances		Portfolio-based valuation allowances		Total	
	2014 €m	2013 €m	2014 €m	2013 €m	2014 €m	2013 €m
Balance at Jan. 1	**1,316**	**1,614**	**162**	**131**	**1,478**	**1,745**
Additions						
Allowance charged to the income statement	425	485	–	34	425	519
Reclassification	–	–7	–	7	–	–
Disposals						
Utilization	336	464	–	2	336	466
Allowance reversed to the income statement	174	281	9	8	183	289
Unwinding	24	27	–	–	24	27
Currency translation differences	1	–4	–	–	1	–4
Balance at Dec. 31	**1,208**	**1,316**	**153**	**162**	**1,361**	**1,478**

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

The allowance for losses on loans and advances to customers can be broken down by product group as follows:

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Specific valuation allowances		
Private mortgage lending	320	370
Home savings loans	4	3
Commercial loans	262	333
Installment loans	377	324
Other loans and advances	245	284
Portfolio-based valuation allowances	153	162
Total	**1,361**	**1,476**

The total amount of loans for which no interest payments are being received was €1,046 million as of the balance sheet date (previous year: €1,180 million). Writedowns were charged on loans with a total volume of €2,335 million (previous year: €2,480 million). The outstanding interest receivables on these loans amounted to €51 million as of December 31, 2014 (previous year: €78 million).

Loans and advances amounting to €56 million were written off directly in fiscal year 2014 (previous year: €101 million). Recoveries on loans written off amounted to €25 million (previous year: €23 million).

(22) Trading assets

Group trading activities generally consist of trading in bonds and other fixed-income securities, equities and other non-fixed-income securities, promissory note loans and foreign currencies, as well as derivatives. In fiscal year 2014, trading assets were mainly comprised of derivatives. All trading assets are carried at their fair values.

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Building loans held for trading	139	150
Positive fair values of derivatives carried as trading assets	93	1,361
Positive fair values of banking book derivatives	465	298
Positive fair values from derivatives relating to hedged items accounted for under the fair value option	0	15
Total	**697**	**1,824**

Deposits of €494 million (previous year: €1,519 million) are due after more than 12 months.

(23) Hedging derivatives

Hedges with positive fair values that qualify for hedge accounting in accordance with IAS 39 are composed of the following items:

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Assets		
Hedging derivatives on loans to customer		
Loans and receivables	12	4
	12	**4**
Liabilities		
Deposits from other banks	4	3
Due to customers	13	10
Debt securities in issue	8	30
Subordinated debt	82	66
	107	**109**
Total	**119**	**113**

Holdings of €107 million (previous year: €85 million) are due after more than 12 months.

(24) Investment securities

Investment securities include bonds and other fixed-income securities, equities and other non-fixed-income securities, equity investments, and investments in unconsolidated subsidiaries.

	Dec. 31, 2014 €m	Dec. 31, 2013[1] €m
Bonds and other fixed-income securities		
Public-sector issuers	16,721	15,699
Other issuers	16,116	18,171
	32,837	**33,870**
Equities and other non-fixed-income securities		
Investment fund shares	179	114
	179	**114**
Equity investments	22	25
Investments in unconsolidated subsidiaries	6	6
Equity investments accounted for using the equity method	433	–
thereof equity investments	344	–
thereof claim to the compensation payment	89	–
Total	**33,477**	**34,015**

As in the previous year, bonds and other fixed-income securities do not contain any securities and interest coupons due on the balance sheet date.

Holdings of €29,301 million (previous year: €30,649 million) are due after more than 12 months.

€30 billion of the bonds and other fixed-income securities have a fixed rate of interest over the entire term, while €2.8 billion have a variable rate of interest (floaters).

Postbank's portfolio of structured credit products has a total volume of €127 million (previous year: €123 million).

The "Investments accounted for using the equity method" item relates solely to the carrying amount of the investment in PBC Banking Services GmbH.

On the basis of a control and profit and loss transfer agreement between PBC Banking Services GmbH and its majority shareholder, Deutsche Bank Privat- und Geschäftskunden AG, the latter guarantees to pay Postbank annual compensation in accordance with section 304 of the *Aktiengesetz* (AktG – German Stock Corporation Act) for the duration of the agreement. The claim to the compensation payment for the respective periods is taken into account in the subsequent measurement of the investment. The cost of the investment in PBC Banking Services GmbH includes

[1]Figures adjusted (see Note 6)

the present value of the claim to the annual compensation payment of €22.3 million, which applies at least until 2018. The proportion of the carrying amount of the investment that is attributable to the present value of the claim to the compensation payment is reported under "thereof claim to the compensation payment."

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Further information can be found in Note 2, Basis of consolidation.

Summarized financial information for PBC Banking Services GmbH:

	2014 €m
Income	81
Expenses	–39
Profit before tax	42
Tax	–11
Profit from ordinary activities after tax[1]	31
Net asset value	317
Total asset value	741
Total liabilities	424

[1]Profit after tax and before transfer to the parent company

Reconciliation of net assets of PBC Banking Services GmbH to carrying amount:

	2014 €m
Net asset value	317
Bank's equity interest	49.9975 %
Share of the Bank's net assets	159
Bank's claim to the compensation payment for the respective period	22
Other effects[1]	252
Carrying amount	433

[1]The Bank received the shares of PBC Banking Services AG as part of the pooling of service companies within the Deutsche Bank Group. The transaction was made between entities under common control and thus did not fall within the scope of IFRS 3. Instead, the carrying amounts of the company's assets and liabilities were adjusted. The amount reported under "Other effects" mainly reflects the difference between the value of the shares received and the net assets calculated on the basis of carrying amounts.

Investment securities are classified as follows in accordance with the categories of financial instruments defined in IAS 39:

	Dec. 31, 2014 €m	Dec. 31, 2013[1] €m
Bonds and other fixed-income securities		
Loans and receivables investment securities	20,642	23,786
thereof fair value hedges	4,116	6,354
Available for sale	12,195	10,084
thereof fair value hedges	4,551	3,304
	32,837	33,870
Equities and other non-fixed-income securities		
Available for sale	179	114
	179	114
Equity investments (available for sale)	22	25
Investments in unconsolidated subsidiaries (available for sale)	6	6
Total	33,044	34,015

[1]Figures adjusted (see Note 6)

The following amounts of investment securities are negotiable and listed:

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Bonds and other fixed-income securities	32,815	33,840
Equities and other non-fixed-income securities	0	0
Equity investments	7	6

Investment securities were furnished as collateral for the following liabilities:

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Liabilities	13,579	14,345
Contingent liabilities	0	6
Total	13,579	14,351

Investment securities are pledged as collateral in accordance with standard market conditions.

Changes in the fair value of available-for-sale securities in the amount of €254 million that are not hedged were recognized in the revaluation reserve (previous year: €–2 million). €27 million (previous year: €–46 million) reported in the revaluation reserve was reversed to income in the period under review as a result of the disposal of investment securities and the recognition of impairment losses.

Impairment losses of €10 million (previous year: €0 million) were recognized in fiscal year 2014 to reflect the economic performance of the financial instruments.

In fiscal years 2008 and 2009, Postbank reclassified securities out of the available-for-sale category to the loans and receivables category due to a change in its intention to hold the securities. The fair value of the securities at the respective reclassification date was reported as the new carrying amount.

As of December 31, 2014, the total volume of securities reclassified in accordance with IAS 39.50E had a fair value of €10.0 billion and a carrying amount of €9.7 billion.

Prior to the above-mentioned reclassification dates, the changes in fair value recognized in the revaluation reserve for the securities that were reclassified amounted to €468 million before tax. Had Postbank not changed its intention to hold the securities, the loss recognized in the revaluation reserve would have decreased by a further €312 million in the period up to December 31, 2014 (previous year: increase of €224 million).

Given a nominal weighting of the reclassified securities, the effective interest rate calculated on the basis of their restated cost as of the date of the reclassifications was 4.4 % (range of effective interest rates: 1.8 % to 34.5 %). The estimated cash flows that Postbank expected as of the date of the reclassifications amount to €45.4 billion. Impairments of €621 million (previous year: €621 million) were charged for all reclassified securities in the period up to December 31, 2014; disposal gains on reclassified securities amounted to €10 million (previous year: disposal loss of €6 million).

In the year under review, interest income amounting to €229 million (previous year: €324 million) was recognized for the reclassified securities.

(25) Intangible assets

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Acquired goodwill	1,581	1,622
Acquired software, concessions, industrial rights	277	295
Internally generated intangible assets and software	63	48
Advance payments on intangible assets and in-process intangible assets	31	63
Total	**1,952**	**2,028**

€1,568 million of purchased goodwill (previous year: €1,568 million) is attributable to the Retail Banking segment, while €13 million (previous year: €13 million) is attributable to the Corporate Banking segment and €0 million (previous year: €41 million) to the Transaction Banking segment.

The "acquired software, concessions, industrial rights" item includes the "BHW" brand in the amount of €139 million. The "BHW" brand is allocated to the Retail Banking segment. The capitalized amounts for customer relationships amounted to €62 million (previous year: €66 million), while those for beneficial contracts amounted to €20 million (previous year: €26 million).

A comparison of historical cost and cumulative amortization with the prior-period amounts is presented below:

	Acquired goodwill €m	Acquired software, concessions, industrial rights €m	Internally generated intangible assets and software €m	Advance payments on intangible assets and in-process intangible assets €m	Total €m
Historical cost					
Opening balance at Jan. 1, 2013	**1,653**	**1,049**	**194**	**35**	**2,931**
Reclassification of basis of consolidation	–	–	–	–	–
Reclassification due to IFRS 5	–	–4	–	–	–4
Additions	–	7	1	33	41
Reclassifications	–	1	4	–5	0
Disposals	9	14	21	–	44
Closing balance at Dec. 31, 2013	**1,644**	**1,039**	**178**	**63**	**2,924**
Changes in basis of consolidation	–	–	–	–	–
Additions	–	10	7	16	33
Reclassifications	–	12	32	–44	0
Disposals	41	11	–	4	56
Closing balance at Dec. 31, 2014	**1,603**	**1,050**	**217**	**31**	**2,901**

	Acquired goodwill €m	Acquired software, concessions, industrial rights €m	Internally generated intangible assets and software €m	Advance payments on intangible assets and in-process intangible assets €m	Total €m
Amortization					
Opening balance at Jan. 1, 2013	**22**	**532**	**129**	**0**	**683**
Changes in basis of consolidation	–	–	–	–	–
Amortization	–	226	22	–	248
Additions	–	–	–	–	–
Reclassifications	–	–	–	–	–
Disposals	–	14	21	–	35
Closing balance at Dec. 31, 2013	**22**	**744**	**130**	**0**	**896**
Changes in basis of consolidation	–	–	–	–	–
Amortization	–	41	24	–	65
Additions	–	–	–	–	–
Reclassifications	–	–	–	–	–
Disposals	–	12	–	–	12
Closing balance at Dec. 31, 2014	**22**	**773**	**154**	**0**	**949**
Carrying amount at Dec. 31, 2013	**1,622**	**295**	**48**	**63**	**2,028**
Carrying amount at Dec. 31, 2014	**1,581**	**277**	**63**	**31**	**1,952**

The carrying amounts of intangible assets changed as follows in the year under review:

	Carrying amount at Jan. 1, 2014 €m	Additions €m	Disposals €m	Reclassifications €m	Amortization €m	Carrying amount at Dec. 31, 2014 €m
Acquired goodwill	1,622	–	41	–	–	1,581
Acquired software, concessions, industrial rights	295	22	11	12	41	277
Internally generated intangible assets and software	48	7	–	32	24	63
Advance payments on intangible assets and in-process intangible assets	63	16	4	–44	–	31
Total	**2,028**	**45**	**56**	**0**	**65**	**1,952**

In fiscal year 2014, borrowing costs for qualifying assets (software under development) of €0.6 million were recognized in accordance with IAS 23 (previous year: €0.4 million). The underlying capitalization rate was 1 %.

The carrying amount as of December 31, 2014, of advance payments on intangible assets was €3 million (previous year: €13 million); the carrying amount of intangible assets under development was €28 million (previous year: €50 million).

(26) Property and equipment

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Land and buildings	532	552
Operating and office equipment	142	143
Advance payments and assets under development	9	3
Total	**683**	**698**

A comparison of historical cost and cumulative depreciation with the prior-period amounts is presented below.

	Land and buildings €m	Operating and office equipment €m	Advance payments and assets under development €m	Total €m
Historical cost				
Opening balance at Jan. 1, 2013	**1,023**	**447**	**3**	**1,473**
Reclassifications due to IFRS 5	–41	–2	–	–43
Additions	–	38	3	41
Reclassification	1	2	–3	0
Disposals	6	46	0	52
Closing balance at Dec. 31, 2013	**977**	**439**	**3**	**1,419**
Additions	–	43	7	50
Reclassification	–	1	–1	0
Disposals	52	46	–	98
Closing balance at Dec. 31, 2014	**925**	**437**	**9**	**1,371**

	Land and buildings €m	Operating and office equipment €m	Advance payments and assets under development €m	Total €m
Depreciation				
Opening balance at Jan. 1, 2013	**411**	**294**	**–**	**705**
Depreciation	19	46	–	65
Additions	–	–	–	–
Reclassifications	–	–	–	–
Disposals	5	44	–	49
Closing balance at Dec. 31, 2013	**425**	**296**	**–**	**721**
Depreciation	21	43	–	64
Additions	–	–	–	–
Reclassifications	–	–	–	–
Disposals	53	44	–	97
Closing balance at Dec. 31, 2014	**393**	**295**	**–**	**688**
Carrying amount at Dec. 31, 2013	**552**	**143**	**3**	**698**
Carrying amount at Dec. 31, 2014	**532**	**142**	**9**	**683**

The carrying amounts of property and equipment changed as follows in the year under review:

	Carrying amount at Jan. 1, 2014 €m	Additions €m	Disposals €m	Reclassifications €m	Reversals of impairment losses €m	Depreciation €m	Carrying amount at Dec. 31, 2014 €m
Land and buildings	552	1	–	–	–	21	532
Operating and office equipment	143	43	2	1	–	43	142
Advance payments and assets under development	3	7	–	–1	–	–	9
Total	**698**	**51**	**2**	**0**	**–**	**64**	**683**

At the balance sheet date, assets under development amounted to €9 million (previous year: €3 million).

(27) Current and deferred tax assets

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Current tax assets	148	115
Deferred tax assets		
from temporary differences	45	92
from tax loss carryforwards	3	0
domestic	0	0
foreign	3	0
	48	**92**
Total	**196**	**207**

Deferred tax assets were recognized in connection with temporary differences relating to the following balance sheet items, and in connection with unused tax losses:

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Assets		
Loans and advances	0	0
Allowance for losses on loans and advances	1	9
Trading assets	116	3
Investment securities	0	3
Property and equipment	7	8
Other assets	100	99
Liabilities		
Amounts due to other banks and customers	7	9
Trading liabilities	302	306
Hedging derivatives	64	80
Provisions for pensions and other employee benefits	69	54
Other provisions	79	58
Other liabilities	3	7
	748	**636**
Tax loss carryforwards	5	0
Netted against deferred tax liabilities	705	544
Total	**48**	**92**

In the year under review, deferred tax assets for temporary differences amounting to €45 million and for tax loss carryforwards not limited in time of €8 million were not recognized.

The deferred tax assets for tax loss carryforwards are primarily attributable to a foreign branch of Deutsche Postbank AG.

(28) Other assets

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Prepaid expenses	575	526
Trade receivables	119	119
Receivables from tax authorities	47	30
Advances to members of the mobile sales force	8	10
Miscellaneous	73	43
Total	**823**	**728**

€459 million of the prepaid expenses (previous year: €433 million) mainly relates to prepaid brokerage commissions for mortgage loans.

Other assets amounting to €475 million (previous year: €433 million) have a maturity of more than 12 months.

(29) Deposits from other banks

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Domestic banks		
Payable on demand	864	7,150
With an agreed maturity or withdrawal notice	16,269	10,410
	17,133	**17,560**
Foreign banks		
Payable on demand	125	656
With an agreed maturity or withdrawal notice	325	66
	450	**722**
Total	**17,583**	**18,282**

€668 million of the deposits from other banks is covered by fair value hedges (previous year: €525 million).

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

Deposits of €8,932 million (previous year: €9,488 million) are due after more than 12 months.

Deposits from other banks include fixed-interest deposits in the amount of €16.5 billion (previous year: €16.6 billion) and variable-interest deposits in the amount of €1.1 billion (previous year: €1.6 billion).

As of December 31, 2014, liabilities relating to genuine securities repurchase agreements amounted to €6.8 billion (previous year: €7.1 billion).

(30) Due to customers

Amounts due to customers are primarily composed of savings deposits, amounts payable on demand, and term deposits.

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Savings deposits		
With an agreed withdrawal notice of three months	44,370	46,295
With an agreed withdrawal notice of more than three months	123	134
	44,493	**46,429**
Home savings deposits	18,864	18,560
thereof: on terminated contracts	95	84
thereof: on allotted contracts	4	4
Other amounts due		
Payable on demand	39,746	37,295
With an agreed maturity or withdrawal notice	16,192	18,114
	55,938	**55,409**
Total	**119,295**	**120,398**
Domestic customers	116,920	117,689
Foreign customers	2,375	2,709
Total	**119,295**	**120,398**

€8,206 million of the amounts due to customers is covered by fair value hedges (previous year: €6,899 million).

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

Deposits of €25,512 million (previous year: €25,999 million) are due after more than 12 months.

Amounts due to customers contain fixed-interest deposits in the amount of €70 billion (previous year: €102.3 billion) and variable-interest deposits in the amount of €49.3 billion (previous year: €18.1 billion).

(31) Debt securities in issue

Amounts reported as debt securities in issue relate to bonds, including mortgage *Pfandbriefe* and public-sector *Pfandbriefe*, and money market instruments (e.g., certificates of deposit and euro notes).

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Public-sector *Pfandbriefe*	67	1,592
Mortgage *Pfandbriefe*	3,536	4,456
Other debt instruments	968	1,294
Total	**4,571**	**7,342**

€2,406 million of the debt securities in issue is covered by fair value hedges (previous year: €2,325 million).

Debt securities in issue consist solely of financial instruments classified as liabilities at amortized cost.

Deposits of €3,402 million (previous year: €4,407 million) are due after more than 12 months.

Debt securities in issue include fixed-interest liabilities in the amount of €4.3 billion (previous year: €6.9 billion) and variable-interest liabilities in the amount of €0.3 billion (previous year: €0.4 billion).

Repurchased own bonds amounting to €1 million (previous year: €7 million) were deducted directly from debt securities in issue.

(32) Trading liabilities

Trading liabilities consist of the negative fair values of derivatives carried in the trading portfolio and in the banking book.

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Negative fair values of trading derivatives	109	1,098
Negative fair values of banking book derivatives	552	395
Negative fair values from derivatives relating to hedged items accounted for under the fair value option	106	188
Total	**767**	**1,681**

Deposits of €581 million (previous year: €1,383 million) are due after more than 12 months.

(33) Hedging derivatives

Hedges with negative fair values that qualify for hedge accounting in accordance with IAS 39 are composed of the following items:

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Assets		
Hedging derivatives on loans to other banks		
Loans and receivables	5	11
	5	**11**
Hedging derivatives on loans to customers		
Loans and receivables	37	76
	37	**76**
Hedging derivatives on investment securities		
Bonds and other fixed-income securities	224	315
	224	**315**
Liabilities		
Due to customers	–	11
Subordinated debt	32	47
	32	**58**
Total	**298**	**460**

Deposits of €233 million (previous year: €424 million) are due after more than 12 months.

(34) Provisions for pensions and other employee benefits

The provisions for pensions and other employee benefits under defined benefit pension commitments are calculated as follows:

	2014 €m	2013 €m
Present value of pension obligations	2,362	1,855
Fair value of plan assets	–2,207	–1,762
Net pension provisions	**155**	**93**

Net pension provisions changed as follows:

	2014 €m	2013 €m
Balance at January 1	**93**	**1,530**
Pension expense of the period	32	61
Pension benefits directly paid by the employer	0	–22
Employer contributions	–98	–1,495
Employee contributions	0	5
Recognized in other comprehensive income	128	45
Transfers and mergers	0	–11
Reclassifications due to IFRS 5	0	–20
Balance at December 31	**155**	**93**

The following tables show the changes in the present value of the pension obligations and in the fair value of the plan assets:

	2014 €m	2013 €m
Total present value of obligations at January 1	**1,855**	**2,054**
Components recognized in profit or loss	**96**	**109**
Current service cost	30	35
Interest cost	66	74
Past service cost and gains (–)/losses (+) on plan settlements	0	0
Components recognized in other comprehensive income	**486**	**–10**
Actuarial gains (–)/losses (+)	486	–10
from changes in demographic assumptions	0	–1
from changes in financial assumptions	488	1
from experience adjustments	–2	–10
Payments and other changes	**–75**	**–298**
Employee contributions	4	5
Pension benefits paid	–79	–82
Payments for plan settlements	0	0
Transfers and mergers	0	–26
Reclassifications due to IFRS 5	0	–195
Total present value of pension obligation at December 31	**2,362**	**1,855**

	2014 Mio €	2013 Mio €
Fair value of plan assets at January 1	**1,762**	**524**
Components recognized in profit or loss	**64**	**48**
Interest income	64	48
Components recognized in other comprehensive income	**358**	**–55**
Return on plan assets less amount recognized in profit or loss	358	–55
Payments and other changes	**23**	**1,245**
Employee contributions	4	0
Employer contributions	98	1,495
Payments for plan settlements	0	0
Pension benefits paid	–79	–60
Transfers and mergers	0	–15
Reclassifications due to IFRS 5	0	–175
Fair value of the plan assets at December 31	**2,207**	**1,762**

There are no reimbursement rights for the pension obligations.

Of the employer contributions made in 2013, €1.45 billion related to initial transfers to the CTA.

€69 million is expected to be contributed to plan assets (including direct benefit payments) in 2015.

The allocation of the present value of the pension obligations to the different beneficiary groups and the weighted duration of the obligations are shown in the following table:

	2014 €m	2013 €m
Future beneficiaries still working for the company	802	550
Future beneficiaries no longer working for the company with vested benefits	414	310
Pensioners	1,146	995
Present value of pension obligations	**2,362**	**1,855**
Weighted duration of obligations in years	**17.9**	**16.2**

The fair value of the plan assets is allocated to the asset classes as follows:

	2014 €m	2014 in %	2013 €m	2013 in %
Assets traded in an active market	**1,895**	**85.9**	**1,462**	**83.0**
Cash	102	4.6	9	0.5
Equities	0	0.0	0	0.0
Government bonds	1,708	77.4	1,421	80.7
Fixed-income securities with investment grade	26	1.2	26	1.5
Other fixed-income securities	0	0.0	0	0.0
Structured products	0	0.0	6	0.3
Investment funds	0	0.0	0	0.0
Alternative investments	59	2.7	0	0.0
Derivatives	0	0.0	0	0.0
Assets not traded in an active market	**312**	**14.1**	**300**	**17.0**
Cash	0	0.0	0	0.0
Equities	0	0.0	0	0.0
Government bonds	21	1.0	20	1.1
Fixed-income securities with investment grade	169	7.7	166	9.5
Other fixed-income securities	0	0.0	0	0.0
Structured products	13	0.6	13	0.7
Investment funds	0	0.0	0	0.0
Alternative investments	54	2.4	101	5.7
Derivatives	55	2.5	0	0.0
Fair value of plan assets at December 31	**2,207**	**100**	**1,762**	**100**

Plan assets include financial instruments issued by BHW Bausparkasse AG in the amount of €69 million.

The investment and risk management of the assets, with the exception of the pension fund assets of BHW Bausparkasse AG, is based on Deutsche Bank's investment strategy.

The primary goal of this strategy is to minimize the fluctuations between the present value of the pension obligations and the value of the plan assets caused by capital market fluctuations. An investment strategy that closely reflects the risk profile of the pension obligations with regard to market risk factors, such as interest rates, credit risk, and inflation, is pursued to achieve this goal.

The investment strategy for the pension fund assets of BHW Bausparkasse AG is determined by the Pensionskasse's management board, taking into account all supervisory law requirements (VAG in conjunction with the *Anlageverordnung* (AnlV – Investment Regulation)). The appropriateness of the investment strategy is reviewed on a regular basis.

In addition to the investment risk associated with the pension plan assets, Postbank is exposed to the risks inherent in the liabilities from the defined benefit and defined contribution pensions it has granted, and their measurement. These risks include biometric risks such as longevity risk, and especially interest rate risk.

The following sensitivity analysis shows the impact on the pension obligations as of December 31 if one of the input parameters were to change while the other inputs remained the same compared with the original measurement. As a result, the information provided cannot be used to determine effects caused by the correlation of the parameters.

	2014 €m	2013 €m
Discount rate (–100 bp)		
Increase in pension obligations	456	303
Increase in plan assets	348	204
Expected net effect on carrying amount	**108**	**99**
Discount rate (+100 bp)		
Decrease in pension obligations	–381	–271
Expected decrease in plan assets	–348	–204
Expected net effect on carrying amount	**–33**	**–67**
Inflation rate (–50 bp)		
Decrease in pension obligations	–89	–65
Expected decrease in plan assets	0	0
Expected net effect on carrying amount	**–89**	**–65**
Inflation rate (+50 bp)		
Increase in pension obligations	98	73
Expected increase in plan assets	0	0
Expected net effect on carrying amount	**98**	**73**
Salary growth (–50 bp)		
Decrease in pension obligations = Decrease in net carrying amount	–13	–23
Salary growth (+50 bp)		
Increase in pension obligations = Increase in net carrying amount	13	13
10 % decline in mortality		
Increase in pension obligations = Increase in net carrying amount	82	60

Due to the liability-driven investment approach described, a change in certain market-related inputs would have the opposite effect on the performance of the plan assets, which is also shown in the above table.

The following table shows the expected pension payments under the defined benefit plans. The payments shown include both the benefit payments to be made from plan assets and those to be paid directly by Postbank.

	€m
Expected payments in 2015	79
Expected payments in 2016	80
Expected payments in 2017	82
Expected payments in 2018	83
Expected payments in 2019	84
Expected payments from 2020 to 2024	433

(35) Other provisions

The other provisions changed as follows in the reporting period:

	Balance at Jan. 1, 2014[1] €m	Utilization €m	Reversal €m	Additions €m	Balance at Dec. 31, 2014 €m
Provisions for home savings business	976	104	3	229	1,098
Staff-related provisions	271	68	35	49	217
Litigation and customer redress	74	60	49	234	199
Provisions for credit risks	52	2	23	16	43
Risk compensation amounts of the Postbeamten-Krankenkasse (Postal Civil Service Health Insurance Fund)	2	–	–	–	2
Miscellaneous	196	67	11	120	238
Total	**1,571**	**301**	**121**	**648**	**1,797**

The additions include expenses from discounting in the amount of €36 million (previous year: €2 million).

€1,304 million (previous year: €1,159 million) of the recognized provisions is due after more than 12 months.

The provisions for litigation and customer redress largely relate to the provisions for the reimbursement of consumer loan processing fees based on the rulings of Germany's Federal Court of Justice in May and October 2014, and to the provisions for legal actions and complaints about investment advice. Most of these relate to advice provided and transactions entered into in the area of closed-end funds, the distribution of which was discontinued in 2012. In this context there are also contingent liabilities (see Note 41). The amount also includes provisions for numerous claims brought by customers in relation to various matters. Since the legal proceedings are similar in nature, they have been grouped together. The cash outflows estimated for each of these proceedings, where a reliable estimate is possible, are not reported separately. Postbank considers that the disclosure of further information regarding these proceedings could have a serious impact on the course of these proceedings.

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Miscellaneous other provisions include the total carrying amount of the liabilities from share-based remuneration of €12.5 million (previous year: €11.4 million). Postbank awards cash-settled share-based remuneration to members of the Management Board, senior managers who are not members of Postbank's Management Board, and risk takers. The nature of and conditions governing the agreements concerned are described in detail in Note 55. The information provided also applies analogously to senior managers of banks who are not members of Postbank's Management Board and risk takers, with the exception of the breakdown of total and variable remuneration. A total expense of €4 million was recorded for share-based remuneration in 2014 (previous year: €3.9 million).

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[1]Figures adjusted (see Note 6)

The fair value of the liability (€12.5 million; previous year: €11.4 million) was determined on the basis of the expected future target achievement and, in the case of phantom shares already granted, on the basis of the last traded Xetra closing prices as of the reporting date and expected price fluctuations until the end of the lock-up period. In both cases, the calculation takes into account the time value of money until the expected payment date.

As of December 31, 2014, 109 thousand (previous year: 73 thousand) vested phantom shares of Deutsche Bank AG and 5 thousand (previous year: 7 thousand) vested phantom shares of Deutsche Postbank AG had been granted by way of conversion in March 2014 (previous year: March 2013). The last traded Xetra closing prices were €24.99 (previous year: €33.07) and €35.14 (previous year: €38.75), respectively. A dividend equivalent was calculated for the dividends distributed in 2014 and the number of vested phantom shares granted increased in line with this. €3.4 million (previous year: €2.8 million) was recognized for the reconversion and payment of the granted and vested phantom shares after the expiry of the one-year lock-up period in March 2015 (previous year: March 2014).

In 2014, 73 thousand shares of Deutsche Bank AG (previous year: 58 thousand) and 7 thousand shares of Deutsche Postbank AG (previous year: 8 thousand) granted in 2013 were reconverted and paid out at a price of €32.22 (previous year: €33.85) and €36.46 (previous year: €32.71), respectively.

Provisions for the home savings business changed as follows in the year under review:

	Balance at Jan. 1, 2014 €m	Utilization €m	Reversal €m	Additions €m	Balance at Dec. 31, 2014 €m
Provisions for home savings business					
for interest premiums	791	89	–	191	893
for reimbursement claims from arrangement fees	68	6	–	11	73
for changes in interest rates	101	8	–	17	110
Miscellaneous	16	1	3	10	22
Total	**976**	**104**	**3**	**229**	**1,098**

Miscellaneous other provisions include provisions for year-end closing costs amounting to €7 million (previous year: €7 million), and provisions for jubilee benefits amounting to €4 million (previous year: €4 million).

(36) Current and deferred tax liabilities

	Balance at Jan. 1, 2014 €m	Utilization €m	Reversal €m	Additions €m	Balance at Dec. 31, 2014 €m
Current taxes	80	18	13	55	104
Deferred taxes	84	–	35	2	51
Total	**164**	**18**	**48**	**57**	**155**

Provisions for current taxes relate to current payment obligations to the tax authorities.

Deferred tax liabilities relate to the following balance sheet items:

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Assets		
Loans and advances	251	255
Allowance for losses on loans and advances	7	7
Trading assets	259	147
Hedging derivatives	4	1
Investment securities	32	67
Property and equipment	6	7
Other assets	68	68
Liabilities		
Amounts due to other banks and customers	16	24
Provisions for pensions and other employee benefits	107	46
Other provisions	5	6
Other liabilities	1	0
	756	**628**
Netted against deferred tax assets	705	544
Total	**51**	**84**

(37) Other liabilities

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Trade payables	117	198
Liabilities from other taxes	84	168
Liabilities from expenses for outstanding invoices	83	91
Liabilities from expenses for outstanding vacation entitlements and other compensated absences	35	34
Liabilities from expenses for management bonuses	42	45
Liabilities from expenses for commissions and premiums	40	37
Deferred income	7	13
Miscellaneous liabilities	118	247
Total	**526**	**833**

€25 million of other liabilities (previous year: €77 million) is due after more than 12 months.

(38) Subordinated debt

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Subordinated liabilities	2,586	3,140
Profit participation certificates outstanding	1,091	1,196
Contributions by typical silent partners	22	22
Total	**3,699**	**4,358**

A total of €2,677[1] million of the regular phased-in subordinated debt recognized (previous year: €2,998 million[2]) is eligible as Tier 2 capital for regulatory purposes.

Subordinated debt consists solely of financial instruments classified as liabilities at amortized cost.

€3,412 million of subordinated debt (previous year: €4,027 million) is due after more than 12 months.

The interest expense on subordinated liabilities amounts to €145 million (previous year: €160 million). Deferred interest not yet due amounting to €43 million (previous year: €47 million) is carried as subordinated debt under subordinated liabilities.

Holders of profit participation certificates receive an annual profit-related distribution ranking prior to shareholders profit rights; the distribution right is reduced if and to the extent that no distributable profit is available.

The interest expense for 2014 on profit participation certificates outstanding totals €54 million (previous year: €57 million). Deferred interest not yet due amounting to €39 million (previous year: €46 million) is allocated directly to profit participation certificates outstanding.

Due to their contractual arrangements and economic substance, contributions by typical silent partners represent debt and are reported under subordinated debt in accordance with IAS 32.

A total of €1,881 million of the subordinated liabilities (previous year: €1,792 million) is hedged against changes in fair value.

€2.5 billion of subordinated debt (previous year: €2.7 billion) is fixed-interest, while €1.2 billion (previous year: €1.6 billion) is variable-interest.

[1]Based on the consolidated financial statements as of December 31, 2014 subject to approval

[2]Pro-forma values in accordance with the CRR/CRD IV on the basis of the consolidated financial statements as of December 31, 2013 in the approved version

(39) Equity

	Dec. 31, 2014 €m	Dec. 31, 2013[1] €m
Issued capital	547	547
Share premium	2,010	2,010
Retained earnings	3,424	3,232
Revaluation reserve	337	23
Other reserves	**3,761**	**3,255**
Consolidated net profit	278	330
Non-controlling interests	5	5
Total	**6,601**	**6,147**

Postbank's issued capital (€547 million) is composed of 218,800,000 no-par value registered shares.

Premiums from the issue of shares are reported in the share premium.

Undistributed profits from previous years and remeasurement gains/losses from defined benefit plans are generally reported under retained earnings.

The profit or loss from the measurement of investment securities at fair value after deduction of deferred taxes is reported in the revaluation reserve. Any profit or loss is not recognized in the income statement until the asset has been sold or impaired.

The Management Board is authorized, with the consent of the Supervisory Board, to increase the Bank's share capital on one or more occasions in whole or in part by up to a total of €218.8 million up to May 27, 2018, by issuing new no-par value registered shares against cash and non-cash contributions, including mixed non-cash contributions (Authorized Capital I). The shareholders must generally be granted preemptive rights. The Management Board is authorized, with the consent of the Supervisory Board, to determine the additional details of the capital increase and its implementation.

The Management Board is further authorized, with the consent of the Supervisory Board, to increase the Bank's share capital on one or more occasions in whole or in part by up to a total of €54.7 million up to May 27, 2018, by issuing new no-par value registered shares against cash contributions (Authorized Capital II). The shareholders are generally granted preemptive rights. The resolution also provides the opportunity for simplified disapplication of preemptive rights in accordance with section 186(3) sentence 4 of the AktG. The Management Board is authorized, with the consent of the Supervisory Board, to determine the additional details of the capital increase and its implementation.

Additional details on Authorized Capital I and II can be found in Article 4(6) and (7) of the Articles of Association.

The share capital has been contingently increased by up to €273.5 million by the issue of up to 109.4 million new no-par value registered shares (Contingent Capital). The purpose of the contingent capital increase is to grant no-par value registered shares to the holders of conversion or option rights attached to profit participation certificates, convertible bonds, or bonds with warrants to be issued by the Company or by its affiliated companies in the period up to July 8, 2019, based on the authorization granted to the Management Board by the Annual General Meeting on July 9, 2014, under agenda item 9 a who exercise their conversion or option rights. It also serves to grant such shares to the holders of convertible profit participation certificates or convertible bonds with a conversion obligation to be issued by the Company or its affiliated companies in the period up to July 8, 2019, on the basis of the aforementioned authorization that fulfill their conversion obligation.

The new shares are issued at the option or conversion price to be calculated in each case in accordance with the aforementioned authorization. The new registered shares shall carry dividend rights from the beginning of the fiscal year in which they are created as a result of conversion or option rights being exercised or conversion obligations being fulfilled. The Management Board is authorized to determine the further details of the implementation of the contingent capital increase.

In addition, the Company was authorized by the Annual General Meeting on April 29, 2010, to purchase own shares up to a total of 5 % of the relevant share capital for the purposes of securities trading in accordance with section 71(1) no. 7 of the AktG, or up to a total of 10 % of the share capital for other purposes in accordance with section 71(1) no. 8 of the AktG. In accordance with the legal provisions, the aggregate number of own shares held may not account for more than 10 % of the share capital. The authorizations are valid until April 28, 2015.

[1]Figures adjusted (see Note 6)

The gains or losses on the measurement of available-for-sale financial instruments reported in the revaluation reserve in equity changed as follows:

Available-for-sale financial instruments	2014 €m	2013 €m
Balance at January 1	**23**	**72**
Remeasurement gains/losses	**311**	**–25**
Available for sale, hedged (due to changes in credit risk)	57	–23
Available for sale, unhedged	254	–2
Disposals and impairment	**7**	**–22**
Impairment	1	0
thereof available for sale	1	0
thereof loans and receivables	0	0
Disposal/hedge termination	–28	–46
thereof available for sale	–24	–41
thereof loans and receivables	–4	–5
Writedown effect in net interest income	34	24
thereof available for sale	35	30
thereof loans and receivables	–1	–6
Income tax recognized directly in equity	**–4**	**–2**
Balance at December 31	**337**	**23**

€27 million (previous year: €46 million) of the revaluation reserve was reversed to income from disposals of and impairment losses on available-for-sale financial instruments and financial instruments reclassified out of the available-for-sale category to the loans and receivables category in the year under review. The effect of the writedown of these financial instruments led to a reversal of €34 million from the revaluation reserve to income (previous year: €24 million). In addition, the revaluation reserve increased by €311 million (previous year: decrease of €25 million) due to the remeasurement of available-for-sale financial instruments. Income tax recognized directly in equity changed by €–4 million in the fiscal year under review (previous year: €–2 million), resulting in a closing balance of €–2 million (previous year: €2 million).

OTHER DISCLOSURES

(40) Segment reporting

Segment reporting by business division

	Retail Banking		Corporate Banking		Financial Markets		Non-Core Operating Unit		Cost Centers/ Consoli-dation		Total		Discontinued operation		Total of continued operations	
	2014 €m	2013[1] €m	2014 €m	2013[1] €m	2014 €m	2013[1] €m	2014 €m	2013[1] €m	2014 €m	2013[1] €m	2014 €m	2013[1] €m	2014 €m	2013[1] €m	2014 €m	2013[1] €m
Net interest income	2,588	2,485	277	302	47	115	–404	–416	0	–23	2,508	2,463	0	0	2,508	2,463
Net trading income	–10	17	1	–2	3	–52	0	–15	0	–1	–6	–53	0	0	–6	–53
Net income from investment securities	0	0	–10	0	50	22	–10	–60	385	312	415	274	199	0	216	274
Net fee and commission income	879	908	83	90	–15	–14	6	18	0	118	953	1,120	24	109	929	1,011
Total income	**3,457**	**3,410**	**351**	**390**	**85**	**71**	**–408**	**–473**	**385**	**406**	**3,870**	**3,804**	**223**	**109**	**3,647**	**3,695**
Administrative expenses	–1,707	–1,980	–79	–95	–51	–63	–25	–27	–892	–1,012	–2,754	–3,177	–25	29	–2,729	–3,206
Allowance for losses on loans and advances	–221	–210	–37	–38	1	–2	–8	–69	0	0	–265	–319	0	0	–265	–319
Other income	4	31	16	9	1	19	3	1	340	69	364	129	–23	–94	387	223
Other expenses	–222	–31	–1	0	–3	0	–100	–32	–432	–56	–758	–119	44	0	–802	–119
Allocations	–783	–516	–99	–92	–38	–33	–40	–53	960	694	0	0	0	0	0	0
Profit/loss before tax	**528**	**704**	**151**	**174**	**–5**	**–8**	**–578**	**–653**	**361**	**101**	**457**	**318**	**219**	**44**	**238**	**274**
Revenues from external customers	3,452	3,405	348	386	85	71	–408	–473	393	415	3,870	3,804	223	109	3,647	3,695
Intersegmental revenues	5	5	3	4	0	0	0	0	–8	–9	0	0	0	0	0	0
Impairment losses	–37	–30	–1	–1	–1	–1	0	–1	–90	–280	–129	–313	–1	–4	–128	–309
Reversal of impaiment losses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation and amortization	–36	–30	–1	–1	–1	–1	0	–1	–90	–95	–128	–128	–1	–4	–127	–124
Cost/income ratio (CIR)	**79.8%**	**75.1%**	**51.2%**	**49.8%**	**107.3%**	**107.5%**	**–40.8%**	**–23.7%**	**–**	**–**	**83.0%**	**83.8%**	**–**	**–**	**87.5%**	**84.9%**
Return on equity before taxes (RoE)	**19.5%**	**28.3%**	**24.7%**	**27.1%**	**–0.5%**	**–0.7%**	**–29.7%**	**–44.3%**	**–**	**–**	**7.2%**	**5.5%**	**–**	**–**	**–**	**–**

The Postbank Group manages its activities on the basis of a management information system whose core component is management accounting by business division. The business divisions correspond to the Group's organizational structure.

Three structural changes were made compared with the previous year.

1) The allocation of costs to the segments was changed, and the method of allocating fully absorbed costs to the segments was also adjusted.

2) The partial results from the optional savings books were reallocated from the Financial Markets segment to the Retail Banking segment, in line with the allocation of items to their originators.

3) Additionally, effective April 1, 2014, five service companies belonging to the Postbank Group were transferred to PBC Banking Services GmbH. In return, Postbank received 49.9975 % of the shares of PBC Banking Services GmbH, which corresponds to 50 % less one share (see Note 2, Basis of consolidation for further information on the transfer). On the basis of a control and profit and loss transfer agreement between PBC Banking Services GmbH and its majority shareholder, Deutsche Bank Privat-

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[1]Figures adjusted
[2]Pertains to financial information of the discontinued operation including related consolidation effects.

und Geschäftskunden AG, the latter guarantees to pay Postbank annual compensation in accordance with section 304 of the AktG for the duration of the agreement. In the first quarter of 2014, these companies and their results were allocated to the segments as follows: Betriebs-Center für Banken AG and VÖB–ZVD Processing GmbH were allocated to Transaction Banking; Postbank Direkt GmbH to Retail Banking; and Postbank Service GmbH and BHW Kreditservice GmbH to Cost Centers/ Consolidation.

As of the third quarter 2014, the Transaction Banking segment is no longer reported separately. The companies Betriebs-Center für Banken AG and VÖB-ZVD Processing GmbH, which were previously allocated to this segment, are recognized in the Cost Centers/Consolidation segment and allocated to the operating segments. The net income from the discontinued operation is reported separately in the reconciliation to the consolidated figures. In the course of this adjustment, we also assigned Postbank Direkt GmbH to the Cost Centers/Consolidation segment and allocated it to the operating segments. As a result, the five service companies are now included in this segment until their transfer.

In the Retail Banking business division, Postbank offers private and business customers a broad spectrum of postal, banking, and financial services. The product range encompasses checking and savings products, credit and debit cards, mortgage lending, installment loans, the home savings business, securities and securities accounts, and investment funds. Income from brokerage activities is also reported in this segment.

The segment result comprises the operating results of Deutsche Postbank AG's Retail Banking operations, BHW Bausparkasse AG's domestic retail business as well as other subsidiaries of BHW Holding AG, Postbank Filialvertrieb AG, Postbank Filial GmbH, and Postbank P.O.S. Transact GmbH. In addition, the result of purchase price allocation from the acquisition of BHW has been allocated to the Retail Banking segment.

Postbank's Corporate Banking business division provides payment transaction services. Commercial finance, especially regarding real estate, constitutes the second important pillar of the corporate banking business in national and international terms. The division's third business area is factoring and leasing.

The segment result comprises the results of PB Firmenkunden AG, Postbank Leasing GmbH, PB Factoring GmbH, the Corporate Banking business of Deutsche Postbank AG and a portion of the results of Deutsche Postbank International S.A. and the Luxembourg branch (in each case minus selected individual exposures), and some commercial real estate finance transactions.

The results of the Group's financial markets transactions (banking and trading books) and of fund administration and management for a number of Postbank's retail funds and for special funds have been assigned to the Financial Markets business division.

The segment result comprises the banking and trading books of Deutsche Postbank AG and BHW Bausparkasse AG, as well as the profit/loss of the following subsidiaries: Deutsche Postbank International S.A. and the Luxembourg branch (in each case excluding the corporate banking business).

The NCOU segment comprises portfolios and activities that are no longer part of the Bank's core business in line with the Bank's current strategy. Besides further increase in transparency, the main goals of the segment are to continue reducing the risks and the risk-weighted assets.

The segment result comprises investment securities from issuers of GIIPS countries, some international commercial real estate finance transactions and selected corporate customer loans, certain foreign retail business transactions and selected retail products that are discontinued. In addition, certain secured and unsecured issues, and the structured credit portfolio of non-originator securitization positions (SCP, which was completely disposed of in 2013) are allocated to the segment.

The Cost Centers/Consolidation segment comprises Group consolidation adjustments – less intra-segment consolidation adjustments – plus the profit/loss of the cost centers. In addition, the segment includes the profit/loss of the Postbank Systems AG, Postbank Immobilien und Baumanagement GmbH, and Postbank Immobilien und Baumanagement GmbH & Co. KG, and the first-quarter results of Postbank Service GmbH and BHW Kreditservice GmbH, Betriebs-Center für Banken AG, VÖB-ZVD Processing GmbH, and Postbank Direkt GmbH subsidiaries, which are allocated to the cost centers, as well as the proportionate claim to the compensation payment in accordance with section 304 of the AktG. The reconciliation to consolidated profit also falls within this segment. Specific non-recurring effects are also attributable to this segment. In 2013, these included the writedown of the BHW brand and the result from the deconsolidation of PB (USA) Holdings, Inc. and other U.S. companies. The service companies which were transferred to PBC Banking Service GmbH were deconsolidated in 2014. Please see Note 2.

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The companies belonging to the discontinued operation "Transaction Banking" were disposed of in the reporting period as part of the pooling of service companies within the Deutsche Bank Group. See Note 15.

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In addition to the results in the income statement of the business units allocated to the business divisions, imputation procedures are applied to ensure correct allocation of the segment results. In accordance with IFRS 8.23, we report net interest income (net interest revenue) instead of interest income and interest expense. The allocation of net interest income from customer products to the segments uses the market rate method, under which the customer interest rate is compared with imputed money and capital market rates for matching terms. The administrative expenses of the Deutsche Postbank AG units included in the segment results are primarily based on the results of cost center accounting. Income taxes are not calculated at segment level.

Reversals of impairment losses and impairment losses relate to intangible assets and property and equipment. Both

amortization/depreciation and impairments are taken into account.

Equity is allocated to the segments according to their risk capital requirements. Risk capital requirements are derived from Postbank's risk cover amount and define the extent of the permitted exposures to market risk, credit risk, operational risk, business risk, investment and real estate risk, and collective risk. The average IFRS equity is allocated to the segments according to their respective responsibility for the risk capital positions within the individual risk types.

The prior-year segment reporting figures were adjusted in the course of the above-mentioned changes to business unit accounting (new cost allocation, reallocation of optional savings books, and change in reporting of Transaction Banking segment). The main adjustments are described below

Income in the Retail Banking segment increased by €10 million. This is solely attributable to the reallocation from the Financial Markets segment of the partial results from the optional savings books. Administrative expenses rose by €62 million. Charges relating to allocated items including fully absorbed costs declined by €103 million. Overall, profit before tax for the segment improved by €51 million.

In the Corporate Banking segment, allocated items decreased by €11 million, resulting in an €11 million improvement in the segment's profit before tax.

The Transaction Banking segment is no longer reported. Before adjustment, net income of €34 million was reported in this segment.

In the Financial Markets segment, income declined by €10 million due to the reallocation of the optional savings books to the Retail Banking segment. Charges relating to allocated items including fully absorbed costs amounted to €12 million. Overall, profit before tax for the segment decreased by €22 million.

There were no changes in the NCOU segment.

Net fee and commission income in the Cost Centers/Consolidation segment increased by €288 million. Administrative expenses rose by €191 million. Net other income and expenses rose by €9 million. The allocated items decreased by €112 million. Consequently, profit before tax declined by €6 million.

Company level disclosures

The following table contains information about income per product or service:

	2014 €m	2013 €m
Deposits and loans for Retail and Corporate Banking customers	2,975	2,903
Payment transaction services for Retail and Corporate Banking customers	393	406
Retail and Corporate Banking fee and commission income	511	517
Transaction Banking insourcing (net fee and commission income)	22	94
Others	–31	–116
Total	**3,870**	**3,804**

The total comprises the Postbank Group's net interest income, net fee and commission income, net trading income, and net income from investment securities. Net interest income and net fee and commission income of the subsidiaries attributable to the Corporate Banking segment are reported under the "Deposits and loans for Retail and Corporate Banking customers" item. The "Others" item includes the Group's net trading income and net income from investment securities, among other things, and hence reflects the significant effects of the financial markets crisis. The income for the NCOU segment is reported under the "Others" item.

The results of the geographical areas are calculated using the profit and loss as reported in the income statement of the legal entities and branches attributable to the areas.

The Europe region contains the London branch (until December 31, 2013), the Luxembourg entities Deutsche Postbank International S.A., the Luxembourg branch, Deutsche Postbank Finance Center Objekt GmbH, plus the branches of BHW in Italy and Luxembourg. The Germany region comprises all domestic business units including all consolidation adjustments.

	Income		Loss/profit before tax		Non-current assets	
	2014 €m	2013 €m	2014 €m	2013 €m	2014 €m	2013 €m
Germany	3,791	3,663	507	324	2,619	2,707
Europe	79	141	–50	–6	17	19
Total	**3,870**	**3,804**	**457**	**318**	**2,636**	**2,726**

Non-current assets comprise intangible assets and property and equipment.

(41) Contingencies and other obligations

Contingent liabilities arise from past events that will lead to possible future obligations. These obligations arise from the occurrence of uncertain future events whose settlement amount cannot be estimated with sufficient reliability.

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Contingent liabilities		
on guarantees and warranties	394	359
Other obligations		
irrevocable loan commitments	6,076	7,179
thereof building loans provided	3,099	2,871
miscellaneous obligations	13,003	12,353
Total	**19,473**	**19,891**

Miscellaneous obligations mainly relate to credit lines that can be called in by Postbank at any time. This figure also includes a contingent liability for complaints relating to advice provided and transactions entered into in the area of closed-end funds. Further information regarding this issue is not disclosed separately, as this could have serious impact on the situation of the Bank.

Contingencies and other obligations were reduced by the allowance for losses on loans and advances recognized.

The amount and timing of utilization are often variable, particularly in the case of credit lines, guarantees, and warranties.

Loan commitments and credit lines usually contain a repayment agreement. In addition, reimbursement is only possible to a limited extent.

(42) Fair values of financial instruments

Fair value hierarchy

The following presents the allocation of financial instruments measured at fair value to the three-level fair value hierarchy in accordance with IFRS 13.72ff. In line with this, Postbank assigns the assets and liabilities to the respective levels:

Level 1:
Quoted market prices for the identical asset or the identical liability exist for the instruments classified as Level 1. In other words, Level 1 fair value measurement is based solely on quoted market prices in an active market for an identical financial instrument. Level 1 therefore mainly consists of highly liquid securities and exchange-traded derivatives.

Level 2:
Level 2 fair values are measured either with the help of quoted prices in active markets for similar instruments or using techniques whose inputs are based solely on directly or indirectly observable market data. These include non-exchange-traded derivatives (e.g., swaps, caps, floors, and CDSs) as well as bonds and promissory note loans that are valued using yield and spread curves and volatilities.

Level 3:
Level 3 fair values are determined using measurement models whose significant inputs are not observable on the market. Such valuation techniques are used in particular to measure structured credit products.

The following tables show the allocation of the individual categories of financial instruments to the corresponding levels in the fair value hierarchy:

As of December 31, 2014

Assets measured at fair value				
		Fair value reported in:		
Classes	Dec. 31, 2014 €m	Level 1 €m	Level 2 €m	Level 3 €m
Financial assets at fair value through profit or loss (FVtPL)				
Trading assets	697	0	696	1
Hedging derivatives	119	0	119	0
Loans and advances to customers	4,933	0	4,933	0
thereof private mortgage lending[1]	4,933	0	4,933	0
Available-for-sale financial assets				
Investment securities	12,402	10,229	2,099	74
Total	**18,151**	**10,229**	**7,847**	**75**

[1]Due to the trend in interest rates the discount rate used to measure loans under the fair value option in 2014 contained a greater share of inputs not observable in the market than in the previous year. These continued to be allocated to Level 2 given their low expected volatility and their insignificance for the fair value as a whole.

Liabilities measured at fair value				
		Fair value reported in:		
Classes	Dec. 31, 2014 €m	Level 1 €m	Level 2 €m	Level 3 €m
Financial liabilities at fair value through profit or loss (FVtPL)				
Trading liabilities	767	0	765	2
Hedging derivatives	298	0	298	0
Total	**1,065**	**0**	**1,063**	**2**

As of December 31, 2013

Assets measured at fair value				
		Fair value reported in:		
Classes	Dec. 31, 2013 €m	Level 1 €m	Level 2 €m	Level 3 €m
Financial assets at fair value through profit or loss (FVtPL)				
Trading assets	1,824	1	1,822	1
Hedging derivatives	113	0	113	0
Loans and advances to customers	5,830	0	5,830	0
thereof private mortgage lending	5,830	0	5,830	0
Available-for-sale financial assets				
Investment securities[1]	10,229	7,578	2,590	61
Total	**17,996**	**7,579**	**10,355**	**62**

Liabilities measured at fair value				
		Fair value reported in:		
Classes	Dec. 31, 2013 €m	Level 1 €m	Level 2 €m	Level 3 €m
Financial liabilities at fair value through profit or loss (FVtPL)				
Trading liabilities	1,681	0	1,679	2
Hedging derivatives	460	0	460	0
Total	**2,141**	**0**	**2,139**	**2**

Postbank uses discounted cash flow models to measure financial instruments allocated to Level 2, if they cannot be measured using recent transactions in identical financial instruments or transactions in similar financial instruments at the measurement date. Most of the above-mentioned financial instruments (derivatives, bonds, promissory note loans) are measured using discounted cash flow analysis, which mainly uses yield and spread curves (credit spreads, basis spreads) as inputs. In addition, CDS spreads and hazard rates are used to value credit derivatives. Option pricing models also use share prices, index prices, and volatilities as inputs.

The Postbank Group applies the fair value option exclusively to loan portfolios in the mortgage lending business. The current swap yield curve and loan-specific risk and cost premiums are used as inputs. The risk premiums are calculated on the basis of the estimated loss rates and probabilities of default; these are sourced from the Bank's internal rating model, which has been approved by the supervisory authority.

As compared to the previous year, the increase in level 1 instruments results from a higher volume in investment securities with quoted market prices in active markets. The decrease in level 2 instruments is primarily attributable to maturities and shifts of instruments from level 2 to level 1.

[1]Figures adjusted (see Note 6)

Valuation techniques whose inputs mean they are allocable to Level 3 are used for both assets and liabilities. Embedded derivatives from the synthetic SCP portfolios are allocated to Level 3.

Financial assets allocable to Level 3 changed as follows in the reporting period:

Assets measured at fair value based on Level 3						
	Assets measured at fair value in Level 3 as of Dec. 31, 2014					
	Financial assets at FVtPL			AfS financial assets		Total
	Trading assets €m	Hedging derivatives €m	Loans and advances to customers €m	Investment securities €m	Loans and advances to other banks €m	€m
Opening balance	1	0	0	61	0	62
Total gains or losses	0	0	0	15	0	15
in profit or loss	0	0	0	0	0	0
in revaluation reserve	0	0	0	15	0	15
Purchases	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Issues	0	0	0	0	0	0
Settlements	0	0	0	–2	0	–2
Exchange rate effects	0	0	0	0	0	0
Transfers out of Level 3	0	0	0	0	0	0
Transfers to Level 3	0	0	0	0	0	0
Closing balance	**1**	**0**	**0**	**74**	**0**	**75**
Total remeasurement gains/losses for assets held at the end of the reporting period	**0**	**0**	**0**	**15**	**0**	**15**

The above-mentioned change in financial assets allocated to Level 3 is primarily due to the change in the fair value of the positions (+€15 million) and repayments of €2 million.

Level 3 financial assets changed as follows as of December 31, 2013:

Assets measured at fair value based on Level 3						
	Assets measured at fair value in Level 3 as of Dec. 31, 2013					
	Financial assets at FVtPL			AfS financial assets		Total
	Trading assets €m	Hedging derivatives €m	Loans and advances to customers €m	Investment securities €m	Loans and advances to other banks €m	€m
Opening balance	1	0	0	193	0	194
Total gains or losses	0	0	0	–14	0	–14
in profit or loss	0	0	0	1	0	1
in revaluation reserve	0	0	0	–15	0	–15
Purchases	0	0	0	0	0	0
Disposals	0	0	0	–112	0	–112
Issues	0	0	0	0	0	0
Settlements	0	0	0	–6	0	–6
Exchange rate effects	0	0	0	0	0	0
Transfers out of Level 3	0	0	0	0	0	0
Transfers to Level 3	0	0	0	0	0	0
Closing balance	**1**	**0**	**0**	**61**	**0**	**62**
Total remeasurement gains/losses for assets held at the end of the reporting period	**0**	**0**	**0**	**–15**	**0**	**–15**

Level 3 financial liabilities changed as follows in fiscal year 2014:

Liabilities measured at fair value based on Level 3			
	Fair value reported in Level 3 as of Dec. 31, 2014		
Financial liabilities at FVtPL	Trading liabilities €m	Hedging derivatives €m	Total €m
Opening balance	2	0	2
Total loss	0	0	0
in profit or loss	0	0	0
Purchases	0	0	0
Disposals	0	0	0
Issues	0	0	0
Settlements	0	0	0
Exchange rate effects	0	0	0
Transfers out of Level 3	0	0	0
Transfers to Level 3	0	0	0
Closing balance	**2**	**0**	**2**
Total remeasurement gains/losses for liabilities held at the end of the reporting period	**0**	**0**	**0**

Level 3 financial liabilities changed as follows in the prior-year period:

Liabilities measured at fair value based on Level 3			
	Fair value reported in Level 3 as of Dec. 31, 2013		
Financial liabilities at FVtPL	Trading liabilities €m	Hedging derivatives €m	Total €m
Opening balance	62	0	62
Total loss	0	0	0
in profit or loss	0	0	0
Purchases	0	0	0
Disposals	–60	0	–60
Issues	0	0	0
Settlements	0	0	0
Exchange rate effects	0	0	0
Transfers out of Level 3	0	0	0
Transfers to Level 3	0	0	0
Closing balance	**2**	**0**	**2**
Total remeasurement gains/losses for liabilities held at the end of the reporting period	**0**	**0**	**0**

The fair value of financial instruments allocated to Level 3 is measured either using arranger/dealer quotes or an internal valuation technique. The internal valuation technique also takes the illiquidity of the markets for structured products into account in addition to the impact of default on expected cash flows. This is done by adding a premium to the risk-free interest rate for the same maturity when discounting the above-mentioned cash flows.

Due to the reduced holding of Level 3 financial instruments, Postbank does not explicitly disclose qualitative and quantitative information.

There were no non-recurring fair value measurements of financial instruments in the reporting period.

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

The fair values of financial instruments carried at amortized cost or hedge fair value on the balance sheet are compared with their carrying amounts in the following table:

	Dec. 31, 2014					Dec. 31, 2013	
	Carrying amount €m	Full fair value €m	Level 1 Mio €	Level 2 Mio €	Level 3 Mio €	Carrying amount €m	Full fair value €m
Assets							
Cash reserve	1,230	1,230	1,230	–	–	1,739	1,739
Loans and advances to other banks (loans and receivables)	19,659	19,671	891	18,780	–	20,153	20,167
Loans and advances to customers (loans and receivables)	93,040	100,825	–	–	100,825	95,483	100,615
Allowance for losses on loans and advances	–1,361	–1,361	–	–	–1,361	–1,478	–1,478
Investment securities (loans and receivables)	20,642	21,289	13,879	7,410	–	23,786	23,696
	133,210	**141,654**	**16,000**	**26,190**	**99,464**	**139,683**	**144,739**
Liabilities							
Deposits from other banks (liabilities at amortized cost)	17,583	18,308	765	6,760	10,783	18,282	18,675
Due to customers (liabilities at amortized cost)	119,295	121,855	–	–	121,855	120,398	122,752
Debt securities in issue and subordinated debt	8,270	8,807	76	–	8,731	11,700	12,191
	145,148	**148,970**	**841**	**6,760**	**141,369**	**150,380**	**153,618**

In general, fair value is calculated for all financial instruments. The only exceptions are items payable on demand and savings deposits with an agreed withdrawal notice of one year or less.

(43) Revenue and expense items, gains and losses as defined by IFRS 7, and financial instruments in accordance with the measurement categories as defined by IAS 39

	Note	2014 €m	2013 €m
Interest income and expense	(8)		
Loans and receivables		4,527	4,966
Available for sale		191	183
Liabilities at amortized cost		–2,054	–2,402
Net gains or losses	(11), (12)		
Held for trading		–12	–58
Designated as at fair value		7	6
Loans and receivables		23	11
Available for sale		23	41

	Fair value hedges/option		Unhedged		Total	
	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013[1] €m	Dec. 31, 2014 €m	Dec. 31, 2013[1] €m
Assets	**15,379**	**17,614**	**136,112**	**139,804**	**151,491**	**157,418**
Loans and receivables	5,777	8,352	127,564	131,070	133,341	139,422
Loans to other banks	105	201	19,554	19,952	19,659	20,153
Loans to customers	1,556	1,797	91,484	93,686	93,040	95,483
Investment securities	4,116	6,354	16,526	17,432	20,642	23,786
Available for sale	4,551	3,304	7,851	6,925	12,402	10,229
Investment securities	4,551	3,304	7,851	6,925	12,402	10,229
Held for trading	–	15	697	1,809	697	1,824
Trading assets	–	15	697	1,809	697	1,824
Fair value option	4,932	5,830	–	–	4,932	5,830
Loans to customers	4,932	5,830	–	–	4,932	5,830
Hedging derivatives	119	113	–	–	119	113
Liabilities	**13,564**	**12,190**	**132,649**	**140,331**	**146,213**	**152,521**
Liabilities at amortized cost	13,160	11,541	131,988	138,839	145,148	150,380
Deposits from other banks	668	525	16,915	17,757	17,583	18,282
Due to customers	8,205	6,899	111,090	113,499	119,295	120,398
Debt securities in issue	2,406	2,325	2,165	5,017	4,571	7,342
Subordinated debt	1,881	1,792	1,818	2,566	3,699	4,358
Held for trading	106	189	661	1,492	767	1,681
Trading liabilities	106	189	661	1,492	767	1,681
Hedging derivatives	298	460	–	–	298	460

[1]Figures adjusted (see Note 6)

(44) Derivatives

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

Postbank's foreign currency financial derivatives consist for the most part of forward exchange transactions, currency swaps, cross currency swaps, and currency options. Interest rate derivatives primarily comprise interest rate swaps and interest rate futures and options; in isolated cases, fixed-income forwards are also entered into. The equity derivatives entered into mainly take the form of equity options and equity/index options. Credit derivatives (credit default swaps) are mainly separated derivatives of synthetic CDOs.

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

The fair values of the individual contracts were calculated using recognized valuation techniques. Netting opportunities arising from the settlement of Postbank's derivative transactions via a central counterparty are used accordingly.

Holdings of derivatives are composed of the following items:

	Notional amount		Positive fair values		Negative fair values	
	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Trading derivatives	168,182	178,895	558	1,674	767	1,681
Hedging derivatives	20,752	21,303	119	113	298	460
Total	**188,934**	**200,198**	**677**	**1,787**	**1,065**	**2,141**

The following table presents the Postbank Group's interest rate and foreign currency, conditional and unconditional forward transactions open at the balance sheet date.

	Notional amount		Fair value			
			Positive fair values		Negative fair values	
	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Trading derivatives						
Foreign currency derivatives						
OTC products						
Currency forwards	2,055	3,357	77	82	88	74
Currency swaps	2,508	5,125	34	46	22	41
Total holdings of foreign currency derivatives	**4,563**	**8,482**	**111**	**128**	**110**	**115**
Interest rate derivatives						
OTC products						
Interest rate swaps	160,683	166,619	410	1,491	568	1,512
Cross currency swaps	1,436	1,634	32	46	82	42
Forward rate agreements	–	–	–	–	–	–
OTC interest rate options	136	470	0	3	1	2
Other interest rate contracts	1,223	1,119	4	4	3	5
Exchange-traded products						
Interest rate futures	–	–	–	–	–	–
Total holdings of interest rate derivatives	**163,478**	**169,842**	**446**	**1,544**	**654**	**1,561**

	Notional amount		Fair value			
			Positive fair values		Negative fair values	
	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Equity/index derivatives						
OTC products						
Equity options (long/short)	18	–	–	–	–	–
Exchange-traded products						
Equity/index options	0	46	0	1	–	–
Total holdings of equity/index derivatives	**18**	**46**	**0**	**1**	**–**	**–**
Credit derivatives						
Credit default swaps	123	525	1	1	3	5
Total holdings of credit derivatives	**123**	**525**	**1**	**1**	**3**	**5**
Total holdings of trading derivatives	**168,182**	**178,895**	**558**	**1,674**	**767**	**1,681**
thereof banking book derivatives	72,887	54,512	465	298	552	395
thereof derivatives relating to hedged items accounted for under the fair value option	15,231	15,084	0	15	106	188
Hedging derivatives						
Fair value hedges						
Interest rate swaps	20,567	21,111	82	93	296	458
Cross currency swaps	185	192	37	20	2	2
Credit default swaps	–	–	–	–	–	–
Total holdings of hedging derivatives	**20,752**	**21,303**	**119**	**113**	**298**	**460**
Total holdings of derivatives	**188,934**	**200,198**	**677**	**1,787**	**1,065**	**2,141**

Total holdings of recognized derivative assets and liabilities:

	Hedging derivatives			
	Positive fair values		Negative fair values	
	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Remaining maturity				
less than 3 months	12	27	53	19
3 months to 1 year	0	1	12	17
from 1 to 2 years	0	0	52	51
from 2 to 3 years	0	0	39	116
from 3 to 4 years	0	42	49	30
from 4 to 5 years	3	2	15	49
more than 5 years	104	41	78	178
	119	**113**	**298**	**460**

	Trading and banking book derivatives			
	Positive fair values		Negative fair values	
	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Remaining maturity				
less than 3 months	55	202	83	190
3 months to 1 year	58	100	103	108
from 1 to 2 years	42	129	59	97
from 2 to 3 years	19	132	56	173
from 3 to 4 years	9	140	49	87
from 4 to 5 years	40	158	59	130
more than 5 years	335	813	358	896
	558	**1,674**	**767**	**1,681**

The remaining maturity is the period between the balance sheet date and the contractual maturity of the asset or liability.

The following table presents the positive and negative fair values of derivatives by counterparties.

	Positive fair values		Negative fair values	
	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Counterparties				
Banks in OECD countries	385	1,451	966	2,080
Other counterparties in OECD countries	292	336	99	61
Non-OECD	–	–	–	–
	677	**1,787**	**1,065**	**2,141**

(45) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities that meet the conditions for offsetting set out in IAS 32.42ff. are presented on a net basis in the balance sheet.

The following tables contain the disclosures as of December 31, 2014, on the effects of offsetting on the consolidated balance sheet and the financial effects of offsetting in the case of instruments that are covered by a legally enforceable master netting arrangement or similar agreement.

	Financial assets (gross) €m	Offset recognized amounts (gross) €m	Recog-nized financial assets (net) €m	Effects of master netting arrange-ments €m	Cash collateral €m	Collateral taking the form of financial instru-ments €m	Net amount €m
Assets							
Loans and advances to other banks (including allowance for losses on loans and advances)	22,270	–2,611	19,659	–	–	–16,357	3,302
Trading assets	8,698	–8,001	697	–153	–39	–	505
Hedging derivatives	1,624	–1,505	119	–48	–8	–	63
Total	**32,592**	**–12,117**	**20,475**	**–201**	**–47**	**–16,357**	**3,870**

	Financial liabilities (gross) €m	Offset recognized amounts (gross) €m	Recog-nized financial liabilities (net) €m	Effects of master netting arrange-ments €m	Cash collateral €m	Collateral taking the form of financial instru-ments €m	Net amount €m
Equity and Liabilities							
Deposits from other banks	9,179	–2,419	6,760	–	–14	–6,370	376
Trading liabilities	9,766	–8,999	767	–153	–410	–	204
Hedging derivatives	998	–699	299	–48	–160	–	91
Total	**19,943**	**–12,117**	**7,826**	**–201**	**–584**	**–6,370**	**671**

The column headed "Offset recognized amounts (gross)" contains the amounts set off in accordance with the provision of IAS 32.42ff. The column entitled "Effects of master netting arrangements" contains the amounts that are covered by master netting arrangements but that have not been set off because the conditions of IAS 32.42ff. have not been met. The "Cash collateral" and "Collateral taking the form of financial instruments" columns show the fair values concerned. The right to set off collateral taking the form of financial instruments and cash collateral is contingent upon the prior default of the counterparty concerned.

Offset financial assets and financial liabilities from securities repurchase agreements (reverse repos/repos) are included in the "Loans and advances to other banks (including allowance for losses on loans and advances)" and "Deposits from other banks" balance sheet items.

Offset derivatives are included in the "Trading assets," "Trading liabilities," and "Hedging derivatives" line items. The cash collateral received as security for positive fair values of derivatives and pledged for negative fair values of derivatives is reported under the "Deposits from other banks" and "Loans and advances to other banks" line items.

The following tables contain the comparative figures as of December 31, 2013.

	Financial assets (gross) €m	Offset recognized amounts (gross) €m	Recognized financial assets (net) €m	Effects of master netting arrangements €m	Cash collateral €m	Collateral taking the form of financial instruments €m	Net amount €m
Assets							
Loans and advances to other banks (including allowance for losses on loans and advances)	23,117	–3,192	19,925	–	–	–15,077	4,848
Trading assets	6,497	–4,673	1,824	–1,000	–122	–	702
Hedging derivatives	929	–816	113	–68	–8	–	37
Total	**30,543**	**–8,681**	**21,862**	**–1,068**	**–130**	**–15,077**	**5,587**

	Financial liabilities (gross) €m	Offset recognized amounts (gross) €m	Recognized financial liabilities (net) €m	Effects of master netting arrangements €m	Cash collateral €m	Collateral taking the form of financial instruments €m	Net amount €m
Equity and Liabilities							
Deposits from other banks	9,520	–2,390	7,130	–	–	–6,653	477
Trading liabilities	7,518	–5,837	1,681	–1,000	–516	–	165
Hedging derivatives	915	–455	460	–68	–141	–	251
Total	**17,953**	**–8,682**	**9,271**	**–1,068**	**–657**	**–6,653**	**893**

(46) Foreclosures and compulsory administration

	Dec. 31, 2014 Number	Dec. 31, 2013 Number
Foreclosures pending	616	599
Compulsory administration proceedings	76	719
Foreclosures completed	494	617

(47) Foreign currency volume

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Foreign currency assets	2,179	3,747
Foreign currency liabilities	2,186	3,729

(48) Risk-weighted assets and capital ratio

On January 1, 2014, the Capital Requirements Regulation (CRR) and the Capital Requirements Directive IV (CRD IV) – the European legislation implementing Basel III – entered into force, subject to a number of transitional provisions. The two pieces of legislation implemented the extensive prudential requirements set out in the Action Plan adopted by the G20 heads of state and government in order to strengthen the financial system. These requirements were originally agreed at international level in the form of the Basel III framework and have now been transposed into EU law via the CRR/CRD IV package. As a regulation, the CRR is directly applicable in EU member states and replaces the national supervisory provisions previously set out in the *Kreditwesengesetz* (KWG – German Banking Act) and the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation). The requirements of the CRD IV were transposed into national law by adapting the relevant provisions of the KWG, the SolvV, and the accompanying regulations.

The core elements of the package of reforms are measures to strengthen institutions' own funds, the introduction of a leverage ratio, and the introduction of global minimum liquidity standards (LCR/NSFR). In relation to the calculation of the capital ratios, a key focus was on redefining the structure and preconditions for the recognition of, and the deduction items relating to, the regulatory capital components. In addition, the capital requirements for credit risk exposure were increased significantly in some cases, including via the introduction of an additional capital requirement for OTC derivatives (the credit valuation adjustment), by increasing capital requirements for receivables from large and/or highly interconnected financial services providers (asset value correlation), and by increasing the capital requirements for receivables from central counterparties. Last but not least, minimum capital adequacy ratios were increased and additional buffers defined above these.

The new requirements are to be phased in gradually. In particular, the requirements with respect to the prudential filters and capital deductions, and the minimum capital adequacy ratios will be implemented successively. Consequently, the presentation of the results discloses whether the calculations assume that the requirements have been implemented in their entirety ("fully phased-in") or whether the results were calculated on the basis of the transitional provisions ("regular phased-in").

The results as of the December 31, 2014, reporting date were determined on the basis of the new Framework. Postbank ensures the correct calculation of Tier 1 capital and own funds (also) at subgroup level.

Its regulatory own funds in accordance with the CRR/CRD IV (regular phased-in) were as follows:

	Dec. 31, 2014[1] €m	Dec. 31, 2013[2] €m
Credit and counterparty risk (including CVA)	38,902	42,184
Market risk positions	93	200
Operational risk	4,656	4,588
Total risk-weighted assets	43,651	46,972
Common Equity Tier 1 capital	4,812	4,529
Additional Tier 1 capital	0	0
Tier 1 capital	4,812	4,529
Tier 2 capital	2,573	2,866
Own funds	7,385	7,395
	%	%
Common Equity Tier 1 capital ratio	11.0	9.6
Tier 1 ratio in %	11.0	9.6
Total capital ratio in %	16.9	15.7

The fully phased-in Common Equity Tier 1 capital ratio amounted to 10.5 %[1] (December 31, 2013: 8.8 %[2]).

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

[1]Based on the consolidated financial statements as of December 31, 2014 subject to approval
[2]Pro-forma values in accordance with the CRR/CRD IV on the basis of the consolidated financial statements as of December 31, 2013

(49) Risk capital

The risk cover amount available for covering all risks consists of the Bank's capital less goodwill and its subordinated debt in accordance with IFRSs as well as parts of the other reserves and liabilities associated with financial instruments including customer transactions, less net cost. Other reserves include additional reserves that are not reported in the IFRS balance sheet or the notes. These are prorated checking and savings-related reserves as well as those of the BHW Bausparkasse AG home savings collective as determined by replication models. Conservative discounts and limit buffers are used when calculating the risk cover amount in order to account for estimating uncertainties.

The regulatory capital requirements (regulatory capital adequacy in accordance with the *Kreditwesengesetz* (KWG – German Banking Act), the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation), and the *Groß- und Millionenkreditverordnung* (GroMiKV – German Regulation Governing Large Exposures and Loans of €1.5 Million and More)) are additional conditions that must be strictly observed when managing economic risk capital.

In accordance with the requirements of the MaRisk, the risk strategy is consistent with the business strategy and takes into account all significant areas of business and types of risk.

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, for fiscal years 2014 and 2013 before and after factoring in correlation effects and the unallocated risk cover amount (calculated as of December 31 for each year):

Risk capital by risk types		
Capital and risk components	Allocated risk capital	
	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Credit risk	2,800	3,000
Market risk	2,150	2,095
Operational risk	700	600
Business risk	2,700	2,450
Total before diversification	**8,350**	**8,145**
Diversification effects	1,490	1,380
Total after diversification	**6,860**	**6,765**
Unallocated risk cover amount	5,020	5,241
Total risk cover amount	**11,880**	**12,006**

63 Other disclosures relating to capital management can be found in the Risk Report section of the Group Management Report.

(50) Maturity structure

As of December 31, 2014:

	Payable on demand €m	Less than 3 months €m	3 months to 1 year €m	1 to 2 years €m	2 to 3 years €m	3 to 4 years €m	4 to 5 years €m	More than 5 years €m	Total €m
Loans and advances to other banks	1,515	6,603	7,688	1,432	342	1,257	503	319	19,659
Loans and advances to customers	4,344	9,102	9,510	10,184	8,656	8,907	7,490	39,779	97,972
Trading assets	–	58	145	89	19	9	41	336	697
Hedging derivatives	–	12	–	–	–	–	3	104	119
Investment securities	–	1,126	3,050	4,621	5,135	6,328	3,743	9,474	33,477
Current tax assets	–	–	129	18	1	–	–	–	148
Deferred tax assets	–	–	8	5	–	1	7	27	48
Other assets	245	8	95	96	68	59	50	202	823
Total	**6,104**	**16,909**	**20,625**	**16,445**	**14,221**	**16,561**	**11,837**	**50,241**	**152,943**
Deposits from other banks	989	6,884	778	764	1,358	1,307	1,027	4,476	17,583
Due to customers	39,927	45,551	8,305	3,665	3,853	3,170	2,614	12,210	119,295
Debt securities in issue	111	41	1,017	77	60	10	123	3,132	4,571
Trading liabilities	–	83	103	59	56	49	59	358	767
Hedging derivatives	–	53	12	52	39	49	15	78	298
Provisions	1	79	422	427	280	175	127	441	1,952
Provisions for pensions	–	2	7	9	9	10	9	109	155
Other provisions	1	77	415	418	271	165	118	332	1,797
Current tax liabilities	–	–	82	22	–	–	–	–	104
Deferred tax liabilities	–	–	12	0	0	2	2	35	51
Other liabilities	231	195	75	4	3	6	1	11	526
Subordinated debt	79	4	204	706	86	403	134	2,083	3,699
Total	**41,338**	**52,890**	**11,010**	**5,776**	**5,735**	**5,171**	**4,102**	**22,824**	**148,846**

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The remaining maturities of derivatives are presented separately in a table in Note 45.

As of December 31, 2013:

	Payable on demand €m	Less than 3 months €m	3 months to 1 year €m	1 to 2 years €m	2 to 3 years €m	3 to 4 years €m	4 to 5 years €m	More than 5 years €m	Total €m
Loans and advances to other banks	2,383	8,628	4,960	1,369	668	314	1,413	418	20,153
Loans and advances to customers	4,987	10,876	10,063	11,514	9,534	8,118	8,133	38,088	101,313
Trading assets	–	204	101	225	182	140	158	814	1,824
Hedging derivatives	–	27	1	0	0	42	2	41	113
Investment securities[1]	–	1,185	2,181	4,897	5,039	5,353	6,223	9,137	34,015
Current tax assets	–	–	78	35	1	1	–	–	115
Deferred tax assets	–	–	76	–	3	–	–	13	92
Other assets	155	39	101	100	69	60	64	140	728
Total	**7,525**	**20,959**	**17,561**	**18,140**	**15,496**	**14,028**	**15,993**	**48,651**	**158,353**
Deposits from other banks	7,806	450	538	1,615	755	1,324	1,306	4,488	18,282
Due to customers	37,291	48,781	8,327	3,730	2,227	3,723	2,924	13,395	120,398
Debt securities in issue	169	1,504	1,262	105	101	61	769	3,371	7,342
Trading liabilities	–	190	108	97	173	87	130	896	1,681
Hedging derivatives	–	19	17	51	116	30	49	178	460
Provisions	11	73	362	380	244	138	108	348	1,664
Provisions for pensions	–	–	34	5	5	5	4	40	93
Other provisions[1]	11	73	328	375	239	133	104	308	1,571
Current tax liabilities	–	–	40	40	–	–	–	–	80
Deferred tax liabilities	–	–	–	2	6	8	25	43	84
Other liabilities	374	338	44	17	14	13	22	11	833
Subordinated debt	89	20	222	704	707	86	403	2,127	4,358
Total	**45,740**	**51,375**	**10,920**	**6,741**	**4,343**	**5,470**	**5,736**	**24,857**	**155,182**

(51) Other financial obligations

In accordance with section 16 of the *Postpersonalrechtsgesetz* (Deutsche Bundespost Former Employees Act), Deutsche Postbank AG pays an annual contribution for civil servant pensions to the relevant pension fund, Bundes-Pensions-Service für Post und Telekommunikation e.V. (BPS-PT), in the amount of 33 % of the gross compensation of its active civil servants and of the notional gross compensation of its civil servants on leave of absence who are eligible for pensions. Postbank has no further obligations for benefits paid by the pension fund.

Postbank ensures that, with the exception of political risk, its PB Factoring GmbH (Bonn), and BHW Bausparkasse AG (Hameln) subsidiaries will be able to meet their obligations. The comfort letter in favor of Deutsche Postbank International S.A. (now: PB International S.A.), Luxembourg, became ineffective as of July 1, 2014, and was therefore terminated in respect of new obligations from that date, after Deutsche Postbank AG, Luxembourg branch, took over the business operations of Deutsche Postbank International S.A., Luxembourg, by acquiring almost all of the assets and liabilities of Deutsche Postbank International S.A., Luxembourg, as of July 1, 2014.

The comfort letters issued in favor of creditors of subsidiaries of Deutsche Postbank AG primarily lead to benefits for the subsidiaries in the form of improved terms and conditions for business and finance. Deutsche Postbank AG profits from these benefits since they have a positive impact on the enterprise value of the subsidiary concerned. Conversely, there is the possibility of the creditors having recourse against Postbank.

There are also additional funding obligations in respect of the deposit protection fund of the Bundesverband deutscher Banken e.V. in the amount laid down in its statutes, as well as in respect of the Entschädigungseinrichtung deutscher Banken – the mandatory compensation scheme for all deposit-taking institutions in Germany – on the basis of the

[1]Figures adjusted (see Note 6)

provisions of the *Einlagensicherungs- und Anlegerentschädigungsgesetz* (German Deposit Protection and Investor Compensation Act). In addition, a retroactive contribution of €5.7 million is required under the bank levy (in accordance with section 3(3) of the *Verordnung über die Erhebung der Beiträge zum Restrukturierungsfonds für Kreditinstitute* (RStruktFV), the German Regulation on Credit Institutions' Contributions to the Restructuring Fund).

In addition, BHW Bausparkasse Aktiengesellschaft is a member of the Bausparkassen-Einlagensicherungsfonds e.V., the deposit protection fund of German home loan and savings associations.

Financial obligations under Postbank's operating leases involving non-cancelable leasing agreements relate to land and buildings and have the following maturity structures:

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
in the first year after the balance sheet date	53	63
in the second year after the balance sheet date	43	49
in the third year after the balance sheet date	33	38
in the fourth year after the balance sheet date	22	30
in the fifth year after the balance sheet date	14	19
more than five years after the balance sheet date	40	40
Total	**205**	**239**

(52) Trust activities

Trust activities are composed of the following items:

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Trust assets		
Loans and advances to other banks	1	11
Loans and advances to customers	507	619
	508	**630**
Trust liabilities		
Due to customers	508	630
	508	**630**

(53 Employees

The average number of employees in the Group, including the discontinued operation, in the period under review was as follows:

	Total 2014	Total 2013
Full-time		
Civil servants	4,781	5,131
Salaried employees	9,596	11,417
	14,377	**16,548**
Part-time		
Civil servants	1,160	1,209
Salaried employees	3,394	4,314
	4,554	**5,523**
	18,931	**22,071**

The employees are employed almost exclusively in Germany.

(54) Relationships with unconsolidated structured entities

This Note is focused on relationships with structured entities which are not controlled by Postbank and thus are not consolidated.

Relationships with structured entities include contractual and non-contractual business relationships that expose the Bank to variable positive and/or negative returns from the performance of the structured entity.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. A structured entity often has the following features: restricted activities, a narrow and well-defined objective, insufficient equity, and financing that creates concentrations of credit or other risks.

In the area of commercial real estate finance, Postbank has, among other things, lending relationships with real estate investment vehicles, whose purpose is the holding and rental of commercial real estate primarily in Germany and Europe, and with national and international real estate funds ("Commercial Real Estate Finance" category). The real estate is equity and debt-financed. Usually real estate investment vehicles use a higher proportion of debt capital.

Relationships with structured entities also include the securities, that have been issued by structured entities (e. g. securitization vehicles) ("Other" category) and fund certificates/shares ("Funds" category) held by the Group.

The maximum exposure to loss shown is the highest potential loss to which the Bank could be exposed as a result of its relationships with structured entities. The maximum exposure to loss from transactions measured at cost comprises the carrying amount and the value of the Bank's off-balance sheet liabilities from its relationships with structured entities. The maximum exposure to loss is shown without taking account of collateral received.

The size of the structured entity is determined based on the following measures:

- Commercial real estate finance: total assets of the structured entity;
- Funds: net asset value;
- Other: notional amounts of the notes issued.

	Commercial real estate finance	Funds	Other	Total
	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m
Assets				
Loans and advances to customers	4,516	–	9	4,525
Investment securities	3	179	–	182
Allowance for losses on loans and advances	98	–	–	98
Maximum exposure to loss	**4,458**	**123**	**630**	**4,646**
Loans and advances to customers	4,516	–	9	4,525
Investment securities	3	179	–	182
Allowance for losses on loans and advances	98	–	–	98
Off-balance sheet liabilities	37	–	–	37
Size of structured entities	**5,663**	**4,856**	**500**	**11,019**

The following table contains the comparative figures as of December 31, 2013.

	Commercial real estate finance	Funds	Other	Total
	Dec. 31, 2013 €m	Dec. 31, 2013 €m	Dec. 31, 2013 €m	Dec. 31, 2013 €m
Assets				
Loans and advances to customers	6,987	–	9	6,996
Investment securities	6	123	621	750
Allowance for losses on loans and advances	129	–	–	129
Maximum exposure to loss	**6,989**	**123**	**630**	**7,742**
Loans and advances to customers	6,987	–	9	6,996
Investment securities	6	123	621	750
Allowance for losses on loans and advances	129	–	–	129
Off-balance sheet liabilities	125	–	–	125
Size of structured entities	**8,269**	**4,267**	**20,315**	**32,851**

The off-balance sheet liabilities represent contractual obligations on the part of the Bank to financially support the structured entities. In the period under review, the Bank did not render any non-contractual financial support to the structured entities nor does it intend to do so.

(55) Related party disclosures

In addition to the companies included in the consolidated financial statements, in the course of its ordinary business activities, Postbank has direct or indirect relationships with Deutsche Bank AG, which controls Postbank, and with a relatively small number of subsidiaries, associates and joint ventures not included in Postbank's consolidated financial statements. Other related parties are Deutsche Bank AG's subsidiaries, the associates and joint ventures of Postbank and Deutsche Bank and their subsidiaries. Related parties are defined as key management personnel (Management Board and Supervisory Board) of Deutsche Postbank AG and of Deutsche Bank AG, and the close members of their families. In the course of business activities, all transactions for the provision of goods and services entered into with the aforementioned companies and persons were conducted at standard market terms and conditions.

Business relationships with related parties

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All related parties that are controlled by Deutsche Postbank AG are presented in the list of shareholdings (Note 60).

Related party transactions also include Deutsche Postbank AG's membership of a defined contribution pension plan, the expenses for which relate mainly to payments made to Bundes-Pensions-Service für Post und Telekommunikation e.V. in the amount of €97 million (previous year: €97 million). Other disclosures relating to Bundes-Pensions-Service für Post und Telekommunikation e.V. can be found in Note 4 (n), Provisions.

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Effective April 1, 2014, Postbank transferred the investments in five previously consolidated subsidiaries to PBC Banking Services GmbH (further information on the transaction can be found in Note 2, Basis of consolidation). Consequently, the Postbank Group's relationships with these previously consolidated entities are presented as other related party disclosures in the Notes for the first time from April 1, 2014.

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Control and Profit and Loss Transfer Agreement

Since the beginning of 2012 a control and profit and loss transfer agreement has been in existence between Deutsche Postbank AG, as the dependent company, and DB Finanz-Holding GmbH, Frankfurt am Main (a wholly-owned subsidiary of Deutsche Bank AG), as the controlling company.

Related party receivables

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Loans and advances to other banks		
Deutsche Bank AG	1,372	1,349
Other related parties	7,646	6
	9,018	1,355
Loans and advances to customers		
Subsidiaries	0	4
Other related parties	100	51
	100	55

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Trading assets		
Deutsche Bank AG	27	29
	27	29
Hedging derivatives		
Deutsche Bank AG	39	63
	39	63

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Investment securities		
Deutsche Bank AG	961	949
	961	949

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Other assets		
Deutsche Bank AG	18	9
Other related parties	36	5
	54	14

Loans and advances to other banks relating to Deutsche Bank AG primarily comprise receivables from money market transactions.

Loans and advances to other banks relating to other related parties primarily comprise receivables from money market and securities repurchase transactions.

The investment securities relate to the Deutsche Bank AG bonds.

Related party payables

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Deposits from other banks		
Deutsche Bank AG	7,462	7,239
	7,462	7,239
Due to customers		
Subsidiaries	10	12
Other related parties	213	3
	223	15
Trading liabilities		
Deutsche Bank AG	193	206
Other related parties	–	5
	193	211
Hedging derivatives		
Deutsche Bank AG	36	25
	36	25
Other liabilities		
Deutsche Bank AG	16	88
DB Finanz-Holding GmbH	15	151
Other related parties	8	1
	39	240
Subordinated debt		
Other related parties	1,619	1,620
	1,619	1,620

The liabilities to Deutsche Bank AG primarily relate to securities repurchase transactions.

The other liabilities to DB Finanz-Holding GmbH relate to effects attributable to the control and profit and loss transfer agreement that were offset against retained earnings.

The subordinated debt relates to the debt securities originally issued by Deutsche Postbank AG in the course of the Trust issues. The interest expense relating to the debt securities is recognized under interest expense attributable to other related parties (see the table entitled "Income and expenses from related parties").

Postbank has issued subordinated comfort letters under the terms of issue of subordinated bonds issued by Deutsche Postbank Funding LLC I, II, III, and IV, all of which are domiciled in Delaware, U.S.A.

Contingent liabilities from warranty obligations to Deutsche Bank AG amounted to €64 million as of the end of the reporting period (December 31, 2013: €36 million).

Income and expenses from related parties

	2014 €m	2013 €m
Interest income		
Deutsche Bank AG	26	25
Other related parties	8	8
	34	**33**
Interest expense		
Deutsche Bank AG	10	8
Other related parties	72	66
	82	**74**
Fee and commission income		
Deutsche Bank AG	9	39
Other related parties	19	23
	28	**62**
Fee and commission expense		
Deutsche Bank AG	2	2
Other related parties	2	2
	4	**4**
Net trading income		
Deutsche Bank AG	–66	–12
	–66	**–12**
Net income from investment securities		
Other related parties	22	–
	22	**–**
Administrative expenses		
Deutsche Bank AG	23	8
Subsidiaries	16	15
Other related parties	8	22
	47	**45**
Other income		
Deutsche Bank AG	40	15
Subsidiaries	2	2
Other related parties	275	16
	317	**33**
Other expenses		
Subsidiaries	414	–
	414	**–**

The change in net trading income is primarily due to the negative performance of derivative prices.

The net income from investment securities of other companies relates to the net income from the investment accounted for using the equity method.

Other income attributable to other companies mainly relates to income from the staff transferred to the Deutsche Bank Group's service companies.

Other expenses attributable to other companies largely comprises fees for services provided by service companies.

As of the balance sheet date, loans of €600 thousand (previous year: €583 thousand) had been granted to members of the key management personnel and deposits of €1,903 thousand (previous year: €1,138 thousand) received from members of the key management personnel.

Remuneration of the Management Board and the Supervisory Board

Deutsche Postbank AG (Postbank) hereby publishes the principles used to determine the remuneration of the Management Board and the Supervisory Board. The report also explains the amount of remuneration and structure of the remuneration in accordance with the statutory provisions, German Accounting Standard (GAS) 17 "Reporting on the Remuneration of Members of Governing Bodies," and the recommendations of the German Corporate Governance Code.

Responsibility

The full Supervisory Board is responsible for designing the remuneration system and for setting the remuneration of the individual members of the Management Board. The full Supervisory Board was assisted in particular by the Executive Committee up to and including 2013. From fiscal year 2014, the Supervisory Board has been supported by the new Compensation Control Committee, which has assumed key tasks relating to the remuneration system for the Management Board and the determination of individual remuneration previously performed by the Executive Committee. The Supervisory Board resolved to establish a Compensation Control Committee – which is to be set up for Postbank according to section 25d(12) in conjunction with section 7 of the *Kreditwesengesetz* (KWG – German Banking Act) – in December 2013. The committee commenced work at the end of 2013. It is primarily responsible for monitoring the appropriate design of the remuneration systems for senior managers and employees, and in particular for the heads of the Risk Control and Compliance units, as well as employees who have a material influence on the Bank's overall risk profile. The Compensation Control Committee assesses the impact of the remuneration systems on risk, capital, and liquidity management, prepares the Supervisory Board resolutions on the remuneration of the senior managers, and assists the Supervisory Board in monitoring the proper integration of the internal control functions and all other relevant functions in the design of the remuneration systems.

Structure of the remuneration of the Management Board in fiscal year 2014

The overall structure of the remuneration of the Management Board and the principal components of Management Board contracts are stipulated and regularly reviewed by Postbank's Supervisory Board. This review focuses in particular on the appropriateness of the system's design and on changes that become necessary in response to new regulatory requirements.

The core criterion for the design of the remuneration system and the amount of Management Board remuneration is to remunerate Management Board members appropriately in line with the market and competitors and in accordance with all statutory and regulatory requirements, taking into account members' areas of activity and responsibility, Postbank's overall long-term performance, and the collective and individual performance of the members of the Management Board. The appropriateness of the remuneration of the Management Board in both market terms and within the Postbank Group was confirmed by a vertical and horizontal remuneration comparison conducted on the basis of the recommendations of the German Corporate Governance Code.

The aim is for the system to be designed in a way that incentivizes the members of the Management Board to avoid disproportionately high risks, to meet the company's objectives, and to permanently promote positive corporate development. To this extent, the Supervisory Board had already capped the ratio of variable remuneration to fixed remuneration before the statutory ratio was introduced. In accordance with section 25a(5) sentence 2 of the KWG, the variable remuneration of senior managers of banks may not exceed 100 % of their fixed remuneration. The underlying thinking is that excessive variable remuneration may provide a greater incentive to take unreasonably high risks. However, section 25a(5) sentence 5 of the KWG states that the shareholders may resolve to relax the cap by approving a ratio of fixed to variable remuneration of 1:2. The Supervisory Board submitted a corresponding motion to the Annual General Meeting in relation to the members of the Management Board for reasons of preserving competitiveness and the ability to manage the amount of variable remuneration. The Annual General Meeting agreed with the motion in July 2014 and approved a ratio of 1:2 by a large majority.

In line with the recommendation by the Compensation Control Committee, the Supervisory Board resolved a change to the variable remuneration effective January 1, 2014. This has been agreed with the individual members of the Management Board by amending their employment contracts accordingly. The main features are described in detail in the following.

The total remuneration awarded to the members of the Management Board is broken down into non-performance-related and performance-related components.

The non-performance-related components are the base pay (fixed remuneration) and incidental benefits. The base pay is paid out monthly in twelve equal installments. Incidental benefits – non-cash benefits - mainly comprise the use of company cars, the payment of insurance premiums, and business-related expenses including any taxes assumed on these items. In principle, incidental benefits are available to all members of the Management Board equally; however, the amount may vary depending on their individual personal circumstances.

The performance-related component is the variable remuneration. The variable remuneration awarded to the members of the Management Board is dependent on their achieving quantitative and qualitative Group, board department, and individual goals and is determined on the basis of key performance indicators; performance measurement is predominantly weighted toward uniform Group goals. The goals are laid down in a target agreement entered into at the start of each fiscal year (base year). The amount of variable remuneration paid depends on the predetermined targets set out in the agreement being met and is subject to a cap of 150 % of the targets set out in the individual agreements.

The way in which variable remuneration is granted was amended with effect from the variable remuneration for 2014. Payment of the outstanding remuneration components from the years prior to 2014 is still subject to the previous remuneration model.

Variable remuneration for 2014: grant, performance, deferral, and forfeiture provisions

Under the new remuneration structure, the variable remuneration is largely granted in deferred form and spread over several years, taking into account the regulatory and bank-specific requirements applicable in each case. This ensures a long-term incentive effect over a period of several years.

In accordance with the requirements of the *Institutsvergütungsverordnung* (InstVergV – Regulation Governing Supervisory Requirements for Remuneration Systems of Institutions), at least 60 % of the total variable remuneration is granted on a deferred basis. Furthermore, the Supervisory Board resolved to use the deferral matrix in use at the Deutsche Bank Group, which may lead to a higher percentage of deferred remuneration depending on the amount of the variable remuneration. In line with this, the upfront portion of the variable remuneration for 2014 is capped at a total of €225,000.

Half of this upfront portion of the variable remuneration is awarded in the form of a share-based remuneration component (equity upfront award) and the other half is paid out immediately. Half of the deferred portion of the variable remuneration comprises share-based remuneration components (restricted equity award), while the other remaining half is granted as a deferred cash payment (restricted incentive award). The value of the share-based remuneration components depends on the performance of Deutsche Bank's shares during the vesting and holding periods.

Equity upfront award

The non-deferred component of the share-based remuneration is awarded to members of the Management Board in the form of an equity upfront award (EUA). The EUA vests immediately; however, a holding period of six months applies. Special performance, deferral, and forfeiture provisions apply during the six-month holding period. The EUA is granted in the form of Deutsche Bank shares on expiry of the holding period.

Restricted equity award

The deferred share-based remuneration is awarded as a restricted equity award (REA) and vests ratably in three equal tranches over a period of three years.

Special rules apply to the members of the Management Board who also belong to Deutsche Bank Group's so-called Senior Management Group (i.e. Susanne Klöss-Braekler as well as Frank Strauss, Marc Hess, and Hanns-Peter Storr); contrary to the above, a 4.5-year vesting period applies, after which the entitlements vest in a single tranche ("cliff vesting").

Following the above vesting periods, there is a six-month holding period for all members of the Management Board before the share-based remuneration elements are granted in the form of Deutsche Bank shares. Special performance, deferral, and forfeiture provisions apply during the vesting period and, where applicable, the holding period. This means that, taking into account the performance, deferral, and forfeiture provisions, members of the Management Board who are part of the Senior Management Group cannot realize the value of the REA granted for 2014 until 2020 at the earliest (i.e., five years after it was granted). For the remaining members of the Management Board, the value of the final tranche of the REA can be realized in 2018 at the earliest (i.e., 3.5 years after the REA was granted).

Restricted incentive award

The non-share-based component of the deferred remuneration is granted as a deferred cash payment (restricted incentive award (RIA)); this vests in three equal tranches over a period of three years. Special performance, deferral, and forfeiture provisions apply during the vesting period. The final tranche of the RIA awarded to members of the Management Board for 2014 will be paid out in 2018 at the earliest.

A one-time interest premium or dividend equivalent is added to the above awards when they are granted since these awards are not entitled to interest or dividend payments until they accrue.

- Equity upfront award:
  A dividend equivalent is granted during the holding period.

- Restricted equity award:
  A one-time premium of 5 % is added when the award is granted. Members of the Senior Management Group receive a dividend equivalent.

- Restricted incentive award:
  A one-time premium of 2 % is added when the award is granted.

The number of share awards granted to members of the Management Board in 2015 for fiscal year 2014 in the form of equity upfront awards (EUA) and restricted equity awards (REA) is calculated by dividing the respective euro amounts by the average of the Xetra closing prices for Deutsche Bank shares on the first ten trading days of February 2015 (€27.1080).

Performance, deferral, and forfeiture provisions

The remuneration components that are granted on a deferred basis or spread over several years (EUA, RIA, REA) are subject to certain performance, deferral, and forfeiture provisions during the vesting and holding periods. These are a core element of the structure governing deferred remuneration. They ensure that the awards are aligned with future behavior and future performance, and that certain events are also accounted for appropriately in remuneration over the long term. All remuneration components granted for 2014 on a deferred basis and the EUA are subject to a (partial) clawback, for example if the member of the Management Board breaches internal guidelines or regulatory requirements, or if the conditions for performance are no longer met. In addition, all remuneration components granted on a deferred basis are subject to clawback provisions linked to the performance of Postbank or the Deutsche Bank Group as a whole. According to these provisions, up to 100 % of the outstanding RIA and REA tranches may be forfeited if the Postbank and/or the Group records a loss before tax. In the case of members of the Management Board who are subject to the special rules for the Senior Management Group, up to 20 % of the REA is forfeited if forfeiture conditions are met in one year within the deferral period.

Granting and payment of variable remuneration until the end of 2013

Under the remuneration system valid until the end of 2013, the variable remuneration was split into a short-term component (40 %) and a long-term component (60 %). It was not fully paid out in cash, even if the agreed targets were met. There are still outstanding remuneration components for the years 2010 to 2013; payment is due on the agreed dates in accordance with the contractual provisions applicable at the time the components were granted.

Half of the short-term component was immediately paid out in cash in the following year after it has been determined that the targets had been reached (short-term component I). The second half of the short-term component (short-term component II) was converted into phantom shares of Deutsche Bank AG. For this purpose, the euro amount of short-term component II was divided by the average of the Xetra closing prices for Deutsche Bank AG shares on the last ten trading days preceding the date on which the Supervisory Board determined that the targets were met or the date the lock-up period ended. After a one-year lock-up period, the phantom shares were/are converted on the basis of the then current share price and paid out. During the lock-up period, the phantom shares attracted dividend equivalents in the amount of the actual dividend paid. The short-term component II for 2012 was paid out in 2014. The amount to be paid out was calculated on expiry of the one-year lock-up period by multiplying the number of phantom shares by the average share price as described (€32.22). The short-term component II for 2013 is due for payment in 2015 on expiry of the one-year lock-up period.

The entire long-term component was granted conditional on the Postbank Group's sustainable performance, which was determined subject to a sustainability criterion being satisfied during the subsequent three-year assessment period (three calendar years following the base year). This is still to be assessed for the years 2011 to 2013. In the

year immediately following the fiscal year for which the remuneration was to be granted, the Supervisory Board examined and determined whether the targets had been met for that year, and stipulated the sustainability criterion for the assessment period. In the case of the variable remuneration until 2013, this was defined as the adjusted profit after cost of capital (APACC). Sustainable Group performance and the sustainability criterion for the years 2011 to 2013 will have been achieved if the value of the APACC is equal to, or exceeds, or at the end of the sustainability phase cumulatively exceeds on average, the value of the APACC in the base year.

In line with the three-year sustainability phase, the long-term component was divided into three equal tranches. In turn, half of each tranche was paid out in cash (long-term component I) and half was converted into phantom shares (long-term component II), or is still to be converted for the years 2011 to 2013. The conversion and valuation procedure for the phantom shares was/is as outlined above.

If, at the end of each of the years in the three-year assessment period of the remuneration components still outstanding, the Supervisory Board determines that the sustainability criterion has been met, the proportionate cash component (long-term component I) is paid out immediately, and the remainder converted into phantom shares (long-term component II).

If the sustainability criterion is not met for a particular year in the assessment period, payment of the corresponding tranches of the long-term component is deferred to the following year for a renewed examination based on the sustainability criterion. If the sustainability criterion has not been met at the end of the assessment period, the payment of all deferred long-term components lapses without compensation. In this way, remuneration of the Management Board is affected by any negative Company performance during the entire measurement period (negative bonus system). Under an additional negative bonus system, payment for outstanding tranches can be retroactively reduced or canceled completely based on the overall performance of the Management Board member concerned during the assessment period.

These remuneration mechanisms still affect the deferred remuneration components granted in the years 2010 to 2013 and continue to apply to this extent.

The long-term component II for 2010 (Tranche 2) and 2011 (Tranche 1) were paid out in 2014 on expiry of the lock-up period. For this purpose, the remuneration components that were converted into phantom shares of Deutsche Bank AG in 2013 were multiplied by the average share price (€32.22, calculated as described). In addition, the long-term component I for 2010 (Tranche 3), 2011 (Tranche 2), and 2012 (Tranche 1) were paid out in 2014 on satisfaction of the sustainability criteria. The other halves of the above tranches (long-term component II) were converted into phantom shares of Deutsche Bank AG on the basis of the average share price (Xetra closing price) on the ten exchange trading days preceding March 22, 2014 (€32.22) and are due for payment in 2015 on expiry of the lock-up period.

A dividend equivalent was calculated for the phantom shares that were blocked on the date of the Annual General Meeting of Deutsche Bank AG in 2014 on the basis of the €0.75 dividend paid for Deutsche Bank AG; the phantom share components were increased accordingly. The number of blocked phantom shares was also increased on completion of the capital increase announced by Deutsche Bank AG using a recognized antidilution formula. Under this formula, the economic effect of the (capital) dilution was calculated on the basis of an adjustment metric, which took into account the reference rate (€28.575), the subscription price (€22.50), and the number of preemptive rights needed to purchase a share (18:5). The blocked phantom shares were increased by 4.85 % in accordance with this adjustment metric.

Other provisions

The members of the Management Board are not permitted to use hedging transactions or other countermeasures to mitigate or offset the risk orientation of deferred remuneration components.

The Supervisory Board has the right to award an appropriate special bonus for exceptional performance, the amount of which is implicitly limited by the cap on the ratio of fixed to variable remuneration.

In accordance with the recommendation of the German Corporate Governance Code, Postbank will provide compensation for no more than the remaining term of the contract in instances in which the contract of a member of the Management Board is terminated prematurely without good cause, and will limit the payment to a maximum of two base payments plus a maximum of 40 % of twice the maximum variable remuneration (severance payment cap).

If the contract of a Management Board member is terminated prematurely as a result of permanent incapacity to work or death, the remuneration is paid pro rata up to the end of the agreed term of the contract, for a maximum of six months.

Remuneration of members of the Management Board

The Supervisory Board resolutions establishing the variable remuneration for the members of the Management Board were discussed in depth at the end of January 2015 by the Compensation Control Committee, which prepared these for the full Supervisory Board. The Supervisory Board established the variable remuneration for the members of the Management Board for fiscal year 2014 on the basis of the recommendation made by the Compensation Control Committee.

The total remuneration granted to the seven members of the Management Board for their work on the Management Board in 2014 amounted to €6,177.0 thousand (previous year: €6,209.4 thousand) excluding incidental benefits and the pension expense. Of this figure, €3,301.3 thousand (previous year: €3,138.0 thousand) related to fixed (non-performance-related) remuneration and €2,875.7 thousand (previous year: €3,071.4 thousand) to performance-related components. Of the performance-related remuneration, €1,101.6 thousand (€550.8 thousand in cash and €550.8 thousand in share-based payments) relates to upfront performance-related components (previous year: €1,228.6 thousand; of which €614.3 thousand in cash and €614.3

thousand in share-based payments), and €1,774.1 thousand to deferred performance-related components (previous year: €1,842.8 thousand).

The remuneration disclosed in the following covers all activities performed by members of the Management Board within the Postbank Group.

Postbank does not currently have a separate share-based remuneration program.

Benefits in accordance with the German Corporate Governance Code

The following tables present the benefits granted to each individual member of the Management Board for the fiscal year, as well as the benefits received in/for the fiscal year and the pension expense in/for the year under review in accordance with the recommendations contained in section 4.2.5(3) of the German Corporate Governance Code.

The following table shows the benefits granted for fiscal year 2014:

Benefits granted	Frank Strauss						Marc Hess[6]					
	2014				2013		2014				2013	
	granted	target	min	max	granted	target	granted	target	min	max	granted	target
	€ thousand						€ thousand					
Fixed remuneration	750.0	750.0	750.0	750.0	750.0	750.0	528.0	528.0	528.0	528.0	528.0	528.0
Incidental benefits	39.0	39.0	39.0	39.0	22.7	22.7	35.1	35.1	35.1	35.1	27.0	27.0
Total (fixed remuneration components)	**789.0**	**789.0**	**789.0**	**789.0**	**772.7**	**772.7**	**563.1**	**563.1**	**563.1**	**563.1**	**555.0**	**555.0**
One-year variable remuneration	225.0	225.0	0	225.0	300.0	260.0	184.8	184.8	0	225.0	212.0	184.8
thereof paid out immediately	112.5	112.5	0	112.5	150.0	130.0	92.4	92.4	0	112.5	106.0	92.4
thereof short-term component II					150.0	130.0					106.0	92.4
thereof equity upfront awards	112.5	112.5	0	112.5			92.4	92.4	0	112.5		
Multi-year variable remuneration[1]	429.3	425.0	0	750.0	450.0	390.0	280.0	277.2	0	468.0	318.0	277.2
thereof long-term component I for 2013 (until 2017)					225.0	195.0					159.0	138.6
thereof long-term component II for 2013 (until 2018)					225.0	195.0					159.0	138.6
thereof restricted incentive awards for 2014 (until 2018)[2]	216.8	212.5	0	375.0			141.4	138.6	0	234.0		
thereof restricted equity awards for 2014 (until 2018)[3]/ until 2020 for Senior Management Group	212.5	212.5	0	375.0			138.6	138.6	0	234.0		
Total (variable remuneration components)	**654.3**	**650.0**	**0**	**975.0**	**750.0**	**650.0**	**464.8**	**462.0**	**0**	**693.0**	**530.0**	**462.0**
Total (variable and fixed remuneration components)	**1,443.3**	**1,439.0**	**789.0**	**1,764.0**	**1,522.7**	**1,422.7**	**1,027.9**	**1,025.1**	**563.1**	**1,256.1**	**1,085.0**	**1,017.0**
Pension expense[4]	379.4	379.4	379.4	379.4	290.8	290.8	352.4	352.4	352.4	352.4	347.4	347.4
Total remuneration (German Corporate Governance Code)	**1,822.7**	**1,818.4**	**1,168.4**	**2,143.4**	**1,813.5**	**1,713.5**	**1,380.3**	**1,377.5**	**915.5**	**1,608.5**	**1,432.4**	**1,364.4**
Total remuneration[5]	1,404.3	1,400.0	750.0	1,725.0	1,500.0	1,400.0	992.8	990.0	528.0	1,221.0	1,058.0	990.0

Benefits granted	Susanne Klöss-Braekler[7]						Ralph Müller[8]					
	2014				2013		2014				2013	
	granted	target	min	max	granted	target	granted	target	min	max	granted	target
	€ thousand						€ thousand					
Fixed remuneration	80.0	80.0	80.0	80.0			83.3	83.3	83.3	83.3		
Incidental benefits	2.8	2.8	2.8	2.8			2.1	2.1	2.1	2.1		
Total (fixed remuneration components)	**82.8**	**82.8**	**82.8**	**82.8**			**85.4**	**85.4**	**85.4**	**85.4**		
One-year variable remuneration	29.4	29.4	0	37.6			33.4	33.4	0	37.6		
thereof paid out immediately	14.7	14.7	0	18.8			16.7	16.7	0	18.8		
thereof short-term component II												
thereof equity upfront awards	14.7	14.7	0	18.8			16.7	16.7	0	18.8		
Multi-year variable remuneration[1]	44.4	44.0	0	72.6			51.8	50.0	0	87.6		
thereof long-term component I for 2013 (until 2017)												
thereof long-term component II for 2013 (until 2018)												
thereof restricted incentive awards for 2014 (until 2018)[2]	22.4	22.0	0	36.3			25.5	25.0	0	43.8		
thereof restricted equity awards for 2014 (until 2018)[3]/ until 2020 for Senior Management Group	22.0	22.0	0	36.3			26.3	25.0	0	43.8		
Total (variable remuneration components)	**73.8**	**73.4**	**0**	**110.2**			**85.2**	**83.4**	**0**	**125.2**		
Total (variable and fixed remuneration components)	**156.6**	**156.2**	**82.8**	**193.0**			**170.6**	**168.8**	**85.4**	**210.6**		
Pension expense[4]	180.2	180.2	180.2	180.2			162.5	162.5	162.5	162.5		
Total remuneration (German Corporate Governance Code)	**336.8**	**336.4**	**263.0**	**373.2**			**333.1**	**331.3**	**247.9**	**373.1**		
Total remuneration[5]	153.8	153.4	80.0	190.2			168.5	166.7	83.3	208.5		

Figures have been rounded to the nearest hundred; this may result in minimal deviations to the amounts actually received or contractually agreed, in particular in the totals provided.

[1]The ends of the terms for each remuneration component are given in parentheses.

[2]The amount granted includes a one-time premium of 2 %.

[3]The amount granted includes a one-time premium of 5 % for members of the Management Board who are not part of the Senior Management Group (Ralph Müller, Hans-Peter Schmid, Ralf Stemmer).

[4]The pension expense presented for Susanne Klöss-Braekler and Ralph Müller is the cost for the full fiscal year including the period prior to their appointment to the Management Board. In view of their planned appointment as members of the Bank's Management Board, they had already been granted benefits for their positions as Executive Managers in accordance with the award structure for Postbank's Management Board. These benefits were continued on their appointment to the Management Board.

[5]Excluding incidental benefits and pension expense

[6]Due to Marc Hess' position as Chief Financial Officer (CFO) for the entire Private and Business Clients (PBC) corporate division in the Deutsche Bank Group, his fixed and variable remuneration was reduced by 20 % with effect from July 1, 2012.

[7]Member of the Management Board since November 1, 2014. Remuneration (fixed remuneration, target variable remuneration) takes into account another appointment at Deutsche Bank AG, which is remunerated separately.

[8]Member of the Management Board since November 1, 2014.

Benefits granted	Hans-Peter Schmid						Ralf Stemmer					
	2014				2013		2014				2013	
	granted	target	min	max	granted	target	granted	target	min	max	granted	target
	€ thousand						€ thousand					
Fixed remuneration	600.0	600.0	600.0	600.0	600.0	600.0	660.0	660.0	660.0	660.0	660.0	660.0
Incidental benefits	21.5	21.5	21.5	21.5	22.2	22.2	24.6	24.6	24.6	24.6	15.6	15.6
Total (fixed remuneration components)	**621.5**	**621.5**	**621.5**	**621.5**	**622.2**	**622.2**	**684.6**	**684.6**	**684.6**	**684.6**	**675.6**	**675.6**
One-year variable remuneration	199.6	210.0	0	225.0	220.6	210.0	219.4	225.0	0	225.0	254.0	231.0
thereof paid out immediately	99.8	105.0	0	112.5	110.3	105.0	109.7	112.5	0	112.5	127.0	115.5
thereof short-term component II					110.3	105.0					127.0	115.5
thereof equity upfront awards	99.8	105.0	0	112.5			109.7	112.5	0	112.5		
Multi-year variable remuneration[1]	309.7	315.0	0	562.6	330.8	315.0	340.7	352.6	0	641.2	381.0	346.6
thereof long-term component I for 2013 (until 2017)					165.4	157.5					190.5	173.3
thereof long-term component II for 2013 (until 2018)					165.4	157.5					190.5	173.3
thereof restricted incentive awards for 2014 (until 2018)[2]	152.6	157.5	0	281.3			167.9	176.3	0	320.6		
thereof restricted equity awards for 2014 (until 2018)[3]/ until 2020 for Senior Management Group	157.1	157.5	0	281.3			172.8	176.3	0	320.6		
Total (variable remuneration components)	**509.3**	**525.0**	**0**	**787.6**	**551.4**	**525.0**	**560.1**	**577.6**	**0**	**866.2**	**635.0**	**577.6**
Total (variable and fixed remuneration components)	**1,130.8**	**1,146.5**	**621.5**	**1,409.1**	**1,173.6**	**1,147.2**	**1,244.7**	**1,262.2**	**684.6**	**1,550.8**	**1,310.6**	**1,253.2**
Pension expense[4]	341.5	341.5	341.5	341.5	349.6	349.6	125.4	125.4	125.4	125.4	126.7	126.7
Total remuneration (German Corporate Governance Code)	**1,472.3**	**1,488.0**	**963.0**	**1,750.6**	**1,523.2**	**1,496.8**	**1,370.1**	**1,387.6**	**810.0**	**1,676.2**	**1,437.3**	**1,379.9**
Total remuneration[5]	1,109.3	1,125.5	600.0	1,387.6	1,151.4	1,125.0	1,220.1	1,237.6	660.0	1,526.2	1,295.0	1,237.6

Benefits granted	Hanns-Peter Storr					
	2014				2013	
	granted	target	min	max	granted	target
	€ thousand					
Fixed remuneration	600.0	600.0	600.0	600.0	600.0	600.0
Incidental benefits	19.6	19.6	19.6	19.6	21.6	21.6
Total (fixed remuneration components)	**619.6**	**619.6**	**619.6**	**619.6**	**621.6**	**621.6**
One-year variable remuneration	210.0	210.0	0	225.0	242.0	210.0
thereof paid out immediately	105.0	105.0	0	112.5	121.0	105.0
thereof short-term component II					121.0	105.0
thereof equity upfront awards	105.0	105.0	0	112.5		
Multi-year variable remuneration[1]	318.2	315.0	0	562.6	363.0	315.0
thereof long-term component I for 2013 (until 2017)					181.5	157.5
thereof long-term component II for 2013 (until 2018)					181.5	157.5
thereof restricted incentive awards for 2014 (until 2018)[2]	160.7	157.5	0	281.3		
thereof restricted equity awards for 2014 (until 2018)[3]/ until 2020 for Senior Management Group	157.5	157.5	0	281.3		
Total (variable remuneration components)	**528.2**	**525.0**	**0**	**787.6**	**605.0**	**525.0**
Total (variable and fixed remuneration components)	**1,147.8**	**1,144.6**	**619.6**	**1,407.2**	**1,226.6**	**1,146.6**
Pension expense[4]	241.5	241.5	241.5	241.5	239.9	239.9
Total remuneration (German Corporate Governance Code)	**1,389.3**	**1,386.1**	**861.1**	**1,648.7**	**1,466.5**	**1,386.5**
Total remuneration[5]	1,128.2	1,125.0	600.0	1,387.6	1,205.0	1,125.0

Figures have been rounded to the nearest hundred; this may result in minimal deviations to the amounts actually received or contractually agreed, in particular in the totals provided.

[1] The ends of the terms for each remuneration component are given in parentheses.

[2] The amount granted includes a one-time premium of 2 %.

[3] The amount granted includes a one-time premium of 5 % for members of the Management Board who are not part of the Senior Management Group (Ralph Müller, Hans-Peter Schmid, Ralf Stemmer).

[4] The pension expense presented for Susanne Klöss-Braekler and Ralph Müller is the cost for the full fiscal year including the period prior to their appointment to the Management Board. In view of their planned appointment as members of the Bank's Management Board, they had already been granted benefits for their positions as Executive Managers in accordance with the award structure for Postbank's Management Board. These benefits were continued on their appointment to the Management Board.

[5] Excluding incidental benefits and pension expense

The following table shows the benefits received in/for fiscal year 2014:

Benefits received	Frank Strauss		Marc Hess[5]		Susanne Klöss-Braekler[6]		Ralph Müller[7]		Hans-Peter Schmid		Ralf Stemmer		Hanns-Peter Storr	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	€ thousand													
Fixed remuneration	750.0	750.0	528.0	528.0	80.0		83.3		600.0	600.0	660.0	660.0	600.0	600.0
Incidental benefits	39.0	22.7	35.1	27.0	2.8		2.1		21.5	22.2	24.6	15.6	19.6	21.6
Total (fixed remuneration components)	**789.0**	**772.7**	**563.1**	**555.0**	**82.8**		**85.4**		**621.5**	**622.2**	**684.6**	**675.6**	**619.6**	**621.6**
One-year variable remuneration	233.4	209.4	194.3	227.0	14.7		16.7		197.5	216.7	217.2	239.0	207.9	214.4
thereof paid out immediately[1]	112.5	150.0	92.4	106.0	14.7		16.7		99.8	110.3	109.7	127.0	105.0	121.0
thereof short-term component II[2]	120.9	59.4	101.9	121.0					97.7	106.4	107.5	112.0	102.9	93.4
Multi-year variable remuneration[3]	114.2	26.5	297.5	207.0					282.5	200.5	292.5	203.0	135.1	41.7
thereof long-term component I														
long-term component I for 2010 (until 2014), (Tranche 2 in 2013 and Tranche 3 in 2014)			70.0	70.0					70.0	70.0	70.0	70.0		
long-term component I for 2011 (until 2015), (Tranche 1 in 2013 and Tranche 2 in 2014)	26.5	26.5	54.0	54.0					47.5	47.5	50.0	50.0	41.7	41.7
long-term component I for 2012 (until 2016), Tranche 1	61.7		52.0						49.9		54.9		52.5	
thereof long-term component II														
long-term component II for 2010 (until 2015), (Tranche 1 in 2013 and Tranche 2 in 2014)			68.6	83.0					68.6	83.0	68.6	83.0		
long-term component II for 2011 (until 2016), Tranche 1	26.0		52.9						46.5		49.0		40.9	
Total (variable remuneration components)	**347.6**	**235.9**	**491.8**	**434.0**	**14.7**		**16.7**		**480.0**	**417.2**	**509.7**	**442.0**	**343.0**	**256.1**
Total (variable and fixed remuneration components)	**1,136.5**	**1,008.6**	**1,054.9**	**989.0**	**97.5**		**102.1**		**1,101.5**	**1,039.4**	**1,194.3**	**1,117.6**	**962.6**	**877.7**
Pension expense[4]	379.4	290.8	352.4	347.4	180.2		162.5		341.5	349.6	125.4	126.7	241.5	239.9
Total remuneration (German Corporate Governance Code (DCGK)	1,516.0	1,299.4	1,407.3	1,336.4	277.7	0.0	264.6	0.0	1,443.0	1,389.0	1,319.7	1,244.3	1,204.1	1,117.6

Figures have been rounded to the nearest hundred; this may result in minimal deviations to the amounts actually received, in particular in the totals provided.

[1]The amount comprises the cash component of the variable remuneration for 2013/2014 that is paid out immediately.

[2]The amount comprises the amounts received in each case under this component for the years 2011 and 2012.

[3]The ends of the terms for each remuneration component are given in parentheses.

[4]The pension expense presented for Susanne Klöss-Braekler and Ralph Müller is the cost for the full fiscal year including the period prior to their appointment to the Management Board. In view of their planned appointment as members of the Bank's Management Board, they had already been granted benefits for their positions as Executive Managers in accordance with the award structure for Postbank's Management Board. These benefits were continued on their appointment to the Management Board.

[5]Due to Marc Hess' position as Chief Financial Officer (CFO) for the entire Private and Business Clients (PBC) corporate division in the Deutsche Bank Group, his fixed and variable remuneration was reduced by 20 % with effect from July 1, 2012.

[6]Member of the Management Board since November 1, 2014. Remuneration (fixed remuneration, target variable remuneration) takes into account another appointment at Deutsche Bank AG, which is remunerated separately.

[7]Member of the Management Board since November 1, 2014.

Benefits in accordance with the requirements of German Accounting Standard 17 (GAS 17)

Based on the requirements of German Accounting Standard 17, the benefits granted to the members of the Management Board in fiscal year 2014 for their work on the Management Board amounted to a total of €6,135.1 thousand excluding the pension service cost (previous year: €5,826.8 thousand). Of this amount, €3,301.3 thousand related to fixed remuneration (previous year: €3,138.0 thousand), €144.7 thousand to incidental benefits (previous year: €109.1 thousand), €2,138.3 thousand to performance-related components with a long-term incentive effect (previous year: €1,965.4 thousand), and €550.8 thousand to performance-related components without a long-term incentive effect (previous year: €614.3 thousand).

The long-term component I and the restricted incentive awards are deferred, non-share-based remuneration and are subject to certain (forfeiture) provisions. In accordance with GAS 17, these are only included in the total benefits in the fiscal year in which they are paid out (i.e., the fiscal year in which unconditional payment is made), and not in the fiscal year in which the commitment was originally granted. Accordingly, the individual members of the Management Board received the following benefits for/in the years 2014 and 2013 for their work on the Management Board, including incidental benefits and pension service cost.

GAS 17	Frank Strauss		Marc Hess[4]		Susanne Klöss-Braekler[5]		Ralph Müller[6]		Hans-Peter Schmid		Ralf Stemmer		Hanns-Peter Storr		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	€ thousand															
Remuneration																
Performance-related components																
Without long-term incentive effect																
paid out immediately	112.5	150.0	92.4	106.0	14.7		16.7		99.8	110.3	109.7	127.0	105.0	121.0	550.8	614.3
With long-term incentive effect																
Cash																
long-term component I[1]	88.2	26.5	176.0	124.0					167.4	117.5	174.9	120.0	94.2	41.7	700.7	429.7
Share-based																
short-term-component II		150.0		106.0						110.3		127.0		121.0		614.3
long-term component II		225.0		159.0						165.4		190.5		181.5		921.4
equity upfront award(s)	112.5		92.4		14.7		16.7		99.8		109.7		105.0		550.8	
restricted equity award(s)[2]	212.5		138.6		22.0		26.3		157.1		172.8		157.5		886.8	
Total of performance-related components	**525.7**	**551.5**	**499.4**	**495.0**	**51.4**		**59.7**		**524.1**	**503.5**	**567.1**	**564.5**	**461.7**	**465.2**	**2,689.1**	**2,579.7**
Non-performance related components																
Fixed remuneration	750.0	750.0	528.0	528.0	80.0		83.3		600.0	600.0	660.0	660.0	600.0	600.0	3,301.3	3,138.0
Incidental benefits	39.0	22.7	35.1	27.0	2.8		2.1		21.5	22.2	24.6	15.6	19.6	21.6	144.7	109.1
Pension service cost[3]	379.4	290.8	352.4	347.4	180.2		162.5		341.5	349.6	125.4	126.7	241.5	239.9	1,782.9	1,354.4
Total (without service cost)	**1,314.7**	**1,324.2**	**1,062.5**	**1,050.0**	**134.2**		**145.1**		**1,145.6**	**1,125.7**	**1,251.7**	**1,240.1**	**1,081.3**	**1,086.8**	**6,135.1**	**5,826.8**
Total (including service cost)	1,694.1	1,615.0	1,414.9	1,397.4	314.4		307.6		1,487.1	1,475.3	1,377.1	1,366.8	1,322.8	1,326.7	7,918.0	7,181.2

Figures have been rounded to the nearest hundred; this may result in minimal deviations to the amounts actually granted or received, in particular in the totals provided.

[1]Benefit received from the long-term component I granted in the previous years (details see benefits received table).

[2]The amount granted includes a one-time premium of 5 % for members of the Management Board who are not part of the Senior Management Group (Ralph Müller, Hans-Peter Schmid, Ralf Stemmer).

[3]The pension expense presented for Susanne Klöss-Braekler and Ralph Müller is the cost for the full fiscal year including the period prior to their appointment to the Management Board. In view of their planned appointment as members of the Bank's Management Board, they had already been granted benefits for their positions as Executive Managers in accordance with the award structure for Postbank's Management Board. These benefits were continued on their appointment to the Management Board.

[4]Due to Marc Hess' position as Chief Financial Officer (CFO) for the entire Private and Business Clients (PBC) corporate division in the Deutsche Bank Group, his fixed and variable remuneration was reduced by 20 % with effect from July 1, 2012.

[5]Member of the Management Board since November 1, 2014. Remuneration (fixed remuneration, target variable remuneration) takes into account another appointment at Deutsche Bank AG, which is remunerated separately.

[6]Member of the Management Board since November 1, 2014.

Retirement benefits

The members of the Management Board have individually agreed direct retirement benefits. Because each Board member has a different career history, the precise arrangements differ.

Benefits are paid if the member of the Management Board leaves the Company's service as a result of disability, death, or old age. As a rule, old-age pensions are paid from the age of 62.

Under the standard retirement benefits valid until February 28, 2007, pension rights generally accrue after at least five years of service. Exceptions to this minimum waiting period requirement exist in some cases for disability.

The size of the pension depends on the length of service and the amount of the pensionable benefits. Only the fixed income component (base pay) is pensionable. A cap on the pensionable base pay has been specified in the cases of Management Board members Hans-Peter Schmid and Ralf Stemmer. The basic rule is that pension benefits of 50 % of their final salary accrue to members of the Management Board after five years of service. Benefits regularly accrue at a rate of 2 % for each eligible year of service. The maximum level of pension benefits (60 % of the final salary) is generally reached after ten years of service.

In addition, the retirement benefits include rules governing the payment of a transitional allowance for Management Board members who leave the Company upon reaching the age limit or for reasons of disability. The benefit period is two years.

Should the Management Board contracts of Hans-Peter Schmid and Ralf Stemmer be terminated by Postbank prior to the expiration of their regular contract terms, their pensions are calculated as if their contracts had been fulfilled until their regular expiration. This does not apply if Postbank terminates the employment relationship for good cause.

Future pension payments will be adjusted in line with the percentage growth in the highest pay group of the collective agreement for the Verband öffentlicher Banken (Association of German Public Sector Banks). Otherwise, payments are adjusted in line with Germany's consumer price index.

In May 2007, the Executive Committee of Postbank's Supervisory Board resolved to restructure the pension arrangements for members of the Management Board appointed for the first time after March 31, 2007, and to replace the previous final salary-based pension system by a defined contribution plan. The retirement benefits for the members of the Management Board newly appointed after that date – Marc Hess, Hanns-Peter Storr, Frank Strauss, Susanne Klöss-Braekler, and Ralph Müller – are therefore based on the following basic system: A benefit contribution in the amount of 25 % of the pensionable base pay is granted for each eligible year of service. The benefit contributions are credited to a virtual pension account that bears annual interest at the interest rate used in the assessment for tax purposes of direct retirement benefits from the time of the grant until the insured event. When the insured event occurs, the amount of the pension is determined by distributing the pension assets accumulated in the pension account across the expected benefit period of the pension in accordance with actuarial principles. There is no waiting period and the entitlements from retirement benefits vest immediately. The pensions have a 1% p.a. adjustment rate.

These retirement benefits provide for a right to choose between regular pension payments and a lump-sum capital payment.

Retirement benefits for individual members of the Management Board

Occupational pension plan	Frank Strauss		Marc Hess[1]		Susanne Klöss-Braekler[2]		Ralph Müller[2]		Hanns-Peter Storr	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	€	€	€	€	€	€	€	€	€	€
Pension component	187,500	187,500	165,000	165,000	101,250		81,250		150,000	150,000
Interest	38,495	25,703	116,436	100,505	13,054		10,475		37,501	26,888
Pension capital at end of fiscal year	680,083	454,088	2,057,031	1,775,595	230,618		185,063		662,514	475,013
Service cost for pension obligation	379,440	290,771	352,423	347,404	180,235		162,502		241,501	239,935

[1]Deutsche Bank AG covers 20 % of the financial cost for Marc Hess.
[2]The figures for Susanne Klöss-Braekler and Ralph Müller relate to the full fiscal year including for the period prior to their appointment to the Management Board. In view of their planned appointment as members of the Bank's Management Board, they had already been granted benefits for their positions as Executive Managers in accordance with the award structure for Postbank's Management Board. These benefits were continued on their appointment to the Management Board.

Occupational pension plan	Hans-Peter Schmid		Ralf Stemmer	
	2014	2013	2014	2013
	€	€	€	€
Pension benefit at end of fiscal year	58.00 %	56.00 %	60.00 %	58.00 %
Maximum level of pension benefits	60.00 %	60.00 %	60.00 %	60.00 %
Serivce cost for pension obligation	341,535	349,623	125,351	126,740

The benefits paid to former members of the Management Board and their surviving dependents amounted to €4.86 million (previous year: €6.79 million). The benefits comprise the retirement benefits and remuneration components accrued in the year concerned, as well as remuneration components, termination benefits, and incidental benefits from active Management Board appointments.

The defined benefit obligation (DBO) for current pensions and entitlements attributable to former members of the Management Board calculated in accordance with the International Financial Reporting Standards amounted to €85.74 million (previous year: €73.01 million).

Remuneration of the Supervisory Board

Postbank's Annual General Meeting amended the remuneration of the Supervisory Board in 2014 with effect from January 1, 2014. The remuneration system is laid down in Article 15 of the Articles of Association of Deutsche Postbank AG. In accordance with this article, the annual remuneration of members of the Supervisory Board comprises fixed, non-performance-related remuneration only. The positions of Chairman and Deputy Chairman as well as the membership of committees are reflected in the remuneration.

The fixed annual remuneration (base pay) for each member of the Supervisory Board is €40,000. The Chairman of the Supervisory Board receives double, and the Deputy Chairman receives one-and-a-half times the base pay.

The base pay increases by the following fixed additional annual remuneration for members and chairs of Supervisory Board committees:

Members of the Audit Committee and the Risk Committee receive an additional €30,000 each; the chairs of these committees receive an additional €60,000 in each case. Members of the Executive Committee, the Human Resources Committee, the Compensation Control Committee, and the Nomination Committee each receive an additional €20,000; the chairs of these committees receive an additional €40,000 in each case. No additional fixed remuneration is granted to the members and the chair of the Mediation Committee.

Under the remuneration rules valid until December 31, 2013, members of the Supervisory Board are still entitled to performance-related annual remuneration with a long-term incentive effect amounting to €300 for each 1% by which the consolidated net profit per share for the second fiscal year following the fiscal year under review (base year) exceeds the consolidated net profit per share of the fiscal year preceding the fiscal year under review. The Chairman of the Supervisory Board receives double the remuneration of a full member of the Supervisory Board, while the Deputy Chairman receives one-and-a-half times the remuneration. The chairmanship of a Supervisory Board committee is remunerated by an additional sum in the amount of the remuneration, while members of the Supervisory Board committees additionally receive half this amount for each such position held. This does not apply to membership of the Mediation Committee and the Nomination Committee. The amount of the Supervisory Board's variable remuneration is capped in two ways: It may not exceed the amount of the fixed annual remuneration and remuneration of committee members may not exceed twice the remuneration of the Supervisory Board member concerned.

The members of the Supervisory Board are entitled to claim out-of-pocket expenses and any value added tax expenses incurred in the exercise of their office. In addition, each member of the Supervisory Board attending a meeting of the full Supervisory Board or of one of the committees receives an attendance allowance of €500 per meeting.

The members of the Supervisory Board receive the base pay and the attendance allowance after the Annual General Meeting to which the consolidated financial statements for the fiscal year concerned are submitted, or that decides on their approval. The variable remuneration component with a long-term incentive effect is paid out after the Annual General Meeting to which the consolidated financial statements for the base year are submitted, or that decides on their approval.

Persons who are members of the Supervisory Board and/or its committees for only part of a fiscal year receive the corresponding pro rata amount of remuneration. Base pay is rounded up or down to full months. Pro rata remuneration for committee positions requires the committee concerned to have met during the corresponding period of time in order to perform its duties.

In line with Deutsche Bank AG's internal policies, Deutsche Bank Group employees do not receive any remuneration for supervisory board positions held at Group companies. The remuneration of employee representatives for their work on the supervisory boards of Deutsche Bank Group companies remains unaffected by this.

The total remuneration paid to members of the Supervisory Board for fiscal year 2014 amounted to €1,578.8 thousand including attendance allowances (previous year: €728.4 thousand). As a result of Postbank's sustainable performance improvement, the Supervisory Board members will receive performance-related remuneration with a long-term incentive effect for fiscal year 2012.

The total remuneration paid to the individual members of the Supervisory Board in fiscal year 2014 was as follows:

Members of the Supervisory Board	Fiscal year 2014			Fiscal year 2013		
	Fixed remuneration	Variable remuneration[1]	Total	Fixed remuneration	Variable remuneration[1]	Total
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Rainer Neske[2]	–	–	–	–	–	–
Frank Bsirske	160.0	58.0	218.0	45.0	48.0	93.0
Wilfried Anhäuser	–	3.2	3.2	–	10.7	10.7
Marietta Auer	–	3.2	3.2	–	10.7	10.7
Rolf Bauermeister	40.0	18.0	58.0	15.0	16.5	31.5
Susanne Bleidt	60.0	16.4	76.4	22.5	1.8	24.3
Wilfried Boysen	20.0	13.6	33.6	15.0	16.3	31.3
Edgar Ernst	100.0	39.5	139.5	30.0	33.3	63.3
Annette Harms	–	2.1	2.1	–	7.1	7.1
Stefanie Heberling[2]	–	–	–	–	–	–
Timo Heider	70.0	25.8	95.8	22.5	18.0	40.5
Tessen von Heydebreck	120.0	38.1	158.1	30.0	30.6	60.6
Peter Hoch	50.0	28.2	78.2	30.0	33.0	63.0
Elmar Kallfelz	–	4.3	4.3	–	14.3	14.3
Ralf Krüger	–	3.2	3.2	–	10.7	10.7
Hans-Jürgen Kummetat	40.0	11.1	51.1	15.0	1.3	16.3
Katja Langenbucher	20.0	1.5	21.5	–	–	–
Hans-Dieter Petram	–	–	–	–	2.0	2.0
Christian Ricken[2]	–	–	–	–	–	–
Karl von Rohr[2]	–	–	–	–	–	–
Bernd Rose	100.0	26.7	126.7	30.0	4.3	34.3
Lawrence A. Rosen	40.0	16.5	56.5	15.0	16.5	31.5
Christian Sewing[2]	–	–	–	–	–	–
Eric Stadler	100.0	34.5	134.5	22.5	25.5	48.0
Werner Steinmüller[2]	–	–	–	–	–	–
Gerd Tausendfreund	70.0	29.0	99.0	22.5	25.3	47.8
Renate Treis	90.0	37.0	127.0	30.0	32.0	62.0
Wolfgang Zimny	70.0	18.9	88.9	22.5	3.0	25.5
Total	**1,150.0**	**428.8**	**1,578.8**	**367.5**	**360.9**	**728.4**

[1]The reported variable remuneration comprises the long-term remuneration and the attendance allowance to be paid to the Supervisory Board member for the relevant fiscal year.

[2]Remuneration not paid because of Deutsche Bank AG's internal Group policies.

Peter Hoch received remuneration of €2.4 thousand for his Supervisory Board work at BHW Holding AG and BHW Bausparkasse AG, and Timo Heider received €14.3 thousand.

The employee representatives received remuneration in the amount of €628.4 thousand in fiscal year 2014 as set out in their respective employment contracts.

No further remuneration or benefits were granted to members of the Supervisory Board in return for services provided individually in addition to their Supervisory Board activities, especially consulting and brokerage services. This does not apply to the remuneration of employee representatives as set out in their respective employment contracts.

Shareholdings of the members of the Supervisory Board

In fiscal year 2014, the aggregate shareholdings of all members of the Management Board and Supervisory Board amounted to less than 1% of the shares issued by the Company.

As of the balance sheet date, loans of €462.6 thousand (previous year: €501.8 thousand) had been granted to members of the Management Board and €67.4 thousand (previous year: €48.7) to members of the Supervisory Board. No other contingent liabilities were entered into.

D&O insurance

The members of the Management Board and the members of the Supervisory Board are covered by D&O insurance in line with international standards. In accordance with the requirements of the German Corporate Governance Code, the individual Management Board and Supervisory Board members are required to pay a deductible if a claim is brought.

(56) Other disclosures

Deutsche Postbank AG is a member of the deposit protection fund of the Bundesverband deutscher Banken e. V. and of Entschädigungseinrichtung deutscher Banken GmbH's investor compensation scheme.

Postbank has furnished BHW Bausparkasse AG, Luxembourg, a guarantee in the amount of €12 million which will cover the first loss piece of a retail credit portfolio of the BHW branch in Luxembourg.

Significant restrictions on the transfer of assets within the Postbank Group

The transfer of assets and liabilities within a group can be restricted by legal, regulatory, or contractual provisions. Within the Postbank Group, this affects assets in the amount of €21,883 million (previous year: €24,147 million) that are used to cover collateralized issues (*Pfandbriefe*), assets in the amount of €6,344 million (previous year: €6,952 million) that are used as collateral in securities repurchase agreements (repos/reverse repos), and assets in the amount of €38 million (previous year: €16 million) that are furnished for clearing margins.

In addition, some Group companies are subject to legal restrictions on the distribution of profits in particular in accordance with section 268(8) of the HGB and with respect to minimum capital requirements. However, the Group considers these restrictions to be insignificant.

(57) Members of executive bodies

Management Board

The members of the Management Board of Deutsche Postbank AG are:	
Frank Strauss, Bad Nauheim (Chairman)	
Marc Hess, Bonn	
Susanne Klöss-Braekler, Munich	since November 1, 2014
Ralph Müller, Königstein/Taunus	since November 1, 2014
Hans-Peter Schmid, Baldham	
Ralf Stemmer, Königswinter	
Hanns-Peter Storr, Bonn	

Offices held by members of the Management Board of Deutsche Postbank AG as of December 31, 2014 on supervisory boards or other supervisory bodies:

Frank Strauss	Chairman of the Management Board
Function	**Company**
Chairman of the Supervisory Board	BHW Bausparkasse Aktiengesellschaft, Hameln
Chairman of the Supervisory Board	BHW Holding AG, Hameln
Chairman of the Supervisory Board	PB Firmenkunden AG, Bonn
Chairman of the Supervisory Board	Postbank Filialvertrieb AG, Bonn
Chairman of the Supervisory Board	Postbank Finanzberatung AG, Hameln
Chairman of the Supervisory Board	Deutsche Bank Bauspar-Aktiengesellschaft, Frankfurt am Main
Chairman of the Supervisory Board	norisbank GmbH, Berlin
Member of the Advisory Board	CORPUS SIREO Holding GmbH & Co. KG, Cologne
Member of the Advisory Board	Talanx Deutschland Bancassurance, Hilden

Marc Hess	
Function	**Company**
Member of the Supervisory Board	BHW Bausparkasse Aktiengesellschaft, Hameln

Susanne Klöss-Braekler	Member of the Management Board since November 1, 2014
Function	**Company**
Member of the Supervisory Board	BHW Bausparkasse Aktiengesellschaft, Hameln
Member of the Supervisory Board (until November 6, 2014)	BHW Holding AG, Hameln
Member of the Supervisory Board	Postbank Filialvertrieb AG, Bonn
Member of the Supervisory Board	Deutsche Bank Bauspar-Aktiengesellschaft, Frankfurt am Main
Member of the Supervisory Board	Eurex Frankfurt AG, Frankfurt am Main
Member of the Board of Directors	Eurex Zürich AG, Zurich

Ralph Müller	Member of the Management Board since November 1, 2014
Function	**Company**
Deputy Chairman of the Supervisory Board	Postbank Systems AG, Bonn
Member of the Supervisory Board	Postbank Filialvertrieb AG, Bonn
Member of the Supervisory Board (since July 25, 2014) Chairman of the Supervisory Board (since July 25, 2014)	Betriebs-Center für Banken AG, Frankfurt am Main
Member and Chairman of the Supervisory Board (until September 11, 2014)	BHW Kreditservice GmbH, Hameln
Member of the Administrative Board	MyMoneyPark AG, Zurich
Member of the Advisory Board (since September 3, 2014)	PBC Banking Services GmbH, Frankfurt am Main

Hans-Peter Schmid	
Function	**Company**
Chairman of the Supervisory Board	Bayerische Börse AG, Munich
Deputy Chairman of the Supervisory Board	Postbank Akademie und Service GmbH, Hameln
Member of the Supervisory Board	PB Lebensversicherung AG, Hilden
Member of the Supervisory Board	PB Versicherung AG, Hilden
Member of the Advisory Board	Talanx Deutschland Bancassurance, Hilden
Member of the Exchange Council	Bayerische Börse AG, Munich
Member of the Economic Advisory Board	HUK-Coburg Versicherungsgruppe, Coburg

Ralf Stemmer	
Function	**Company**
Chairman of the Supervisory Board	Postbank Akademie und Service GmbH, Hameln
Chairman of the Board of Directors	PB International S.A., Luxembourg
Deputy Chairman of the Supervisory Board	Postbank Direkt GmbH, Bonn
Deputy Chairman of the Supervisory Board	Postbank Finanzberatung AG, Hameln
Deputy Chairman of the Supervisory Board	PB Pensionsfonds AG, Hilden
Member of the Supervisory Board	Betriebs-Center für Banken AG, Frankfurt am Main
Member of the Supervisory Board	BHW Bausparkasse Aktiengesellschaft, Hameln
Member of the Supervisory Board (until November 6, 2014)	BHW Holding AG, Hameln
Member of the Supervisory Board	PB Firmenkunden AG, Bonn
Member of the Supervisory Board	Postbank Filialvertrieb AG, Bonn
Member of the Supervisory Board	Postbank Systems AG, Bonn
Member of the Administrative Board	Bundesanstalt für Post und Telekommunikation Deutsche Bundespost, Bonn
Member of the Advisory Board (since September 3, 2014	PBC Banking Services GmbH, Frankfurt am Main
Member of the Advisory Board	Verband der Sparda Banken e.V., Frankfurt am Main

Hanns-Peter Storr	
Function	**Company**
Member of the Supervisory Board	BHW Bausparkasse Aktiengesellschaft, Hameln
Member of the Supervisory Board (until November 6, 2014)	BHW Holding AG, Hameln
Member of the Supervisory Board	norisbank GmbH, Berlin

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

1. Shareholder representatives	
Rainer Neske Member of the Management Board of Deutsche Bank AG, Bad Soden (Chairman)	
Wilfried Boysen Businessman, Hamburg	until July 9, 2014
Edgar Ernst President of the Financial Reporting Enforcement Panel, DPR e.V., Bonn	
Stefanie Heberling Cologne/Bonn/Aachen Regional Management Deutsche Bank Privat- und Geschäftskunden AG, Wuppertal	
Tessen von Heydebreck Chairman of the Board of Trustees of Deutsche Bank Foundation, Berlin	
Peter Hoch Munich	until July 9, 2014
Katja Langenbucher Professorship for Private Law, Corporate and Financial Law, Goethe University Frankfurt am Main, Frankfurt am Main	since July 9, 2014
Christian Ricken Member of the Group Executive Committee, Chief Operating Officer PBC, Deutsche Bank AG, Bad Homburg v. d. Höhe	
Karl von Rohr Global Chief Operating Officer, Regional Management, Deutsche Bank AG, Oberursel	since July 9, 2014
Lawrence A. Rosen Member of the Board of Management of Deutsche Post AG, Bonn	
Christian Sewing Member of the Management Board of Deutsche Bank AG, Osnabrück	
Werner Steinmüller Member of the Group Executive Committee, Head of Global Transaction Banking, Deutsche Bank AG, Dreieich	

2. Employee representatives
Frank Bsirske, Chairman of the ver.di Trade Union, Berlin (Deputy Chairman)
Rolf Bauermeister Head of National Postal Services Group, at ver.di Trade Union (national administration), Berlin
Susanne Bleidt Member of the Postbank Filialvertrieb AG's General Works Council, Bell
Timo Heider Chairman of the General Works Council of BHW Bausparkasse Aktiengesellschaft and Postbank Finanzberatung AG, Emmerthal
Hans-Jürgen Kummetat Civil servant, Cologne
Bernd Rose Chairman of Postbank Filialvertrieb AG/ Postbank Filial GmbH's General Works Council, Menden (Sauerland)
Eric Stadler Chairman of Betriebs-Center für Banken 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
Wolfgang Zimny, Banking lawyer, Head of Department, Deutsche Postbank AG, Head Office, Bornheim

Offices held by members of the Supervisory Board of Deutsche Postbank AG as of December 31, 2014, on supervisory boards or other supervisory bodies:

Shareholder representatives

Rainer Neske	Chairman of the Supervisory Board
Function	**Company**
Chairman of the Supervisory Board	Deutsche Bank Privat- und Geschäftskunden AG, Frankfurt am Main

Wilfried Boysen	Member of the Supervisory Board until July 9, 2014
Function	**Company**
Chairman of the Supervisory Board	Hanse Marine-Versicherung AG, Hamburg
Member of the Supervisory Board	ASKLEPIOS Kliniken Hamburg GmbH, Hamburg

Edgar Ernst	
Function	**Company**
Member of the Supervisory Board	Deutsche Annington Immobilien SE, Düsseldorf
Member of the Supervisory Board	DMG MORI SEIKI AG (previously Gildemeister AG, Bielefeld)
Member of the Supervisory Board	TUI AG, Berlin
Member of the Supervisory Board	Wincor Nixdorf AG, Paderborn

Tessen von Heydebreck	
Function	**Company**
Chairman of the Advisory Board	IFA Rotorion Holding GmbH, Haldensleben
Member of the Board of Trustees	Dussmann Stiftung & Co. KGaA, Berlin
Member of the Supervisory Board	Vattenfall GmbH, Berlin
Member of the Supervisory Board	Kommanditgesellschaft CURA Vermögensverwaltung GmbH & Co KG, Hamburg
Member of the Advisory Board	DECM Deutsche Einkaufs-Center-Gesellschaft G.m.b.H., Hamburg

Christian Ricken	
Function	**Company**
Chairman of the Advisory Board (since September 3, 2014)	PBC Banking Services GmbH, Frankfurt am Main
Deputy Chairman of the Supervisory Board	norisbank GmbH, Berlin
Member of the Supervisory Board	Deutsche Bank Europe GmbH, Rotterdam
Member of the Supervisory Board	Deutsche Bank Privat- und Geschäftskunden AG, Frankfurt am Main
Member of the Board of Directors	HuaXia Bank Co., Ltd., Beijing

Karl von Rohr	Member of the Supervisory Board since July 9, 2014
Function	**Company**
Chairman of the Advisory Board (until December 31, 2014)	Manpower Group GmbH & Co. KG, Eschborn
Member of the Board of Directors (since January 1, 2014)	Deutsche Bank Luxembourg S.A., Luxembourg

Lawrence A. Rosen	
Function	**Company**
Member of the Supervisory Board	Qiagen GmbH, Hilden

Werner Steinmüller	
Function	**Company**
Chairman of the Supervisory Board	Deutsche Bank Nederland N.V., Amsterdam
Member of the Advisory Board	True Sale International GmbH, Frankfurt am Main

Employee representatives

Frank Bsirske	Deputy Chairman of the Supervisory Board
Function	**Company**
Deputy Chairman of the Supervisory Board	RWE AG, Essen
Member of the Supervisory Board	Deutsche Bank AG, Frankfurt am Main
Member of the Supervisory Board	IBM Central Holding GmbH, Ehningen
Member of the Board of Supervisory Directors	Kreditanstalt für Wiederaufbau, Frankfurt am Main

Rolf Bauermeister	
Function	**Company**
Member of the Supervisory Board	Deutsche Post AG, Bonn

Susanne Bleidt	
Function	**Company**
Member of the Supervisory Board	Postbank Filialvertrieb AG, Bonn
Member of the General Assembly of Members	Erholungswerk Post, Postbank, Telekom e.V., Stuttgart

Timo Heider	
Function	**Company**
Deputy Chairman of the Supervisory Board	BHW Bausparkasse Aktiengesellschaft, Hameln
Deputy Chairman of the Supervisory Board (until November 6, 2014)	BHW Holding AG, Hameln
Deputy Chairman of the Supervisory Board	Pension fund of BHW Bausparkasse VVaG, Hameln
Member of the Supervisory Board	Deutsche Bank AG, Frankfurt am Main
Member of the Advisory Board (since September 3, 2014)	PBC Banking Services GmbH, Frankfurt am Main

Bernd Rose	
Function	**Company**
Deputy Chairman of the Supervisory Board	ver.di Vermögensverwaltungsgesellschaft mbH, Berlin
Member of the Supervisory Board	Deutsche Bank AG, Frankfurt am Main
Member of the Supervisory Board	Postbank Filialvertrieb AG, Bonn

Eric Stadler	
Function	**Company**
Deputy Chairman of the Advisory Board (since October 2, 2014) Member of the Advisory Board (since September 3, 2014)	PBC Banking Services GmbH, Frankfurt am Main

Gerd Tausendfreund	
Function	**Company**
Member of the Supervisory Board	Betriebs-Center für Banken AG, Frankfurt am Main

Renate Treis	
Function	**Company**
Member of the General Assembly of Members	Erholungswerk Post, Postbank, Telekom e.V., Stuttgart

(58) Auditors' fee in accordance with sections 285 no. 17 and 314(1) no. 9 of the HGB

	2014 €m	2013 €m
Audits of the financial statements	5.5	7.5
Other assurance of valuation	2.1	2.0
Tax advisory services	0.5	0.2
Other services rendered to the parent company or subsidiaries	3.6	1.5
Total	**11.7**	**11.2**

The fees for the fiscal year are presented net of value added tax in compliance with the requirements of IDW AcP HFA 36 "Disclosures on the Auditors' Fee in Accordance with sections 285 no. 17 and 314(1) no. 9 of the HGB".

(59) Application of section 264(3) of the HGB

The following consolidated subsidiaries applied the simplification options contained in section 264(3) of the HGB in fiscal year 2014:

- Postbank Beteiligungen GmbH
- Postbank Filial GmbH
- Postbank Immobilien und Baumanagement GmbH.

(60) Information in accordance with section 313(2) of the HGB

List of shareholdings

Name and domicile of the company	Equity interest %	Equity € thousand	Profit/loss for the period[1] € thousand
a) Subsidiaries			
Included in the consolidated financial statements			
BHW Bausparkasse Aktiengesellschaft, Hameln	100.0	896,412	11,737
BHW Gesellschaft für Vorsorge mbH, Hameln	100.0	242,370	0[3]
BHW - Gesellschaft für Wohnungswirtschaft mbH, Hameln	100.0	918,946	0[3]
BHW Holding AG, Hameln	100.0	727,503	0[3]
Deutsche Postbank Finance Center Objekt GmbH, Schuttrange (Munsbach), Luxembourg	100.0	1,671	470
DSL Portfolio GmbH & Co. KG, Bonn	100.0	7,128	95
DSL Portfolio Verwaltungs GmbH, Bonn	100.0	56	4
PB Factoring GmbH, Bonn	100.0	11,546	0[3]
PB Firmenkunden AG, Bonn	100.0	1,100	0[3]
PB International S.A., Schuttrange (Munsbach), Luxembourg	100.0	930,676	79,565
PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Bonn		3,031,013	257,365[2]
Teilgesellschaftsvermögen PB 02	100.0	467,121	19,229
Teilgesellschaftsvermögen PB 08	100.0	501,856	23,057
Teilgesellschaftsvermögen PB 09	100.0	531,271	23,943
Teilgesellschaftsvermögen PB 11	100.0	609,677	22,610
Teilgesellschaftsvermögen PB 13	100.0	335,794	13,125
Teilgesellschaftsvermögen PB 14	100.0	332,998	13,032
Teilgesellschaftsvermögen PB 21	100.0	207,108	9,155
Teilgesellschaftsvermögen PB 26	100.0	--	--[6]
Postbank Beteiligungen GmbH, Bonn	100.0	310,325	0[3]
Postbank Filial GmbH, Bonn	100.0	25	0[3]
Postbank Filialvertrieb AG, Bonn	100.0	71	0[3]
Postbank Finanzberatung AG, Hameln	100.0	48,418	814
Postbank Immobilien GmbH, Hameln	100.0	2,908	0[3]
Postbank Immobilien und Baumanagement GmbH, Bonn	100.0	18,874	0[3]
Postbank Immobilien und Baumanagement GmbH & Co. Objekt Leipzig KG, Bonn	90.0	13,084	2,856
Postbank Leasing GmbH, Bonn	100.0	500	0[3]
Postbank P.O.S. Transact GmbH, Eschborn	100.0	11,875	911
Postbank Systems AG, Bonn	100.0	51,591	0[3]
Postbank Versicherungsvermittlung GmbH, Bonn	100.0	25	0[3]

Name and domicile of the company	Equity interest %	Equity € thousand	Profit/loss for the period[1] € thousand
a) Subsidiaries			
Not included in the consolidated financial statements			
BHW Financial Srl in liquidazione, Verona, Italy	100.0	766	12
BHW Invest, Société à responsabilité limitée, Luxembourg, Luxembourg	100.0	5,513	–98
CREDA Objektanlage- und -verwaltungsgesellschaft mbH, Bonn	100.0	1,000	0[3]
EC EUROPA IMMOBILIEN FONDS NR. 3 GmbH & CO. KG in Insolvenz, Hamburg	65.2	–10,390	–6,745
Fünfte SAB Treuhand und Verwaltung GmbH & Co. Suhl „Rimbachzentrum" KG, Bad Homburg v. d. Höhe	74.0	0	–71
PB Sechste Beteiligungen GmbH, Bonn	100.0	641	96
Postbank Akademie und Service GmbH, Hameln	100.0	1,153	44
SAB Real Estate Verwaltungs GmbH, Hameln	100.0	39	4
b) Equity investments accounted for using the equity method			
PBC Banking Services GmbH, Frankfurt am Main	49.9	122,426	12[3, 4]
c) Other companies in which an equity interest of at least 20 % is held			
Fünfte SAB Treuhand und Verwaltung GmbH & Co. Dresden „Louisenstraße" KG, Bad Homburg v. d. Höhe	30.6	0	–34
Fünfte SAB Treuhand und Verwaltung GmbH & Co. „Leipzig-Magdeburg" KG, Bad Homburg v. d. Höhe	40.7	0	–60
giropay GmbH, Frankfurt am Main	33.3	0	2
Nummus Beteiligungs GmbH & Co. KG, Frankfurt am Main	27.8	33,001	–28
Nummus Financial GmbH, Eppstein	27.8	34,500	–75
Starpool Finanz GmbH, Berlin	49.9	310	51
d) Equity interests in large corporations in which Deutsche Postbank AG holds more than 5 % of the voting rights			
BSQ Bauspar AG, Nuremberg	14.1	28,768	-3,035
GIMB Gesellschaft für Internet- und mobile Bezahlverfahren mbH, Eschborn	8.3	--	--[5]
HYPOPORT AG, Berlin	9.7	37,117	2,447
Landgesellschaft Mecklenburg-Vorpommern mit beschränkter Haftung, Leezen	11.0	40,141	1,316

[1] The data on equity and profit and loss for the year are based on the most recently adopted annual financial statements of the companies concerned.

[2] The company also includes the shares in Teilgesellschaftsvermögen PB 25 which are not held by a company belonging to the Postbank Group.

[3] Profit and loss transfer agreement

[4] The company holds all of the shares of Betriebs-Center für Banken AG, BHW Kreditservice GmbH, DB Investment Services GmbH, DB Kredit Service GmbH, KEBA Gesellschaft für interne Services mbH, PBC Services GmbH der Deutschen Bank, Postbank Direkt GmbH, Postbank Service GmbH, Telefon-Servicegesellschaft der Deutschen Bank mbH, and VÖB-ZVD Processing GmbH.

[5] The company was established on June 3, 2014. Consequently, annual financial statements are not yet available.

[6] The subpool of assets was created on November 26, 2014. Consequently, annual financial statements are not yet available.

(61) Declaration of conformity with the German Corporate Governance Code

On December 17, 2014, the Management Board and the Supervisory Board of Deutsche Postbank AG jointly published the most recent declaration of conformity with the German Corporate Governance Code for fiscal year 2014 required by section 161 of the AktG. The full wording of the declaration of conformity can be accessed on the Internet on our homepage at www.postbank.com

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Bonn, February 25, 2015

Deutsche Postbank Aktiengesellschaft

The Management Board

Frank Strauss

Marc Hess

Susanne Klöss-Braekler

Ralph Müller

Hans-Peter Schmid

Ralf Stemmer

Hanns-Peter Storr

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the Deutsche Postbank AG, Bonn, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2014. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB („Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit 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 audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, February 26, 2015

PricewaterhouseCoopers
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Ralf Schmitz Wirtschaftsprüfer (German Public Auditor)	Christian F. Rabeling Wirtschaftsprüfer (German Public Auditor)

Nearby, 5,700 times

Real customer proximity: For Postbank that means being easy to reach in every possible way. Through digital channels – or even just personally. We celebrate the opening of branches and new high-performance Postbank Centers with our customers instead of – like other banks – closing branches down. We know: Some things can only be done in person; with others, it's just easier to. That's why we want to be nearby, for all of our customers.

OTHER INFORMATION

05

REGULATORY DISCLOSURES

Regulatory disclosure

Postbank has been part of the Deutsche Bank banking group since December 2010 and has published all information relevant to supervisory disclosures since then within the framework of the Deutsche Bank Group's Pillar III reports. Starting in 2014, Article 13 of Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation – CRR) requires significant subsidiaries of EU parent institutions to also publish regulatory disclosures. All information given below relates to the Postbank Group (hereinafter referred to as "Postbank") as a subgroup of the Deutsche Bank banking group.

The following table gives an overview of the information to be provided by Postbank in accordance with Part 8 in conjunction with Article 13 of the CRR and the provisions of the *Kreditwesengesetz* (KWG – German Banking Act) transposing the Capital Requirements Directive (CRD) into national law, and specifies the section of the report in which the relevant disclosures are made:

Implementation of regulatory disclosure requirements	
Pillar III disclosure topic	**Relevant section of annual report**
Own funds disclosures in accordance with Article 437 of the CRR and on capital requirements in accordance with Article 438 of the CRR	- Other Information, "Regulatory Disclosures"
Credit risk adjustment disclosures in accordance with Article 442 of the CRR and on credit risk mitigation techniques in accordance with Article 453 of the CRR, to the extent that these are not already covered by the qualitative disclosures in the Group management report (see below)	- Other Information, "Regulatory Disclosures"
Legal and organizational structure and principles of the proper conduct of business (section 26a of the *Kreditwesengesetz* (KWG – German Banking Act))	- Corporate Governance Report - Group Management Report, "Business and Environment" - Risk Report, "Organization of risk management"
Qualitative disclosures on credit risk adjustments in accordance with Article 442a) and b) of the CRR and on credit risk mitigation techniques in accordance with Article 453a) to e) of the CRR	- Risk Report, "Monitoring and managing credit risk"
Disclosures on remuneration policy (Article 450 of the CRR)	- Group Management Report, "Remuneration of the Management Board and the Supervisory Board"

Information on regulatory approaches

As of the reporting date of December 31, 2014, Postbank calculated the regulatory capital requirements for the following portfolios – grouped by exposure class in accordance with the CRR – on the basis of the rules set out in the Internal Rating Approaches: central governments (countries), institutions (banks), corporates (domestic corporate customers, foreign corporate customers, commercial real estate finance (commercial real estate)), purchased corporate loans, insurers, retail business (Deutsche Postbank AG mortgage loans, BHW mortgage loans, installment loans, overdraft facilities for self-employed individuals and business customers, purchased retail loans), equity exposures (unless covered by the exception in section 17 of the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation)), securitization positions, and other non-credit obligation assets.

In addition to using the Basic IRB Approach and the IRB Approach to calculate the capital requirements for its retail business, Postbank calculates the capital requirements for its corporate banking Germany, banks, and commercial real estate finance portfolios using the Advanced IRB Approach (A–IRBA), which permits more risk-appropriate capital backing for its risk positions. The Bank plans to extend its use of the A–IRBA to its PK-Dispo portfolio (overdraft facility portfolio for retail customers) in 2015, subject to obtaining the necessary approval from the supervisory authorities.

Postbank uses the Credit Risk Standardized Approach (CRSA) for the portfolios not calculated in accordance with the IRB approaches. These primarily relate to the following portfolios: overdrafts and collection activities in the Retail Banking segment, portfolios belonging to the other subsidiaries of Postbank with the exception of BHW mortgage loans, business from discontinued operations, and exposures to public-sector counterparties in the European Economic Area.

In the case of securitization positions, the IRB Approach or the CRSA is applied, based on the underlying transactions. Capital backing for securitization positions is generally calculated on the basis of the ratings-based approach using external ratings. Postbank uses a derived credit assessment for the PB Domicile 2006-1 securitization transaction, which it originated.

Postbank calculates the capital backing for other non-credit obligation assets and equity exposures allocated to the banking book that are not required to be consolidated or deducted from own funds for regulatory purposes using regulatory risk weights. Currently Postbank does not have any equity exposures for which capital backing has been calculated on the basis of default probabilities and loss rates. Strategic equity exposures held prior to January 1, 2008 have been temporarily excluded from IRBA capital backing and are calculated using the CRSA.

Postbank currently uses the supervisory Standardized Approach to calculate its capital requirements for market risk. It uses an Advanced Measurement Approach (AMA) to calculate the capital requirements for its operational risk.

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Information on regulatory consolidation

The regulatory scope of consolidation corresponds to the consolidated group for accounting purposes as presented in Note 2 of the Notes to the Consolidated Financial Statements with the exception of the following three companies, which are consolidated for accounting but not for regulatory purposes:

- Postbank Finanzberatung AG
- Postbank Versicherungsvermittlung GmbH
- Postbank Immobilien GmbH.

Postbank does not have any subsidiaries required to be consolidated for regulatory but not for accounting purposes.

Overall portfolio disclosures

The following tables present the disclosures for the overall portfolio with average amounts per exposure class over the reporting period, broken down by sector, regions, and residual maturities in accordance with Article 442 of the CRR. The tables show the lending volume in each case before the effects of credit risk mitigation, broken down by the different types of exposure classes, as of the disclosure date. Exposure values (EAD – expected amount of the exposure at the time of possible default) are reported before factoring in substitution effects, using credit conversion factors. On- and off-balance sheet transactions are reported at cost or at their replacement values, while derivatives are reported at their positive replacement values plus a regulatory add-on. Exposure classes for which Postbank does not have any exposures are not shown in the tables. These are the "Short-term exposures to banks and corporates" and "Items associated with a particularly high risk" exposure classes. The "Other non-credit obligation assets" exposure class is not reported in the tables below. The total amount of the exposures concerned was €2,882 million. In addition, the exposure for contributions to the default fund of a central counterparty amounted to €62 million.

The following table shows the average exposure amounts during the reporting period before the effects of credit risk mitigation, broken down by the different types of exposure classes.

Total amount of exposure values including average amounts per exposure class

Exposure classes	Average amounts	Total
	Jan. 1–Dec. 31, 2014 €m	Dec. 31, 2014 €m
IRBA governments and central banks	11	17
IRBA institutions	13,188	11,963
IRBA corporates	21,077	20,848
IRBA retail exposures	75,625	75,917
IRBA equity exposures	320	421
IRBA securitization positions	2,448	1,772
CRSA governments and central banks	11,508	11,307
CRSA regional governments and local authorities	7,610	8,030
CRSA other public-sector entities	2,588	2,382
CRSA multilateral development banks	884	881
CRSA international organizations	1,270	1,298
CRSA institutions	2,880	2,877
CRSA corporates	1,018	906
CRSA retail exposures	2,436	2,305
CRSA exposures secured by real estate property	2,731	2,664
CRSA in default exposures	298	284
CRSA covered bonds	24	20
CRSA securitization positions	1,429	790
CRSA UCITS	1,328	1,619
CRSA equity exposures	334	227
CRSA other items	–	–
Total	**149,007**	**146,528**

The following table shows the exposure values broken down by the different types of exposure classes and by the sectors and obligor groups of relevance to Postbank:

Total amount of exposure values by sector and obligor group								
Exposure classes	Retail customers	Banks/ insurers/ financial services providers	Govern-ments	Commer-cial real estate finance	Service providers/ wholesale and retail	Industry	Other sectors	Total
	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m
IRBA governments and central banks	–	–	17	–	–	–	–	17
IRBA institutions	–	11,958	–	5	–	–	–	11,963
IRBA corporates	308	1,957	2	6,333	7,045	3,647	1,556	20,848
IRBA retail exposures	75,917	–	–	–	–	–	–	75,917
IRBA equity exposures	–	420	–	–	–	–	1	421
IRBA securitization positions	672	944	156	–	–	–	–	1,772
CRSA governments and central banks	–	273	11,034	–	–	–	–	11,307
CRSA regional governments and local authorities	–	–	8,010	20	–	–	–	8,030
CRSA other public-sector entities	–	2,101	189	–	43	–	49	2,382
CRSA multilateral development banks	–	881	–	–	–	–	–	881
CRSA international organizations	–	719	579	–	–	–	–	1,298
CRSA institutions	–	2,872	–	–	–	–	5	2,877
CRSA corporates	24	58	3	339	181	177	124	906
CRSA retail exposures	2,305	–	–	–	–	–	–	2,305
CRSA exposures secured by real estate property	2,574	–	–	85	4	–	1	2,664
CRSA in default exposures	234	–	–	21	2	–	27	284
CRSA covered bonds	–	20	–	–	–	–	–	20
CRSA securitization positions	784	6	–	–	–	–	–	790
CRSA UCITS	–	31	1,570	–	–	8	10	1,619
CRSA equity exposures	–	54	–	–	10	–	163	227
CRSA other items	–	–	–	–	–	–	–	–
Total	**82,818**	**22,294**	**21,560**	**6,803**	**7,285**	**3,832**	**1,936**	**146,528**

Of the amounts reported, the following exposures relate to loans to small and medium-sized enterprises (SMEs):

Total amount of exposure values by sector and obligor group for small and medium-sized enterprises								
Exposure classes	Retail customers	Banks/ insurers/ financial services providers	Govern-ments	Commer-cial real estate finance	Service providers/ wholesale and retail	Industry	Other sectors	Total
	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m
IRBA retail exposures	283	–	–	–	–	–	–	283
IRBA corporates	1	10	–	–	474	428	68	981
CRSA corporates	–	1	–	35	18	25	5	84
CRSA retail exposures	42	–	–	–	–	–	–	42
CRSA exposures secured by real estate property	–	–	–	6	–	–	–	6
Total	**326**	**11**	**–**	**41**	**492**	**453**	**73**	**1,396**

The following table shows the exposure amounts broken down by the different types of exposure classes and by Postbank's significant geographic business regions. The exposures are allocated on the basis of the obligor's legal country of domicile.

Total amount of exposure values by geographic region				
Exposure classes	Germany	Western Europe	Other regions	Total
	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m
IRBA governments and central banks	–	17	–	17
IRBA institutions	7,203	4,441	319	11,963
IRBA corporates	12,848	7,079	921	20,848
IRBA retail exposures	75,581	266	70	75,917
IRBA equity exposures	421	–	–	421
IRBA securitization positions	1,659	113	–	1,772
CRSA governments and central banks	801	10,461	45	11,307
CRSA regional governments and local authorities	7,804	226	–	8,030
CRSA other public-sector entities	2,380	2	–	2,382
CRSA multilateral development banks	–	758	123	881
CRSA international organizations	–	1,145	153	1,298
CRSA institutions	2,379	498	–	2,877
CRSA corporates	765	68	73	906
CRSA retail exposures	2,223	80	2	2,305
CRSA exposures secured by real estate property	240	2,422	2	2,664
CRSA in default exposures	138	146	–	284
CRSA covered bonds	20	–	–	20
CRSA securitization positions	293	497	–	790
CRSA UCITS	1,599	20	–	1,619
CRSA equity exposures	222	5	–	227
CRSA other items	–	–	–	–
Total	**116,576**	**28,244**	**1,708**	**146,528**

The following table presents the regulatory exposure values, broken down by the different types of exposure classes and the residual maturities for Postbank. Checking accounts, other guarantees, and pending transactions are assigned to the "less than one year" maturity band. The amounts assigned to the "more than five years" maturity band largely comprise longer-term bonds, private mortgage lending, and commercial lending.

Total amount of exposure values by residual maturity				
Exposure classes	< 1 year	1–5 years	> 5 years	Total
	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m
IRBA governments and central banks	17	–	–	17
IRBA institutions	4,050	6,882	1,031	11,963
IRBA corporates	4,457	6,682	9,709	20,848
IRBA retail exposures	4,205	6,970	64,742	75,917
IRBA equity exposures	–	–	421	421
IRBA securitization positions	81	71	1,620	1,772
CRSA governments and central banks	402	7,175	3,730	11,307
CRSA regional governments and local authorities	1,402	3,106	3,522	8,030
CRSA other public-sector entities	341	1,638	403	2,382
CRSA multilateral development banks	–	778	103	881
CRSA international organizations	83	982	233	1,298
CRSA institutions	1,014	52	1,811	2,877
CRSA corporates	170	324	412	906
CRSA retail exposures	1,163	445	697	2,305
CRSA exposures secured by real estate property	984	564	1,116	2,664
CRSA in default exposures	284	–	–	284
CRSA covered bonds	20	–	–	20
CRSA securitization positions	–	6	784	790
CRSA UCITS	8	10	1,601	1,619
CRSA equity exposures	–	–	227	227
CRSA other items	–	–	–	–
Total	**18,681**	**35,685**	**92,162**	**146,528**

The following table provides an overview of the exposure values for the specialized lending exposures calculated in accordance with Article 153(5) of the CRR, broken down by risk weight category. The exposures relate to commercial real estate finance, loans to property developers, operator models, real estate leasing and private mortgage finance for the construction of properties with more than ten residential units.

Exposure values for IRBA specialized lending	Dec. 31, 2014 €m
Risk weight 1 (strong)	1,380
Risk weight 2 (good)	61
Risk weight 3 (satisfactory)	41
Risk weight 4 (weak)	40
Risk weight 5 (defaulted)	103
Total	**1,625**

The following table shows the exposure values for equity exposures calculated using the simple risk weight approach in accordance with Article 155(2) of the CRR. In addition to these equity exposure values, Postbank has further exposures amounting to €9 million in relation to equity exposures that have been assigned a regulatory risk weight of 250 % in accordance with Article 48 of the CRR.

Exposure values for IRBA equity exposures in accordance with simple risk weight approach	Dec. 31, 2014 €m
Private equity exposures in sufficiently diversified portfolios (risk weight 190 %)	–
Exchange-traded equity exposures (risk weight 290 %)	–
Other equity exposures (risk weight 370 %)	412
Total	**412**

Information on credit risk mitigation techniques

The following two tables present the collateralized IRBA and CRSA exposure amounts. The relevant qualitative information in accordance with Article 453 of the CRR is contained in the "Collateral management and credit risk mitigation techniques" section of the chapter entitled "Monitoring and managing credit risk" found in the Risk Report.

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Collateralized exposure values in the internal rating approaches					
Exposure classes	Total risk exposure	Financial collateral	Guarantees, indemnities, and credit derivatives	Other collateral	Total collateralized risk exposure
	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m
IRBA governments and central banks	17	–	–	–	–
IRBA institutions	11,963	–	–	–	–
IRBA corporates	20,848	–	610	–	610
IRBA retail exposures	75,917	–	14	64,702	64,716
IRBA equity exposures	421	–	–	–	–
IRBA securitization positions	1,772	–	156	–	156
Total	**110,938**	**–**	**780**	**64,702**	**65,482**

Financial collateral and, to a limited extent, guarantees, indemnities and credit derivatives can be counted toward the Credit Risk Standardized Approach. The following table does not include any collateral in the form of real estate liens since exposures secured by real estate are assigned a preferential risk weighting under the Standardized Approach.

Collateralized exposure values in the credit risk standardized approach				
Exposure classes	Total risk exposure	Financial collateral	Guarantees, indemnities, and credit derivatives	Total collateralized risk exposure
	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m
CRSA governments and central banks	11,307	–	–	–
CRSA regional governments and local authorities	8,030	–	–	–
CRSA other public-sector entities	2,382	–	–	–
CRSA multilateral development banks	881	–	–	–
CRSA international organizations	1,298	–	–	–
CRSA institutions	2,877	750	–	750
CRSA corporates	906	–	6	6
CRSA retail exposures	2,305	–	–	–
CRSA exposures secured by real estate property	2,664	–	–	–
CRSA in default exposures	284	–	–	–
CRSA covered bonds	20	–	–	–
CRSA securitization positions	790	–	68	68
CRSA UCITS	1,619	–	–	–
CRSA equity exposures	227	–	–	–
CRSA other items	–	–	–	–
Total	**35,590**	**750**	**74**	**824**

Information on the allowance for losses on loans and advances

The figures for the allowance for losses on loans and advances shown in the following tables relate to the entire Postbank Group portfolio; in other words, they cover the portfolios subject both to the IRB approaches and to the CRSA. The relevant qualitative information in accordance with Article 442(a) and (b) of the CRR is contained in the "Past due and impaired exposures" and "Allowance for losses on loans and advances" sections of the chapter of the Group management report entitled "Monitoring and managing credit risk."

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The recognized allowance for losses on loans and advances relates to loans and advances to customers and to other banks. Gains and losses on the sale and remeasurement of investment securities, equity interests, and investments in unconsolidated subsidiaries are not reported below but in net income from investment securities (see Note 11 of the Notes to the Consolidated Financial Statements).

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The following table shows the carrying amounts of impaired and past due exposures, the amounts of and changes in specific valuation allowances, portfolio-based valuation allowances, and provisions as of the reporting date, as well as direct writedowns of and recoveries on loans written off in 2014, broken down in each case by the sectors of relevance to Postbank. The net amounts recognized represent the difference between additions to and reversals of the allowances for losses and provisions. The provisions relate primarily to undrawn commitments and guarantees.

Overall, the presentation of the allowance for losses on loans and advances – broken down by the significant sectors and obligor groups for Postbank – reflects Postbank's focus on the retail business. The carrying amounts of impaired exposures also include exposures to customers that have been classified as impaired due to cross default clauses.

Allowance for losses on loans and advances, broken down by sector and obligor group

Exposure classes		Retail customers	Banks/ insurers/ financial services providers	Govern-ments	Commer-cial real estate finance	Service providers/ wholesale and retail	Industry	Other sectors	Total
		Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m
Exposures	Impaired exposures	2,105	47	9	353	90	117	64	2,785
	Past due exposures	143	–	–	6	2	3	–	154
Portfolios	Specific valuation allowances	948	–	–	137	31	73	19	1,208
	Portfolio-based valuation allowances	131	–	–	10	–	9	3	153
	Provisions	27	–	–	–	–	15	–	43
Period expense	Specific valuation allowances	239	(1)	–	39	3	3	(1)	282
	Portfolio-based valuation allowances	4	–	–	(10)	–	(3)	–	(9)
	Provisions	(13)	–	–	–	–	6	–	(8)

Similarly, the following overview gives a breakdown of the allowance for losses on loans and advances by the geographic regions/areas of relevance to Postbank. In line with the CRR, no changes in the allowance for losses on loans and advances are shown in this table. The distribution of the allowance for losses on loans and advances corresponds to the distribution of the exposure amounts in the underlying loan portfolios.

Allowance for losses on loans and advances, broken down by geographic region

		Germany	Western Europe	Other regions	Total
		Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m
Exposures	Impaired exposures	2,375	384	26	2,785
	Past due exposures	140	8	7	155
Portfolios	Specific valuation allowances	1,084	117	7	1,208
	Portfolio-based valuation allowances	148	5	–	153
	Provisions	43	–	–	43

130 For information on changes in the allowance for losses on loans and advances in the course of the reporting period and the disclosures in accordance with Article 442i) of the CRR, please see Note 21 of the Notes to the Consolidated Financial Statements.

Composition and reconciliation of Postbank's capital

Postbank's capital is calculated on the basis of its IFRS consolidated financial statements and in accordance with the requirements of the CRR and SolvV. This section deals with the capital adequacy of the banking group as consolidated for the purposes of bank supervisory reporting in accordance with Article 11 ff. of the CRR and/or the KWG and serves to disclose the elements of own funds during the transitional period in accordance with Article 492(3) of the CRR and/or Article 437(1)d) and e) and to reconcile the own funds items with the balance sheet items in accordance with Article 437(1)a) of the CRR.

The following table first shows the figures given in the IFRS consolidated balance sheet, which reflect the scope of consolidation for accounting purposes, and, second, the figures disclosed in the "regulatory balance sheet," which reflect the regulatory scope of consolidation. In contrast to the IFRS consolidated balance sheet, the regulatory balance sheet does not include the following subsidiaries: Postbank Finanzberatung AG, Postbank Versicherungsvermittlung GmbH, and Postbank Immobilien GmbH. The delta column shows the difference between the figures in the IFRS consolidated balance sheet and the figures in the regulatory balance sheet. The references in the last column point to the tables that follow, which present the composition of Postbank's own funds. These references are explained at the end of this section below the table "Transitional own funds disclosure and balance sheet references" in order to reconcile the balance sheet items used to calculate the own funds to the regulatory own fund items.

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Presentation of the balance sheet by financial reporting consolidation and regulatory scope of consolidation				
	IFRS balance sheet	Regulatory balance sheet	Delta	Reference
	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m	
Assets				
Cash reserve	1,230	1,230	0	
Loans and advances to other banks	19,659	19,659	0	
Loans and advances to customers	97,972	97,965	–7	
Allowance for losses on loans and advances	–1,361	–1,361	0	
Trading assets	697	697	0	
Hedging derivatives	119	119	0	
Investment securities	33,477	33,685	208	
Intangible assets	1,952	1,523	–429	g
Goodwill	1,581	1,152	–429	
Other intangible assets	371	371	0	
Property and equipment	683	681	–2	
Current tax assets	148	147	–1	
Deferred tax assets	48	37	–12	
Other assets	823	817	–6	
Assets held for sale	0	0	0	
Total assets	**155,447**	**155,198**	**–250**	
Equity and liabilities				
Deposits from other banks	17,583	17,583	0	
Due to customers	119,295	119,370	75	
Debt securities in issue	4,571	4,571	0	
Trading liabilities	767	767	0	
Hedging derivatives	298	299	1	
Provisions	1,952	1,913	–39	
Current tax liabilities	104	103	–1	
Deferred tax liabilities	51	44	–7	
Other liabilities	526	483	–43	
Subordinated debt	3,699	3,699	0	h
thereof: Contributions by typical silent partners	20	20	0	i
Liabilities directly related to assets held for sale	0	0	0	
Equity	6,601	6,366	–234	f
a) Issued capital	547	547	0	a
b) Share premium	2,010	2,010	0	b
c) Other reserves	3,761	3,522	–239	
Retained earnings	3,904	3,641	–262	c
AOCI	–143	–120	23	d
d) Consolidated net profit	278	283	5	e
Non-controlling interests	5	5	0	
Total equity and liabilities	**155,447**	**155,198**	**–250**	

Regulatory capital is broken down into three categories: Common Equity Tier 1 capital, Additional Tier 1 capital, and Tier 2 capital. In accordance with the transitional provisions of the CRR, capital instruments that are no longer permitted to be recognized are being successively phased out and the new prudential adjustments successively phased in.

The following tables provide information in accordance with Article 492(3) of the CRR and/or Article 437(1)d) and e) about the Common Equity Tier 1 capital, the Additional Tier 1 capital, and the Tier 2 capital, as well as about the prudential filters, deductions, and restrictions. The table is based on the "Transitional Own Funds Disclosure Template" contained in Annex VI of Implementing Regulation No. 1423/2013 laying down implementing technical standards with regard to disclosure of own funds requirements for institutions in accordance with the CRR (CRR IR).

The "Amount of own funds position" column contains the amount used as the basis for calculating Postbank's own funds as of December 31, 2014. The "CRR reference" column lists the applicable provisions of the CRR. The next column gives the residual amounts deducted under the transitional provisions by other categories of capital, or not deducted at all, along with amounts that will not be deducted following full phase-in. The last column contains references to the balance sheet items used to calculate the own funds.

Transitional own funds disclosure and balance sheet references					
No.	Own funds position in CRR Impl. Reg. Annex VI	Amount of own funds position	CRR reference	Amount before CRR/ residual amount[1]	Refe-rence
		Dec. 31, 2014 €m		Dec. 31, 2014 €m	
Common Equity Tier 1 (CET1): instruments and reserves					
1	Capital instruments and related share premium accounts	2,557	26(1), 27, 28, 29		a+b
	thereof: Issued capital[2]	547			a
	thereof: Share premium[2]	2,010			b
2	Retained earnings	3,620	26 (1) (c)		c
3	Accumulated other comprehensive income (and other reserves, to include unrealized gains and losses under the applicable accounting standards)	–120	26 (1)		d
3a	Funds for general banking risk	–	26 (1) (f)		
4	Amount of qualifying items referred to in Article 484(3) of the CRR and the related share premium accounts subject to phase out from CET1	–	486 (2)		
	Public-sector capital injections grandfathered until January 1, 2018	–	483 (2)		
5	Minority interests (amount allowed in consolidated CET1)	–	84, 479, 480	–	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	283	26 (2)		e
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**6,340**			f
Common Equity Tier 1 (CET1): regulatory adjustments					
7	Additional value adjustments (negative amount)	–20	34, 105		
8	Intangible assets (net of related tax liability) (negative amount)	–291	36 (1) (b), 37, 472 (4)	–1,165	g
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38(3) are met) (negative amount)	–1	36 (1) (c), 38, 472 (5)	–4	
11	Fair value reserves related to gains or losses on cash flow hedges	–	33 (a)		
12	Negative amounts resulting from the calculation of expected loss amounts	–52	36 (1) (d), 40, 159, 472 (6)	–208	
13	Any increase in equity that results from securitized assets (negative amount)	–	32 (1)		
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing[3]	–	33 (b)	–2	
15	Defined benefit pension fund assets (negative amount)	–	36 (1) (e), 41, 472 (7)	–	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–	36 (1) (f), 42, 472 (8)	–	
17	Holdings of the CET1 instruments of financial-sector entities where those entities have a reciprocal cross-holding with the institution that has been designed to inflate artificially the own funds of the institution (negative amount)	–	36 (1) (g), 44, 472 (9)	–	
18	Direct and indirect holdings by the institution of the CET1 instruments of financial-sector entities where the institution does not have a significant investment in those entities (amount above the 10 % threshold and net of eligible short positions) (negative amount)	–	36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	–	
19	Direct, indirect, and synthetic holdings by the institution of the CET1 instruments of financial-sector entities where the institution has a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	–	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) bis (3), 79, 470, 472 (11)	–	
20a	Exposure amount of the following items which qualify for a RW of 1,250 %, where the institution opts for the deduction alternative	–	36 (1) (k)		
20b	thereof: qualifying holdings outside the financial sector (negative amount)	–	36 (1) (k) (i), 89 bis 91		
20c	thereof: securitization positions (negative amount)	–	36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258		
20d	thereof: free deliveries (negative amount)	–	36 (1) (k) (iii), 379 (3)		
21	Deferred tax assets arising from temporary differences (amount above 10 % threshold, net of related tax liability, where the conditions in 38(3) are met) (negative amount)	–	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	–	
22	Amount exceeding the 15 % threshold (negative amount)	–	48 (1)	–	
23	thereof: direct and indirect holdings by the institution of the CET1 instruments of financial-sector entities where the institution has a significant investment in those entities	–	36 (1) (i), 48 (1) (b), 470, 472 (11)	–	

[1]This column is used to report the residual amounts that were deducted from other categories of capital or not deducted at all on the basis of the transitional provision, and amounts that are subject to phase out.

[2]EBA list in accordance with Article 26(3)

[3]Also includes fair value gains and losses arising from Postbank's own credit risk related to derivative liabilities in accordance with Article 33c of the CCR

Transitional own funds disclosure and balance sheet references					
No.	Own funds position in CRR Impl. Reg. Annex VI	Amount of own funds position	CRR reference	Amount before CRR/ residual amount[1]	Reference
		Dec. 31, 2014 €m		Dec. 31, 2014 €m	
Common Equity Tier 1 (CET1): regulatory adjustments					
25	thereof: deferred tax assets arising from temporary differences	–	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	–	
25a	Losses for the current financial year (negative amount)	–	36 (1) (a), 472 (3)	–	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	–	36 (1) (l)		
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	89			
26a	Regulatory adjustments relating to unrealized gains and losses pursuant to Articles 467 and 468	89			
	thereof: filter for unrealized loss on equity and debt instruments	121	467		
	thereof: filter for unrealized gains on equity and debt instruments	–32	468		
26b	Amounted to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre-CRR	–	481		
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	–1,253	36 (1) (j)		
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**–1,528**			
29	**Common Equity Tier 1 (CET1) capital**	**4,812**			
Additional Tier 1 capital (AT1): instruments					
30	Capital instruments and related share premium accounts	–	51, 52		
31	thereof: classified as equity under applicable accounting standards	–			
32	thereof: classified as liabilities under applicable accounting standards	–			
33	Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from AT1	16	486 (3)		i
	Public-sector capital injections grandfathered until January 1, 2018	–	483 (3)		
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	–	85, 86, 480		
35	thereof: instruments issued by subsidiaries subject to phase out	–	486 (3)		
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**16**			
Additional Tier 1 capital (AT1): regulatory adjustments					
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	–	52 (1) (b), 56 (a), 57, 475 (2)		
38	Holdings of the AT1 instruments of financial-sector entities where those entities have reciprocal cross-holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	–	56 (b), 58, 475 (3)		
39	Direct and indirect holdings of the AT1 instruments of financial-sector entities where the institution does not have a significant investment in those entities (amount above the 10 % threshold and net of eligible short positions) (negative amount)	–	56 (c), 59, 60, 79, 475 (4)		
40	Direct and indirect holdings by the institution of the AT1 instruments of financial-sector entities where the institution has a significant investment in those entities (amount above the 10 % threshold net of eligible short positions) (negative amount)	–	56 (d), 59, 79, 475 (4)		
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No. 575/2013 (i.e., CRR residual amounts)	–1,269			
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No. 575/2013	–1,269	472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)		
	thereof: intangible assets	–1,165			
	thereof: negative amounts resulting from the calculation of expected loss amounts	–104			
	thereof: own instruments	–			
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to Article 475 of Regulation (EU) No. 575/2013	–	477, 477 (3), 477 (4) (a)		
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	–	467, 468, 481		

[1]This column is used to report the residual amounts that were deducted from other categories of capital or not deducted at all on the basis of the transitional provision, and amounts that are subject to phase out.

Transitional own funds disclosure and balance sheet references					
No.	Own funds position in CRR Impl. Reg. Annex VI	Amount of own funds position	CRR reference	Amount before CRR/ residual amount[1]	Refe-rence
		Dec. 31, 2014 €m		Dec. 31, 2014 €m	
Additional Tier 1 capital (AT1): regulatory adjustments					
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	–	56 (e)		
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**–1,269**			
44	**Additional Tier 1 (AT1) capital**	**–**			
45	**Tier 1 capital (T1 = CET1 + AT1)**	**4,812**			
Tier 2 (T2) capital: instruments and reserves					
46	Capital instruments and the related share premium accounts	2,589	62, 63		h
47	Amount of qualifying items referred to in Article 484(5) and the related share premium accounts subject to phase out from T2	3	486 (4)		h, i
	Public-sector capital injections grandfathered until January 1, 2018		483 (4)		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 and 34) issued by subsidiaries and held by third parties	85	87, 88, 480	–33	h
49	thereof: instruments issued by subsidiaries subject to phase out	–	486 (4)		
50	Credit risk adjustments	–	62 (c) and (d)		
51	**Tier 2 capital (T2) before regulatory adjustments**	**2,677**			
Tier 2 (T2) capital: regulatory adjustments					
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	–	63 (b) (i), 66 (a), 67, 477 (2)		
53	Holdings of the T2 instruments and subordinated loans of financial-sector entities where those entities have reciprocal cross-holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	–	66 (b), 68, 477 (3)		
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial-sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	–	66 (c), 69, 70, 79, 477 (4)		
54a	thereof: new holdings not subject to any transitional arrangements	–			
54b	thereof: holdings existing before January 1, 2013, and subject to transitional arrangements	–			
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial-sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	–	66 (d), 69, 79, 477 (4)		
56	Regulatory adjustments applied to Tier 2 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No. 575/2013 (i.e., CRR residual amounts)	–104			
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No. 575/2013	–104	472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)		
	thereof: negative amounts resulting from the calculation of expected loss amounts	–104			
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to Article 475 of Regulation (EU) No. 575/2013	–	475, 475 (2) (a), 475 (3), 475 (4) (a)		
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	–	467, 468, 481		
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**–104**			
58	**Tier 2 (T2) capital**	**2,573**			
59	**Total capital (TC = T1 + T2)**	**7,385**			
Risk-weighted assets					
59a	Risk-weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No. 575/2013 (i.e., CRR residual amounts)	161			
	thereof: deferred tax assets that rely on future profitability, resulting from temporary differences	161	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)		
	thereof: Common Equity Tier 1 instruments of relevant entities where the institution has a significant investment in those entities	–	475, 475 (2) (b), 475 (2) (c), 475 (4) (b)		
60	**Total risk-weighted assets**	**43,651**			

[1]This column is used to report the residual amounts that were deducted from other categories of capital or not deducted at all on the basis of the transitional provision, and amounts that are subject to phase out.

Transitional own funds disclosure and balance sheet references					
No.	Own funds position in CRR Impl. Reg. Annex VI	Amount of own funds position	CRR reference	Amount before CRR/ residual amount[1]	Refe-rence
		Dec. 31, 2014 €m		Dec. 31, 2014 €m	
Capital ratios and buffers					
61	Common Equity Tier 1 capital ratio (as a percentage of risk exposure amount)	11.02 %	92 (2) (a), 465		
62	Tier 1 capital ratio (as a percentage of risk exposure amount)	11.02 %	92 (2) (b), 465		
63	Total capital ratio (as a percentage of risk exposure amount)	16.92 %	92 (2) (c)		
64	Institution-specific buffer requirement (CET1 requirement in accordance with Article 92(1)(a), plus capital conservation and counter-cyclical buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount))	4.00 %	CRD 128, 129, 130		
65	thereof: capital conservation buffer requirement	–			
66	thereof: counter-cyclical buffer requirement	–			
67	thereof: systemic risk buffer requirement	–			
67a	thereof: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	–	CRD 131		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	5.52 %	CRD 128		
Deductions from Common Equity Tier 1 capital					
72	Direct and indirect holdings by the institution of the capital instruments of financial-sector entities where the institution does not have a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	23	36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)		
73	Direct and indirect holdings by the institution of the CET1 instruments of financial-sector entities where the institution has a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	–	36 (1) (i), 45, 48, 470, 472 (11)		
75	Deferred tax assets that rely on future profitability, resulting from temporary differences (amount below 10 % threshold, net of related tax liability, where the conditions in Article 38(3) are met)	64	36 (1) (c), 38, 48, 470, 472 (5)		
Applicable caps on the inclusion of provisions in Tier 2					
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)	–	62		
77	Cap on inclusion of credit risk adjustments in T2 under standardized approach	61	62		
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	–	62		
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	201	62		
Equity instruments to which the transitional provisions apply (only applicable from January 1, 2013, to January 1, 2022)					
80	Current cap on CET1 instruments subject to phase out arrangements	–	484 (3), 486 (2) and (5)		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	–	484 (3), 486 (2) and (5)		
82	Current cap on AT1 instruments subject to phase out arrangements	16	484 (4), 486 (3) and (5)		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	4	484 (4), 486 (3) and (5)		
84	Current cap on T2 instruments subject to phase out arrangements	3	484 (5), 486 (4) and (5)		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	1	484 (5), 486 (4) and (5)		

[1]This column is used to report the residual amounts that were deducted from other categories of capital or not deducted at all on the basis of the transitional provisions, and amounts that are subject to phase out.

Common Equity Tier 1 capital (row 29) primarily consists of Postbank's issued capital and the share premium (row 1), the retained earnings (row 2), changes in other comprehensive income (row 3), and consolidated net profit (row 5a), and takes into account the prudential adjustments listed in rows 7 to 27.

Additional Tier 1 capital comprises contributions by typical silent partners, which will cease to qualify as Additional Tier 1 capital in accordance with Article 486(3) of the CRR on December 31, 2021 (row 33). Since the prudential adjustments to Additional Tier 1 capital (row 43) exceed the Additional Tier 1 capital instruments (row 36), Postbank does not disclose any Additional Tier 1 capital after prudential adjustments (row 44). The amount in excess of the Additional Tier 1 capital that must be deducted from the Additional Tier 1 capital items (row 27) is accounted for in the prudential adjustments to Common Equity Tier 1 capital.

The Tier 2 capital (row 58) primarily comprises profit participation rights outstanding and subordinated liabilities (row 46). In addition, contributions by typical silent partners that will no longer qualify as Tier 2 capital in accordance with Article 486(4) of the CRR after December 31, 2021 (row 47), capital instruments qualifying as Tier 2 capital that were issued by Postbank's subsidiary BHW Bausparkasse AG and are held by third parties (row 48), and the prudential adjustments listed in rows 52 to 56c count as Tier 2 capital. The prudential adjustments as of the 2014 year-end consisted solely of deductions resulting from the transitional provisions (row 56).

The following additional explanations relate to the individual references:

- (a+b): The Common Equity Tier 1 capital instruments and the related premium in the amount of €2,557 million correspond to the issued capital in the amount of €547 million plus the share premium in the amount of €2,010 million.

- (c): The difference of €–21 million between the retained earnings in the amount of €3,620 million and the retained earnings in the amount of €3,641 million is due to the requirement to deduct the fund for home loans and savings protection (technical security reserve).

- (d) Accumulated other comprehensive income corresponds to the figure of €–120 million reported in the balance sheet.

- (e) The interim profits correspond to the consolidated net profit in the amount of €283 million.

- (f) The difference of €–26 million between the capital reported in the regulatory balance sheet in the amount of €6,366 million and Common Equity Tier 1 capital before prudential adjustments in the amount of €6,340 million comprises the deduction of the technical security reserve (€–21 million) and the non-eligibility of the non-controlling interests (€–5 million).

- (g) The €–67 million difference in the presentation of intangible assets between the amount of €1,523 million shown in the regulatory balance sheet and the amount of €1,456 million given in the overview of capital is due to the deduction of deferred tax liabilities.

- (h) A total of €2,677 million of the €3,699 million of subordinated debt on the balance sheet qualifies as regulatory Tier 2 capital.

- (i) The transitional provisions permit €16 million of the balance sheet contributions by typical silent partners in the total amount of €20 million to be counted toward Additional Tier 1 capital (see row 33) and €3 million to be counted toward Tier 2 capital (see reference (h) and row 47).

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The Tier 2 capital in the amount of €2,677 million that qualifies for regulatory purposes comprises the following items:

- €2,589 million of the qualifying Tier 2 capital instruments of Deutsche Postbank AG (amortization in the last five years of their duration) (see row 46)

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- €3 million of the contributions by typical silent partners of Deutsche Postbank AG qualifying as Tier 2 capital under the transitional provisions (see reference (i) and row 47)

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- €85 million of the instruments issued by BHW Bausparkasse AG allocated to Tier 2 capital (see row 48).

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Capital profiles and agreements and prospectuses for capital instruments issued

In accordance with Article 437(1) b) and c) of the CRR, institutions required to apply the CRR must disclose a description of the main features and full terms and conditions of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments. Postbank complies with this obligation by publishing this information on its website. The information provided is updated every quarter. It can be accessed via the following link: https://www.postbank.com/postbank/en/ir_capital_instruments_prospectuses.html

Capital requirements

The following table provides an overview of Postbank's capital backing, calculated with reference to the regulatory bases of assessment, broken down by the type of risk and approach. The capital backing, taking into account the transitional provisions in the CRR and the SolvV applicable for 2014, represents the total exposures required to be included, multiplied by 8 % in each case. Total capital backing as of December 31, 2014, amounted to €3,492 million.

Capital backing by type of risk and approach	
	Dec. 31, 2014 €m
Total credit risk exposure, calculated using the Standardized Approach[1]	
Governments and central banks	–
Regional governments and local authorities	0
Public-sector entities	5
Multilateral development banks	–
International organizations	–
Institutions	16
Corporates	74
Retail exposures	138
Exposures secured by real estate property	76
Exposures in default	26
Covered bonds	0
UCITS	9
Total Standardized Approach	**344**
Total credit risk exposure, calculated on the basis of internal ratings[1]	
Basic IRB Approach	
Governments and central banks	2
Institutions	98
Corporates	315
Total Basic IRB Approach	**415**
Advanced IRB Approach	
Governments and central banks	–
Institutions	110
Corporates	509
Retail exposures to SMEs, secured by real estate property	1
Retail exposures, other than to SMEs, secured by real estate property	982
Qualifying revolving retail exposures	7
Other retail exposures to SMEs	6
Other retail exposures, other than to SMEs	326
Total Advanced IRB Approach	**1,941**
Other non-credit obligation assets	**162**
Total IRB Approaches	**2,518**
Total risk exposure for securitization positions	
Securitization positions (IRBA)	34
Securitization positions (Standardized Approach)	31
Total risks from securitization positions	**65**
Total risk exposure for equity exposures	
Equity exposures – retention of existing calculation/grandfathering	18
Equity exposures (simple risk weight approach under the IRBA)	122
Exchange-traded	–
Private equity exposures in sufficiently diversified portfolios	–
Other equity exposures	122
Equity exposures with regulatory risk weighting in accordance with Article 48 of the CRR	2
Total risks from equity exposures	**142**
Other total risk exposure amounts	
Exchange-traded debt instruments (calculated using the Standardized Approach)	–
Foreign exchange positions (calculated using the Standardized Approach)	7
Other market risk exposures (calculated using the Standardized Approach)	–
Total risk exposure amount for operational risk (calculated using Advanced Measurement Approaches)	373
Total risk exposure amount due to credit valuation adjustments (CVAs, calculated using the Standardized Approach)	43
Exposure amount for default fund contributions to central counterparties (CCPs)	0
Other total risk exposure amounts	–
Total	**3,492**

[1]excluding securitization positions, equity exposures, and CCP default funds

CONSOLIDATED FINANCIAL STATEMENTS: QUARTERLY AND MULTI-YEAR OVERVIEWS

CONSOLIDATED INCOME STATEMENT – QUARTERLY OVERVIEW

	2014[1]				2013[1]				2014[1]	2013[1]
	Q4 €m	Q3 €m	Q2 €m	Q1 €m	Q4 €m	Q3 €m	Q2 €m	Q1 €m	Jan.–Dec. €m	Jan.–Dec. €m
Interest income	1,144	1,166	1,210	1,215	1,253	1,292	1,297	1,316	4,735	5,158
Interest expense	–517	–535	–579	–596	–655	–662	–648	–730	–2,227	–2,695
Net interest income	627	631	631	619	598	630	649	586	2,508	2,463
Allowance for losses on loans and advances	–73	–72	–68	–52	–89	–93	–53	–84	–265	–319
Net interest income after allowance for losses on loans and advances	554	559	563	567	509	537	596	502	2,243	2,144
Fee and commission income	299	289	295	329	335	357	339	345	1,212	1,376
Fee and commission expense	–71	–65	–60	–63	–57	–72	–62	–65	–259	–256
Net fee and commission income	228	224	235	266	278	285	277	280	953	1,120
Net trading income	1	3	–7	–3	–15	–18	–23	3	–6	–53
Net income from investment securities	–10	18	392	15	–1	24	40	211	415	274
Administrative expenses	–743	–668	–639	–704	–792	–728	–742	–915	–2,754	–3,177
Other income	146	105	91	22	46	29	33	21	364	129
Other expenses	–339	–159	–237	–23	–48	–30	–24	–17	–758	–119
Profit/loss before tax	**–163**	**82**	**398**	**140**	**–23**	**99**	**157**	**85**	**457**	**318**
Income tax	10	–6	–155	–27	–4	3	33	–19	–178	13
Profit/loss from ordinary activities after tax	**–153**	**76**	**243**	**113**	**–27**	**102**	**190**	**66**	**279**	**331**
Non-controlling interests	0	0	–1	0	–1	0	0	0	–1	–1
Consolidated net profit/loss	**–153**	**76**	**242**	**113**	**-28**	**102**	**190**	**66**	**278**	**330**

[1]Including the discontinued operation

CONDENSED STATEMENT OF COMPREHENSIVE INCOME – QUARTERLY OVERVIEW

	2014				2013				2014	2013
	Q4 €m	Q3 €m	Q2 €m	Q1 €m	Q4 €m	Q3 €m	Q2 €m	Q1 €m	Jan.–Dec. €m	Jan.–Dec. €m
Profit/loss from ordinary activities after tax	–152	75	243	113	–27	102	190	66	279	331
Other comprehensive income after tax	99	63	31	8	16	6	–69	98	201	51
Items that will not be reclassified to profit or loss	11	–30	–38	–64	45	–12	–8	–61	–121	–36
Remeasurement gains/losses (–) on defined benefit plans	11	–30	–38	–64	45	–12	–8	–61	–121	–36
Income tax on items not reclassified to profit or loss	13	0	–6	1	3	0	–9	4	8	–2
Items that will be/ may be reclassified to profit or loss, before tax	77	95	75	71	–39	18	–51	163	318	91
Change in revaluation reserve	77	95	75	71	–39	18	–51	25	318	–47
Unrealized gains/losses (–) for the period, before tax	72	96	70	73	–34	38	–60	31	311	–25
Gains (–)/losses reclassified to profit or loss, before tax	5	–1	5	–2	–5	–20	9	–6	7	–22
Change in currency translation reserve	0	0	0	0	0	0	0	138	0	138
Unrealized gains/losses (–) for the period, before tax	0	0	0	0	0	0	0	0	0	0
Gains (–)/losses reclassified to profit or loss, before tax	0	0	0	0	0	0	0	138	0	138
Income tax on items that will be/may be reclassified to profit or loss	–2	–2	0	0	7	0	–1	–8	–4	–2
Total comprehensive income for the period attributable to non-controlling interests	0	0	–1	0	–1	0	0	0	–1	–1
Total comprehensive income	**–53**	**138**	**273**	**121**	**–12**	**108**	**121**	**164**	**479**	**381**

CONSOLIDATED INCOME STATEMENT – MULTI-YEAR OVERVIEW

	2010 €m	2011 €m	2012 €m	2013[1] €m	2014[1] €m
Interest income	6,978	6,900	6,100	5,158	4,735
Interest expense	–4,247	–3,990	–3,397	–2,695	–2,227
Net interest income	2,731	2,910	2,703	2,463	2,508
Allowance for losses on loans and advances	–561	–383	–384	–319	–265
Net interest income after allowance for losses on loans and advances	2,170	2,527	2,319	2,144	2,243
Fee and commission income	1,586	1,502	1,423	1,376	1,212
Fee and commission expense	–270	–250	–269	–256	–259
Net fee and commission income	1,316	1,252	1,154	1,120	953
Net trading income	–241	64	–103	–53	–6
Net income from investment securities	–1	–554	–15	274	415
Administrative expenses	–2,934	–3,204	–2,991	–3,177	–2.754
Other income	175	107	148	129	364
Other expenses	–170	–114	–118	–119	–758
Profit/loss before tax	315	78	394	318	457
Income tax	–176	34	–106	13	–178
Profit/loss from ordinary activities after tax	139	112	288	331	279
Non-controlling interests	–1	–1	–1	–1	–1
Consolidated net profit	**138**	**111**	**287**	**330**	**278**
Cost/income ratio (CIR)	77.1 %	87.3 %	80.0 %	83.8 %	83.0 %
Return on equity (RoE)					
before tax	5.7 %	1.4 %	6.8 %[2]	5.5 %[2]	7.2 %
after tax	2.5 %	2.0 %	4.8 %	5.7 %[2]	4.4 %

[1]Including discontinued operation
[2]Figures adjusted

CONSOLIDATED BALANCE SHEET – MULTI-YEAR OVERVIEW

Assets	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2013[1] €m	Dec. 31, 2014 €m
Cash reserve	3,248	3,652	2,054	1,739	1,230
Loans and advances to other banks	12,140	20,322	27,646	20,153	19,659
Loans and advances to customers	111,783	110,743	106,266	101,313	97,972
Allowance for losses on loans and advances	–1,764	–1,826	–1,745	–1,478	–1,361
Trading assets	24,150	6,892	5,135	1,824	697
Hedging derivatives	664	1,277	565	113	119
Investment securities	58,980	46,480	37,027	34,015	33,477
Intangible assets	2,339	2,274	2,248	2,028	1,952
Property and equipment	826	791	768	698	683
Investment property	73	73	0	0	0
Current tax assets	321	206	113	115	148
Deferred tax assets	347	404	127	92	48
Other assets	695	647	719	728	823
Assets held for sale	882	–	7,039	157	–
Total assets	**214,684**	**191,935**	**187,962**	**161,497**	**155,447**

Equity and Liabilities	Dec. 31, 2010 €m	Dec. 31, 2011 €m	Dec. 31, 2012 €m	Dec. 31, 2013[1] €m	Dec. 31, 2014 €m
Deposits from other banks	22,419	20,050	17,334	18,282	17,583
Due to customers	136,476	134,127	131,732	120,398	119,295
Debt securities in issue	12,860	12,727	9,436	7,342	4,571
Trading liabilities	26,174	8,591	5,953	1,681	767
Hedging derivatives	1,451	1,817	1,002	460	298
Provisions	2,287	2,557	2,974	1,664	1,952
a) Provisions for pensions and other employee benefits	1,126	1,161	1,530	93	155
b) Other provisions	1,161	1,396	1,444	1,571	1,797
Current tax liabilities	77	129	115	80	104
Deferred tax liabilities	284	153	137	84	51
Other liabilities	665	689	721	833	526
Subordinated debt	5,577	5,438	3,196	4,358	3,699
Liabilities directly related to assets held for sale	787	–	9,382	168	–
Equity	5,627	5,657	5,980	6,147	6,601
a) Issued capital	547	547	547	547	547
b) Share premium	2,010	2,010	2,010	2,010	2,010
c) Retained earnings	2,928	2,985	3,132	3,255	3,761
d) Consolidated net profit	138	111	287	330	278
Non-controlling interests	4	4	4	5	5
Total equity and liabilities	**214,684**	**191,935**	**187,962**	**161,497**	**155,447**

[1]Figures adjusted (see Note 6)

SEGMENT REPORTING – MULTI-YEAR OVERVIEW

	Retail Banking					Corporate Banking					Transaction Banking		
	2010 €m	2011 €m	2012 €m	2013[1] €m	2014 €m	2010 €m	2011 €m	2012 €m	2013[1] €m	2014 €m	2010 €m	2011 €m	2012 €m
Net interest income	2,341	2,428	2,461	2,485	2,588	624	442	390	302	277	2	2	1
Net trading income	15	–9	–29	17	–10	0	–	0	–2	1	–	–	0
Net income from investment securities	–5	–1	0	0	0	–14	0	–3	0	–10	–	–	0
Net fee and commission income	1,080	1,032	974	908	879	123	93	89	90	83	363	327	294
Total income	**3,431**	**3,450**	**3,406**	**3,410**	**3,457**	**733**	**535**	**476**	**390**	**351**	**365**	**329**	**295**
Administrative expenses	–2,178	–2,204	–1,773	–1,980	–1.707	–151	–129	–97	–95	–79	–318	–295	–277
Allowance for losses on loans and advances	–355	–291	–242	–210	–221	–209	–68	–48	–38	–37	–	–	0
Other income	60	39	32	31	4	17	7	8	9	16	28	18	11
Other expenses	–50	–25	–23	–31	–222	–8	4	0	0	–1	–8	–4	0
Allocations	–	–	–700	–516	–783	–	–	–91	–92	–99	–	–	–6
Profit/loss before tax	**908**	**969**	**700**	**704**	**528**	**382**	**349**	**248**	**174**	**151**	**67**	**48**	**23**
Cost/income ratio (CIR)	**63.5 %**	**63.9 %**	**72.6 %**	**75.1 %**	**79.8 %**	**20.6 %**	**24.1%**	**39.5%**	**49.8 %**	**51.2 %**	**87.1 %**	**89.7 %**	**95.9 %**
Return on equity before taxes (RoE)	**57.9 %**	**41.1 %**	**28.3 %**	**28.3 %**	**19.5 %**	**115.2 %**	**51.9 %**	**35.1 %**	**27.1 %**	**24.7 %**	**–**	**–**	**–**

[1]Figures adjusted (see Note 40)

	Financial Markets					NCOU				Cost Centers/ Consolidation					Group				
	2010 €m	2011 €m	2012 €m	2013[1] €m	2014 €m	2011 €m	2012 €m	2013[1] €m	2014 €m	2010 €m	2011 €m	2012 €m	2013[1] €m	2014 €m	2010 €m	2011 €m	2012 €m	2013[1] €m	2014 €m
Net interest income	–228	92	–44	115	47	–59	–109	–416	–404	–8	5	4	–23	0	2,731	2,910	2,703	2,463	2,508
Net trading income	–255	17	–4	–52	3	62	–66	–15	0	–1	–6	–4	–1	0	–241	64	–103	–53	–6
Net income from investment securities	18	67	70	22	50	–679	–98	–60	–10	–	59	16	312	385	–1	–554	–15	274	415
Net fee and commission income	–5	1	–3	–14	–15	3	10	18	6	–245	–204	–210	118	0	1,316	1,252	1,154	1,120	953
Total income	**–470**	**177**	**19**	**71**	**85**	**–673**	**–263**	**–473**	**–408**	**–254**	**–146**	**–194**	**406**	**385**	**3,805**	**3,672**	**3,739**	**3,804**	**3,870**
Administrative expenses	–106	–103	–77	–63	–51	–104	–61	–27	–25	–181	–369	–706	–1,012	–892	–2,934	–3,204	–2,991	–3,177	–2.754
Allowance for losses on loans and advances	3	–3	5	–2	1	–21	–99	–69	–8	–	–	0	0	0	–561	–383	–384	–319	–265
Other income	2	3	0	19	1	9	55	1	3	67	32	41	69	340	174	108	147	129	364
Other expenses	0	–1	0	0	–3	–19	–25	–32	–100	–103	–70	–69	–56	–432	–169	–115	–117	–119	–758
Allocations	–	–	–51	–33	–38	–	–102	–53	–40	–	–	950	694	960	–	0	0	0	0
Profit/loss before tax	**–571**	**73**	**–104**	**–8**	**–5**	**–808**	**–495**	**–653**	**–578**	**–471**	**–553**	**22**	**101**	**361**	**315**	**78**	**394**	**318**	**457**
Cost/income ratio (CIR)	**–22.6 %**	**58.2 %**	**673.7%**	**107.5 %**	**107.3 %**	**–15.5 %**	**–62.0%**	**–23.7 %**	**–40.8 %**	**–**	**–**	**–**	**–**	**–**	**77.1 %**	**87.3 %**	**80.0 %**	**83.8 %**	**83.0 %**
Return on equity before taxes (RoE)	**–15.8 %**	**5.6 %**	**–7.6 %**	**–0.7 %**	**–0.5 %**	**–62.0%**	**–36.2%**	**–44.3 %**	**–29.7 %**	**–**	**–**	**–**	**–**	**–**	**5.7 %**	**1.4 %**	**6.8 %**	**5.5 %**	**7.2 %**

[1]Figures adjusted (see Note 40)

ACCOUNTING STANDARDS APPLIED AS OF DECEMBER 31, 2014

Standard[1]	Status (last revision)[2]	Original Title	German Title	Effective since[3]	Adopted by EU Regulation[4, 7]
1. International Financial Reporting Standards (IFRSs)[5]					
1.1. International Accounting Standards (IASs)					
IAS 1	rev. 2007	Presentation of Financial Statements	Darstellung des Abschlusses	Jan. 1, 2007	475/2012, June 5, 2012
IAS 2	rev. 1993	Inventories	Vorräte	Jan. 1, 2005	1126/2008, Nov. 3, 2008
IAS 7	rev. 1992	Cash Flow Statements	Kapitalflussrechnungen	Jan. 1, 1994	1126/2008, Nov. 3, 2008
IAS 8	rev. 2003	Accounting Policies, Changes in Accounting Estimates and Errors	Bilanzierungs- und Bewertungsmethoden, Änderungen von Schätzungen und Fehler	Jan. 1, 2005	1126/2008, Nov. 3, 2008
IAS 10	rev. 2003	Events after the Balance Sheet Date	Ereignisse nach dem Bilanzstichtag	Jan. 1, 2005	1126/2008, Nov. 3, 2008
IAS 12	rev. 2000	Income Taxes	Ertragsteuern	Jan. 1,1998	1126/2008, Nov. 3, 2008
IAS 16	rev. 2003	Property, Plant and Equipment	Sachanlagen	Jan. 1, 2005	1126/2008, Nov. 3, 2008
IAS 17	rev. 2003	Leases	Leasingverhältnisse	Jan. 1, 2005	1126/2008, Nov. 3, 2008
IAS 18	rev. 1993	Revenue	Erträge	Jan. 1,1995	1126/2008, Nov. 3, 2008
IAS 19	rev. 2011	Employee Benefits	Leistungen an Arbeitnehmer	Nov. 1, 2005	475/2012, June 5, 2012
IAS 21	2005	The Effects of Changes in Foreign Exchange Rates	Auswirkungen von Änderungen der Wechselkurse	Jan. 1, 2008	1126/2008, Nov. 3, 2008
IAS 23	rev. 2007	Borrowing Costs	Fremdkapitalkosten	Jan. 1, 2009	1260/2008, Dec. 10, 2008
IAS 24	rev. 2009	Related Party Disclosures	Angaben über Beziehungen zu nahestehenden Unternehmen und Personen	Jan. 1, 2011	632/2010, July 19, 2010
IAS 28	rev. 2012	Investments in Associates and Joint Ventures	Anteile an assoziierten Unternehmen und Gemeinschaftsunter-nehmen	Jan. 1, 2006	1254/2012, Dec. 11, 2012
IAS 32	rev. 2003 (2008)	Financial Instruments: Disclosure and Presentation	Finanzinstrumente: Angaben und Darstellung	Jan. 1, 2005	1126/2008, Nov. 3, 2008
IAS 33	rev. 2003	Earnings per Share	Ergebnis je Aktie	Jan. 1, 2005	1126/2008, Nov. 3, 2008
IAS 34	1998	Interim Financial Reporting	Zwischenbericht-erstattung	Jan. 1,1999	1126/2008, Nov. 3, 2008
IAS 36	rev. 2004	Impairment of Assets	Wertminderung von Vermögenswerten	March 31, 2004	1126/2008, Nov. 3, 2008
IAS 37	1998	Provisions, Contingent Liabilities and Contingent Assets	Rückstellungen, Eventualschulden und Eventualforderungen	July 1, 1999	1126/2008, Nov. 3, 2008
IAS 38	rev. 2004	Intangible Assets	Immaterielle Vermögenswerte	March 31, 2004	1126/2008, Nov. 3, 2008
IAS 39	2005 (2009)	Financial Instruments: Recognition and Measurement	Finanzinstrumente: Ansatz und Bewertung	Jan. 1, 2006	1126/2008, Nov. 3, 2008
1.2. International Financial Reporting Standards (IFRSs)[5]					
IFRS 2	rev. 2009	Share-based payment	Anteilsbasierte Vergütung	Jan. 1, 2011	244/2010, March 23, 2010
IFRS 3	rev. 2008	Business Combinations	Unternehmens-zusammenschlüsse	Jan. 1, 2009	495/2009, June 3, 2009
IFRS 4	2005	Insurance Contracts	Versicherungsverträge	Jan. 1, 2006	1126/2008, Nov. 3, 2008
IFRS 5	2004	Non-current Assets Held for Sale and Discontinued Operations	Zur Veräußerung gehaltene langfristige Vermögenswerte und aufgegebene Geschäftsbereiche	Jan. 1, 2005	1126/2008, Nov. 3, 2008

Standard[1]	Status (last revision)[2]	Original Title	German Title	Effective since[3]	Adopted by EU Regulation[4, 7]
1.2. International Financial Reporting Standards (IFRSs)[5]					
IFRS 7	2004 (2009)	Financial Instruments: Disclosures	Finanzinstrumente: Angaben	Jan. 1, 2007	1256/2012, Dec. 13, 2012
IFRS 8	2007	Operating Segments	Geschäftssegmente	Jan. 1, 2009	1358/2007, Nov. 21, 2007
IFRS 10	2012	Consolidated Financial Statements	Konzernabschlüsse	Jan. 1, 2014	1254/2012, Dec. 11, 2012
IFRS 12	2012	Disclosures of Interest in Other Entities	Angaben zu Anteilen an anderen Unternehmen	Jan. 1, 2014	1254/2012, Dec. 11, 2012
IFRS 13	2012	Fair Value Measurement	Bemessung des beizulegenden Zeitwerts	Jan. 1, 2013	1254/2012, Dec. 11, 2012
1.3. International Financial Reporting Interpretation Commitee (IFRIC)					
IFRIC 4	2004	Determining Whether an Arrangement Contains a Lease	Feststellung, ob eine Vereinbarung ein Leasingverhältnis enthält	Jan. 1, 2006	1126/2008, Nov. 3, 2008
IFRIC 9	2006 (2009)	Reassessment of Embedded Derivatives	Neubeurteilung eingebetteter Derivate	Jan. 1, 2007	1126/2008, Nov. 3, 2008
IFRIC 10	2006	Interim Financial Reporting and Impairment	Zwischenberichterstattung und Wertminderung	Jan. 1, 2007	1126/2008, Nov. 3, 2008
IFRIC 21	2013	Levies	Bilanzierung von Abgaben	July 1, 2014	634/2014, June 13, 2014
2. Deutscher Rechnungslegungs Standard (DRS)[6] – German Accounting Standards (GASs)					
DRS 16	2008	n. r.	Zwischenberichterstattung	Jan. 1, 2008	n. r.
DRS 17	2007	n. r.	Berichterstattung über die Vergütung der Organmitglieder	Dec. 31, 2008	n. r.
DRS 20	2012	n. r.	Konzernlagebericht	Jan. 1, 2013	n. r.
3. Kapitalmarktorientierte Vorschriften – Capital market-oriented provisions					
WpHG	2007	n. r.	Wertpapierhandelsgesetz; in particular sections 37v to 37z	Jan. 1, 2007	n. r.
DCGK in conjunction with §161 AktG	2013	n. r.	Deutscher Corporate Governance Kodex	June 6, 2013	n. r.
FWBO	2013	n. r.	Frankfurter Wertpapierbörsenordnung	Oct. 28, 2013	n. r.

[1]Not all pronouncements that exist as of the reporting date are listed, but only those that are relevant to the Postbank Group.

[2]Postbank always applies current standards and amendments.

[3]Date from which the application of the pronouncement in accordance with IFRSs is compulsory; voluntary, earlier application is often possible. Should Postbank voluntarily apply a pronouncement earlier, this is explicitly referred to in the Notes.

[4]In accordance with section 315a (1) HGB in conjunction with the IAS Regulation (EU Regulation 1606/2002), Postbank is obliged to apply the IFRSs adopted by the EU (endorsement). The date shown corresponds to the date of approval by the European Commission (publication in the EU Official Journal follows shortly thereafter). As a rule, the date of application of the IFRSs adopted by the EU is the same date as given in the standards (see "Effective since" column). Should the EU adopt an IFRS in the period after the balance sheet date and before the day that the annual financial statements are signed, this IFRS may be applied in the annual financial statements (clarification by the European Commission at the ARC meeting on November 30, 2005).

[5]IFRSs: a generic term for all financial reporting standards published by the International Accounting Standards Board (IASB). Also the name for new financial reporting standards issued by the IASB since 2003. The pronouncements issued up to 2002 continue to be referred to as International Accounting Standards (IASs). IASs are only renamed IFRSs if fundamental changes are made to standards.

[6]Deutsche Rechnungslegungs Standards (German Accounting Standards – GASs) are applied if they pertain to items that are to be accounted for in accordance with section 315a HGB and are not already governed by IFRSs themselves.

[7]On November 3, 2008, the European Commission adopted the consolidated version of all International Financial Reporting Standards (IFRSs) currently in force in the EU. This version contains all IFRSs that have been adopted to date, including the latest amendments adopted as of October 15, 2008, to ensure that the companies need only draw on a single legal instrument in the future. The consolidated version supersedes eighteen individual regulations to date and replaces Regulation no. 1725/2003 of September 29, 2003 as well as all amendments made up to October 15, 2008.

EXECUTIVE BODIES

Management Board

Frank Strauss, Bad Nauheim
Chairman

Marc Hess, Bonn

Susanne Klöss-Braekler, Munich
since November 1, 2014

Ralph Müller, Königstein/Taunus
since November 1, 2014

Hans-Peter Schmid, Baldham

Ralf Stemmer, Königswinter

Hanns-Peter Storr, Bonn

Supervisory Board

Rainer Neske, Bad Soden
Chairman
Member of the Management Board of Deutsche Bank AG

Frank Bsirske[1], Berlin
Deputy Chairman
Chairman of the ver.di Trade Union

Rolf Bauermeister[1], Berlin
Head of National Postal Services Group,
at ver.di Trade Union (national administration)

Susanne Bleidt[1], Bell
Member of the Postbank Filialvertrieb AG's
General Works Council

Wilfried Boysen, Hamburg
Businessman
until July 9, 2014

Edgar Ernst, Bonn
President of the Financial Reporting Enforcement Panel,
DPR e.V

Stefanie Heberling, Wuppertal
Cologne/Bonn/Aachen Regional Management
Deutsche Bank Privat- und Geschäftskunden AG

Timo Heider[1], Emmerthal
Chairman of the General Works Council of
BHW Bausparkasse Aktiengesellschaft and Postbank
Finanzberatung AG

Tessen von Heydebreck, Berlin
Chairman of the Board of Trustees of Deutsche Bank
Foundation

Peter Hoch, Munich
until July 9, 2014

Hans-Jürgen Kummetat[1], Cologne
Civil servant

Katja Langenbucher, Frankfurt am Main
Professorship for Private Law,
Corporate and Financial Law,
Goethe University Frankfurt am Main
since July 9, 2014

Christian Ricken, Bad Homburg v. d. Höhe
Member of the Group Executive Committee,
Chief Operating Officer PBC,
Deutsche Bank AG

Karl von Rohr, Oberursel
Global Chief Operating Officer
Regional Management, Deutsche Bank AG
since July 9, 2014

[1]Employee representatives

Bernd Rose[1], Menden (Sauerland)
Chairman of Postbank Filialvertrieb AG/
Postbank Filial GmbH's General Works Council

Lawrence A. Rosen, Bonn
Member of the Board of Management of Deutsche Post AG

Christian Sewing, Osnabrück
Member of the Management Board of Deutsche Bank AG

Eric Stadler[1], Markt Schwaben
Chairman of Betriebs-Center für Banken AG's
Works Council

Werner Steinmüller, Dreieich
Member of the Group Executive Committee,
Head of Global Transaction Banking, Deutsche Bank AG

Gerd Tausendfreund[1], Nidderau
Trade union secretary of the ver.di Trade Union

Renate Treis[1], Brühl
Deputy Chair of Deutsche Postbank AG's General Works
Council

Wolfgang Zimny[1], Bornheim
Banking lawyer,
Head of Department, Deutsche Postbank AG, Head Office

GLOSSARY

Advanced IRBA	The advanced IRBA is a differentiated approach used to calculate regulatory capital requirements for risk positions. It permits both the use of internal ratings and estimates of other risk inputs (loss given default (LGD) and credit conversion factor (CCF)).
Advanced Measurement Approach (AMA)	The Advanced Measurement Approach is a measurement approach proposed under the Basel capital adequacy rules for determining operational risk on the basis of internal modeling methods.
Allowance for losses on loans and advances	The particular risks associated with on- and off-balance sheet lending transactions are taken into account by recognizing specific valuation allowances, collective specific valuation allowances, and portfolio-based valuation allowances.
Amortized cost	The amount at which a financial asset or liability was measured at initial recognition, minus principal repayments, plus or minus the amortization of a premium/discount, and minus any impairment losses.
Asset-backed securities	A special type of securitization of claims for payment relating to tradable securities. The securities concerned are created by bundling together certain financial assets.
Associate	An entity that is included in the consolidated financial statements using the equity method rather than full or proportionate consolidation, and over whose operating or financial policies a consolidated company has significant influence.
Available-for-sale securities	Securities that are not allocated to either the held for trading or the loans and receivables categories and, in the case of debt securities, that are not held to maturity. They are carried at fair value. Changes in fair value are generally recognized directly in the revaluation reserve in equity. If, due to other than temporary impairment, the fair value of a security is lower than its amortized cost, the difference between these amounts is expensed (see Impairment). Realized gains and losses are also recognized in income.
Backtesting	Procedure for monitoring the quality of value-at-risk models (VaR). Backtesting is used to check whether, retrospectively over a longer period of time, the estimated potential losses based on the VaR approach were actually exceeded substantially more regularly than would be expected given the confidence level applied (see Confidence level).
Banking book	Risk positions that are not allocated to the trading book.
Basel III	Basel III is a comprehensive set of reform measures developed by the Basel Committee on Banking Supervision to strengthen the regulation, supervision, and risk management of the banking sector. The measures aim to: • improve the banking sector's resilience to absorb shocks arising from financial and economic stress, whatever the source • improve risk management and governance • strengthen banks' transparency and disclosures.
Basel Committee on Banking Supervision	The Basel Committee on Banking Supervision develops common international banking supervision standards. Its members are representatives from central banks and supervisory authorities from a large number of countries. The Basel Committee is based at the Bank for International Settlements (BIS) in Basel.
Basic IRB Approach (foundation IRBA)	The foundation IRBA is a differentiated approach used to calculate regulatory capital requirements for risk positions. It permits the use of internal ratings methods, whereas the loss given default (LGD) and credit conversion factors (CCFs) are prescribed by the regulators.
Basis point value (bpv)	The bpv expresses the change in the present value of a financial instrument if the interest rate changes by one basis point (0.01%).
Cash flow hedge	Cash flow hedges are primarily taken to mean hedges against the risk associated with future interest payments from a variable-interest recognized transaction by means of a swap. They are measured at their fair values.

Cash flows	Inflows and outflows of cash and cash equivalents.
Cash flow statement	Calculation and presentation of the cash flow generated or consumed by an enterprise during a fiscal year as a result of its operating, investing, and financing activities, as well as an additional reconciliation of the cash and cash equivalents (cash reserve) at the beginning and the end of the fiscal year.
CDOs	Collateralized debt obligations – Loans and other debt instruments that are secured by various assets.
CDSs	Credit default swaps – Financial instruments used to assume the credit risk of a reference asset (e.g., securities or loans). The buyer pays a premium to the seller and receives a compensation payment if a predetermined credit event occurs.
CLOs	Collateralized loan obligations – Securities that are backed by a pool of loan obligations as collateral.
CMBSs	Commercial mortgage-backed securities – Securities that are generally backed by commercial real estate mortgages.
Collective specific valuation allowances	Collective specific valuation allowances are recognized for a portfolio of homogeneous loans with similar characteristics, to the extent that there is objective evidence that the loans have become impaired and the amount of the impairment for each loan can be estimated with reference to past loan performance statistics.
Commercial paper	Short-term, unsecured debt instruments with flexible maturities (max. 270 days) from prime-rated issuers. They allow companies to cover their short-term financing requirements directly with major investors.
Confidence level	The probability that a potential loss will not exceed an upper limit defined by value at risk.
Counterparty credit risk	This relates to the risk of loss due to changes in creditworthiness or default by a counterparty. Counterparty credit risk includes credit (issuer) risk, country or transfer risk, and counterparty risk. Credit risk is defined as possible losses arising from the inability of a counterparty to discharge its payment obligations, or from a deterioration in its credit rating. Country or transfer risk can arise during cross-border payments due to the unwillingness (political risk) or inability (economic risk) of a country to discharge its payment obligations. Counterparty risk denotes the risk of losses arising from the default of a counterparty in relation to the settlement of payment obligations or its failure to discharge its payment obligations in a timely manner.
CPPI	Constant proportion portfolio insurance – Capital-guaranteed promissory note loans.
CRD IV	Capital Requirements Directive – Directive on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.
Credit risk mitigation techniques	Credit risk can be mitigated using various risk management instruments and techniques. Key credit risk mitigation techniques used by Postbank include the following: • real estate liens, which are used to secure private and commercial real estate financing • master netting agreements • guarantees, export credit insurance, and credit derivatives • financial collateral (cash collateral).
Credit Risk Standardized Approach (CRSA)	The CRSA is a recognized approach used to calculate regulatory minimum own funds requirements for credit risk exposures. Under the CRSA, institutions are permitted to use external credit ratings to calculate the risk weight of credit risk positions in certain risk exposure classes. Credit risk positions are allocated a risk weight based on their risk exposure class (0 %, 10 %, 20 %, 50 %, 100 %, 150 %, 225 %, 350 %, 650 %, or 1,250 %), depending on the external credit rating. Fixed regulatory risk weights are defined for unrated credit risk positions.

Credit value adjustment (CVA)	The CRR provides for own funds requirements for credit valuation adjustment risk in the case of OTC derivatives. In contrast to counterparty credit risk, this is the risk that the positive replacement costs decline because the credit spread of the counterparty increases without the latter defaulting.
CRR	Capital Requirements Regulation – Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.
Currency risk	The risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.
Default	An obligor is deemed to be in default if a material portion of its total credit exposure to the institution is more than 90 consecutive calendar days past due, or if it is unlikely that the obligor can meet all of its payment obligations without recourse by the institution to additional collateralization measures.
Deferred taxes	Income taxes payable or receivable in the future as a result of differences between the carrying amounts in the IFRS financial accounts and the tax base. At the date of recognition, deferred taxes do not yet represent actual amounts receivable from or due to tax authorities.
Derivative	A financial instrument whose own value is dependent on the value of another financial instrument. The price of a derivative is derived from the price of an underlying equity, currency, interest rate, etc. These instruments provide additional options for risk management and control.
Discount	The negative difference between the historical cost of a financial instrument and its notional value.
Discounted cash flow (DCF)	Discounted cash flow analysis is a recognized valuation technique for calculating fair value in inactive markets. It discounts future cash flows using the current discount rate.
Effective interest method	The amortization of differences between cost and notional value (premium/discount) using the effective interest rate of a financial asset or financial liability. The effective interest rate is the rate that exactly discounts the expected stream of future cash payments through maturity or the next market-based repricing date to the current net carrying amount of the financial asset or financial liability.
Embedded derivatives	Embedded derivatives form part of a non-derivative financial instrument and are inseparably linked with the instrument ("hybrid" financial instruments, such as equity-linked bonds). These components are legally and economically linked, but are accounted for separately under certain circumstances.
Equity method	Method of accounting for investments in companies over whose operating policies a consolidated company has significant influence (associates). Under the equity method, the investor's share of the net income/loss of the investee is credited/charged to the carrying amount of the investment. Distributions reduce the carrying amount by the investor's proportionate share of the distribution.
Expected loss (EL)	Expected loss measures the losses from credit, market, and operational risk expected within a period of one year on the basis of historical losses.
Exposure at default (EAD)	Exposure at default is the expected outstanding loan amount owed by a borrower at the time of their default.
Exposure class	Counterparty risk exposures must be allocated to an exposure class as defined in the CRR (e.g., central governments and central banks, banks, retail, and corporates) in order to determine risk-weighted exposure values.
Fair value (full fair value)	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of an asset or liability is often the same as its market price.
Fair value hedge	Fair value hedges primarily relate to fixed-interest balance sheet items (e.g., receivables, equities, or securities), which are hedged against market risk by means of a derivative. They are measured at their fair values.

Fair value option (FVO)	Under the fair value option, financial assets or financial liabilities may be (voluntarily) designated at fair value through profit or loss, provided this leads – among other things – to the elimination or significant reduction of inconsistencies in the measurement or recognition (accounting mismatches).
Financial instruments	These are in particular loans and receivables, interest-bearing securities, equities, investments, liabilities, and derivatives.
Forbearance	Forbearance refers to bank exposures for which the contract terms have been modified due to financial difficulties of the obligor (e.g., renegotiations, restructurings, and refinancing arrangements, as well as guarantees for refinancing purposes).
German Accounting Standards (GASs)	Recommendations on the application of (German) consolidated accounting principles, published by the German Accounting Standards Board (GASB), a body of the Accounting Standards Committee of Germany (ASCG).
Hedge accounting	Presentation of the opposing changes in value of a hedging instrument (e.g., an interest rate swap) and the related hedged item (e.g., a loan). The objective of hedge accounting is to minimize the impact on the income statement of the measurement and recognition in income of gains and losses on the remeasurement of derivatives.
Hedge fair value	Remeasurement gains or losses on hedged items including determination of unhedged risk factors.
Hedging	A strategy by which transactions are entered into for the purpose of obtaining protection against the risk of unfavorable price developments (interest rates, share prices).
Hedging instruments	Transactions whose change in fair value offsets the change in the fair value of the hedged item.
Held-to-maturity investments (HtM)	Financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intent and ability to hold to maturity, with the exception of loans and advances originated by the entity.
ICAAP	Internal Capital Adequacy Assessment Process. An internal process whereby banks have to ensure that they have sufficient capital to cover all key risks at all times.
Impairment	Amount by which the amortized cost of a financial instrument exceeds its estimated recoverable amount on the market.
Internal Ratings-Based Approach (IRBA)	The IRBA is an approach used to calculate regulatory capital requirements for credit risk positions under the Basel Capital Accord. It permits institutions to use internal ratings methods and estimates to calculate specific risk inputs. The main risk inputs significantly influencing the risk weight are the probability of default (PD), the loss given default (LGD), and credit conversion factors (CCFs), which constitute part of the exposure at default (EAD) value.
International Financial Reporting Standards (IFRSs)	This is both the generic term for all financial reporting standards (IFRSs) issued by the International Accounting Standards Board (IASB) and the term used for new financial reporting standards issued by the IASB since 2003. The standards issued up to 2002 are still published as International Accounting Standards (IASs).
Investment property	Land and/or buildings held to earn rentals or for capital appreciation and not used in the production or supply of goods or services or for administrative purposes.

IRBA simple risk weight approach	The simple risk weight approach prescribes a regulatory risk weight of 50 %, 70 %, 90 %, 115 %, or 250 % for specialized lending exposures, depending on the assessment of certain factors (e.g., financial strength, political and legal environment, transaction and/or asset characteristics) in accordance with Article 153(5) of the CRR. The IRBA simple risk weight approach prescribes a regulatory risk weight for calculating the risk-weighted exposure amount of equity exposures in accordance with Article 155(2) of the CRR: • Risk weight of 190% for non-publicly traded equity exposures in sufficiently diversified portfolios • Risk weight of 290% for publicly traded equity exposures • Risk weight of 370% for all other equity exposures.
Liquidity risk	Describes the risk of being unable to meet current and future payment obligations, either as they fall due or in the full amount due. The funding risk arises when the necessary liquidity cannot be obtained on the expected terms when required.
Loans and receivables	Loans and receivables are financial assets that are not quoted in an active market. These include in particular receivables and certain investment securities.
Loss given default (LGD)	The loss given default measures the expected loss at the time of default of a counterparty as a percentage of the outstanding exposure at the time of default.
Loss identification period (LIP)	The period between the date when a borrower defaults and the date when the bank becomes aware of the default. The LIP factor is used in calculating the portfolio-based valuation allowance in accordance with IASs/IFRSs, as well as when quantifying the incurred loss.
Market risk	Refers to potential losses from financial transactions that may be triggered by changes in interest rates, volatility, foreign exchange rates, and share prices. The changes in value are derived from daily marking to market, irrespective of the carrying amounts of assets and liabilities.
Marking to market	Valuation of all of an enterprise's proprietary trading activities at current market prices including unrealized gains, ignoring their historical cost.
Netting agreements	Agreements whereby receivables between two parties can be offset against each other under certain circumstances, such as in the event of insolvency. The inclusion of a legally binding netting agreement reduces the default risk from a gross to a net amount.
Net trading income	Balance of income and expenses from proprietary trading in securities, financial instruments (in particular derivatives), foreign currencies, and precious metals valued at market prices.
Non-performing	The term "non-performing" is used to describe exposures of which a material portion is more than 90 days past due or for which – irrespective of whether or not they are past due – there is an identifiable risk that full repayment will not be made.
Operational risk	Operational risk is defined by Basel II as "the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events". In accordance with the Basel II definition this also includes legal risks.
Option	Right to purchase (call option) or sell (put option) an underlying asset, such as securities or currency, from a counterparty (option writer) at a predetermined price and at a specific date or during a specific period.
OTC derivatives	Non-standardized financial instruments (derivatives) which are traded not on a stock exchange, but directly between market participants (over the counter).
Own funds	The term "own funds" denotes the total of Tier 1 capital (comprising Common Equity Tier 1 capital and Additional Tier 1 capital) and Tier 2 capital.

Own funds requirements	Institutions must have adequate own funds available to meet obligations to their creditors and to protect the assets entrusted to them. The Basel Capital Accord therefore requires credit institutions to hold liable capital (own funds) equal to 8% of their risk-weighted assets to cover material banking risks (counterparty credit risk, market risk, and operational risk).
Pillar III	The third pillar of the Basel Framework sets out disclosure requirements for institutions designed to strengthen market discipline. It is based on the assumption that well-informed market participants will reward credit institutions that exhibit risk-aware corporate management and effective risk management when making investment and lending decisions, and that they will penalize those that engage in higher-risk practices. This gives credit institutions an additional incentive to manage and control risk effectively.
Portfolio	Similar transactions, particularly in securities or derivatives, grouped together according to price risk criteria.
Portfolio-based valuation allowances	Portfolio-based valuation allowances are recognized for loan losses that have occurred but that have yet to be identified, e.g., because the customer is still currently meeting their payment obligations. Postbank recognizes portfolio-based valuation allowances for such cases using the probability of default, the loss given default, and the LIP factor for a specific portfolio, depending on the type of product and customer group.
Premium	The positive difference between the historical cost of a financial instrument and its notional value.
Probability of default (PD)	The probability of default of a counterparty is determined for the next 12-month period and expressed as a percentage.
Provisions	Generally speaking, provisions are liabilities, losses, or expenses of uncertain timing or amount. Recognizing provisions ensures that the payments to be made at a later date can be allocated to the periods in which they were incurred. Postbank recognizes provisions for losses on loans and advances, in particular for liabilities under sureties, other guarantees, and irrevocable loan commitments involving a default risk.
Rating	External rating: standardized evaluation of an issuer's credit quality and debt instruments carried out by specialist agencies. Internal rating: detailed risk assessment of every exposure associated with a debtor.
Recovery rate	The recovery rate indicates the percentage of a receivable that a creditor receives following the realization of collateral and other rights in the case of a debtor default, taking the economic loss into account.
Repos (repurchase agreements)	Agreements to repurchase securities (genuine repurchase agreements in which the subject of the agreement is still allocated to the borrower). From the perspective of the lender, such agreements are known as reverse repos.
Return on equity (RoE)	Fundamental ratio showing the relationship between the results of operations of an enterprise (net profit for the period) and the capital employed (net profit as a percentage of average capital employed over the period).
Revaluation reserve	Changes in the fair values of available-for-sale financial instruments and the related deferred tax effects are recognized directly in the revaluation reserve in equity.
Reverse repos	see Repos (repurchase agreements)

Risk concentration	A risk concentration is a cluster of risk positions that react in a similar way to certain changes or events. Alongside exposures to individual borrowers that qualify due to their size alone, risk concentrations may arise as a result of clustering of risk positions within a single type of risk or across different types of risk (due to common risk factors or to the interaction of various different risk factors).
Risk-weighted assets (RWA)	Risk-weighted assets are positions exposed to credit, market, and/or operational risk; these are weighted in accordance with supervisory requirements by multiplying the regulatory own funds requirements by a factor of 12.5.
Securities loan	The lending of fixed-income securities or equities; a distinction is made between closed term loans (retransfer of the same type and quantity of securities at an agreed date in the future) and open term loans (securities are made available until future notice).
Securitization	The substitution of loans, or the financing of various kinds of loans and advances, by issuing securities (such as bonds or commercial paper).
Segment reporting	Disclosure of an enterprise's assets and earnings, broken down by area of activity (division) and geographical area.
Sell-and-buy-back	A combination of two purchase agreements, i.e., a separate agreement for each of the spot and forward trades.
SolvV	*Solvabilitätsverordnung* (SolvV – German Solvency Regulation) – a regulation governing the capital adequacy of institutions, groups of institutions, groups headed by a financial holding company and financial conglomerates.
Specific valuation allowance	If the carrying amount of an exposure is higher than the estimated recoverable amount of the loan obligation (taking into account the available collateral), the transaction must be remeasured by recognizing a specific valuation allowance (permanent impairment) on the individual receivable in an adjustment item (asset item with a minus sign), reducing profit. The amount of the specific valuation allowance is measured as the difference between the carrying amount of the total exposure and the present values of estimated future cash flows, including cash flows from the realization of collateral.
Sustainability	The idea behind the principle of sustainable development is that companies accept responsibility for the social and ecological aspects of their business decisions. In addition, as corporate citizens, they actively address social and environmental issues and support their implementation.
Swap	Exchange of cash flows. Interest rate swap: exchange of flows of interest payments denominated in the same currency but with different terms (e.g., fixed/variable rates). Currency swap: exchange of cash flows and principal amounts denominated in different currencies.
Trading assets	This balance sheet item contains securities, promissory note loans, foreign currencies, precious metals, and derivatives held for trading. Trading assets are measured at their fair values.
Trading book	A banking regulatory term for positions in financial instruments, shares, and tradable claims held by a bank that are intended for resale in the short term in order to benefit from price and interest rate fluctuations. This also includes transactions that are closely associated with trading book positions, e.g., for hedging purposes. Risk positions not belonging to the trading book are allocated to the banking book.

Trading liabilities	This balance sheet item contains derivatives used for proprietary trading with negative fair values, and delivery obligations under securities sold short. They are carried at their fair values.
Underlying	The original instrument on which a warrant, certificate, or forward contract is based. Examples of underlyings are shares, currencies, or bonds.
Unwinding	Recognition in profit or loss of changes in the present value of expected future cash flows from impaired loans due to the passage of time.
Value-at-risk model (VaR)	VaR is a method of quantifying risks. VaR is currently used primarily in conjunction with the measurement of market risk. In order to provide meaningful information, the holding period (e.g., ten days) and the confidence level (see Confidence level) (e.g., 99.0 %) must also be disclosed. The VaR thus describes the potential future loss that will not be exceeded during the holding period with a probability equal to the confidence level.
Volatility	Price fluctuation of a security or a currency, often calculated in terms of standard deviation on the basis of historical performance, or implicitly on the basis of a price-setting formula. The higher the volatility, the higher the risk associated with holding the investment.

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FINANCIAL CALENDAR 2015

March 26, 2015	Publication of 2014 Group Annual Report
May 19, 2015	Interim Management Statement as of March 31, 2015
May 28, 2015	Annual General Meeting, Bonn
August 13, 2015	Publication of Interim Report as of June 30, 2015
November 12, 2015	Interim Management Statement as of September 30, 2015

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

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

Readers of this Annual Report are expressly cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this Annual Report. Deutsche Postbank AG does not intend and does not undertake any obligation to revise these forward-looking statements.

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

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