2014

POSTBANK GROUP

INTERIM REPORT AS OF JUNE 30, 2014

POSTBANK GROUP IN FIGURES

		Jan. 1 – June 30, 2014	Jan. 1 – June 30, 2013
Consolidated income statement			
Total income	€m	2,148	2,023
Administrative expenses	€m	–1,364	–1,657
Profit before tax	€m	538	242
Consolidated net profit	€m	355	256
Cost/income ratio	%	70.9	81.8
Return on equity			
before tax	%	16.9	8.1
after tax	%	11.2	8.6
Earnings per share [1]	€	1.62	1.17

		June 30, 2014	December 31, 2013
Consolidated balance sheet			
Total assets	€m	158,138	161,506
Customer deposits	€m	103,317	103,698
Customer loans	€m	95,839	97,965
Allowance for losses on loans and advances	€m	1,411	1,478
Equity	€m	6,471	6,212
Common Equity Tier 1 capital ratio, regular phased-in	%	10.2[2]	9.6[3]
Common Equity Tier 1 capital ratio, fully phased-in	%	9.5[2]	8.8[3]
Headcount (FTEs)	thousand	14.91	18.22
Long-term ratings			
Moody's[4]		–/–	A2/outlook negative
Fitch		A+/outlook negative	A+/outlook stable

		June 30, 2014	June 30, 2013
Information on Postbank shares			
Share price at the balance sheet date	€	37.20	32.40
Share price (Jan. 1 – June 30)	high €	38.30	35.30
	low €	34.91	30.53
Market capitalization on June 30	€m	8,139	7,089
Number of shares	million	218.8	218.8

[1] Based on 218.8 million shares
[2] Subject to supervisory recognition with regard to the new provisions of the CRR entered into force on January 1, 2014
[3] Pro-forma value in accordance with CRR/CRD IV as of December 31, 2013
[4] The Moody's rating was discontinued as of December 31, 2014

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DEVELOPMENTS IN H1 2014:

NEW BUSINESS WITH RETAIL CUSTOMERS STAYS ON COURSE

Postbank was once again able to expand its consumer credit business significantly in the first half-year of 2014 thanks to attractive terms and a flexible product range. We were also successful in the checking business with additional growth both in book volumes as well as in the acquisition of new business.

Checking accounts and demand deposits continue to be a success

With 5.25 million private checking accounts as of June 30, 2014, Postbank was once again able to expand its book compared with the prior year. As a result the Bank remained unchallenged as the largest provider on the German market. With more than 240,000 newly opened private checking accounts in the first half of 2014, Postbank once again demonstrated its selling power.

The volume of demand deposits held in retail customer accounts was up more than 10% compared with the first half-year of 2013, reaching €26.5 billion.

Savings business shows stable trend

Deposit volumes in Postbank's core business, at €103 billion, showed little change compared with the end of the prior year. Since mid-2014 the new core product in Postbank's range of savings offers is "Postbank Rendite plus", a traditional and transparent savings product in card form. Positive momentum for new business was already evident shortly after its launch.

New business in consumer credits continues to show strong growth

The new consumer credit business in the first half of 2014 also had a very satisfying performance – volumes grew by almost 18% year-on-year to approximately €1.2 billion. An important sales channel here was once again the Internet, generating just under 35% of new business volumes.

Our lending business under the Postbank and DSL Bank brands put on an impressive performance in our view, all the more so since the Bank's growth ran counter to the market trend.

The consumer credit book also increased again and as of June 30, 2014, had risen approximately €0.7 billion over the corresponding prior-year figure to €5.4 billion without compromising portfolio quality. Postbank volumes have risen 7% since the end of 2013. The Deutsche Bundesbank reported an increase in consumer credit growth of only 0.7% for all German banks for the first five months of 2014.

Postbank's lending offer once again won high accolades in independent comparative tests. The German television news channel n-tv and the Deutsches Institut für Service-Qualität (DISQ) declared Postbank the "number one consumer credit provider among supraregional branch banks" for its consumer credit offer. Furthermore, Postbank also received the "Zins Award 2014" from DISQ, n-tv and FMH Finanzberatung in June 2014 for its outstanding terms.

New home savings products successfully introduced

In new home savings business, volumes of around €5.4 billion were generated in total home savings written, a figure that more or less equals the prior year level. The business was fueled primarily by the €3.2 billion generated by Postbank Finanzberatung and the €1.2 billion from the Postbank branches, which were once again able to increase their new business in year-on-year comparison. In the Postbank cooperation business, new business of €822 million represented a mild expansion.

Since the start of 2014, BHW is the Group-wide brand for home savings products. This close cooperation represents a bundling of the home savings competencies of Postbank and Deutsche Bank. It serves the future-oriented further development of the home savings business division in the Group. Its first achievement is the shared spectrum of products on offer since January 2014.

The capability of the new home savings products was demonstrated almost immediately in February 2014. A test in the 2/2014 edition of the financial magazine Capital showed that BHW with its new home savings products of "BHW WohnBausparen" and "BHW WohnBausparen Plus" is top of the line for purchasers and renovators. The new tariffs came in first place in a market comparison.

Mortgage lending continues to offer positive performance

Including paid home savings loans, our customers borrowed some €4.4 billion in financial resources for private construction projects by the middle of 2014 despite strong competition, a figure that nearly equaled the good level of the prior year. Of that, new business acquired under the BHW brand amounted to approximately €1.4 billion. 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 generate volumes of €2.2 billion.

As of June 30, 2014, the mortgage loan portfolio reached a total of around €72.2 billion – including third-party portfolios acquired – approximately €0.9 billion below the value registered at year-end 2013. This figure, unchanged vis-à-vis the first quarter of 2014, corresponds to a good market share of 8.6%.

As one of the major players in the private mortgage lending business, Postbank was the first pilot partner to be linked to KfW's new online application platform. The platform has allowed customers to benefit since mid-May of this year from an end-to-end online application and approval process for the initial residential KfW development loan. Plans exist to link additional KfW development products and functionalities to the platform.

Subdued securities and retirement provision business

In the securities business the situation on capital markets and the low interest rate level had a positive impact on the business with shares, but a negative one on the bonds business. At just under 38% new business however rose to €930 million compared with the prior year. The bonds business remained below expectations, generating €36 million. Overall, managed volumes year-on-year climbed 8.1% to €13.3 billion.

By introducing occupational disability insurance into branch sales, we have taken an initial step forward toward a resurgence of the insurance business in the second half-year. In addition, a cross-sales campaign will help us reach our annual targets for 2014.

Sales in the non-life insurance business with HUK-COBURG in the first half of 2014 performed as planned. We also expect to meet our targets for the year as a whole here as well.

Corporate Banking

In commercial real estate finance, we continue to adhere to our conservative lending policy and are focusing our new business on the financing of existing properties for professional real estate investors. The corresponding portfolio of loans on June 30, 2014, totaled €8.6 billion.

In the area of payment transactions in the first half of 2014, we managed to increase the number of transactions we processed for our target group of German SMEs by around 1.8% compared with the prior year period.

The investment volumes of our business and corporate customers were purposefully cut back in light of the current interest rate situation and amounted to €8.2 billion as of June 30, 2014, a figure that as expected was markedly lower than the prior-year figure of €11.7 billion.

Financial Markets 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 controlling interest rate risks and market risks and managing the liquidity position of the Postbank Group. In so doing, the division supports efforts related to de-risking and the further reduction of the balance sheet volume to improve metrics that will be relevant in the future (e.g. the leverage ratio). Accordingly we reduced our holdings of investment securities as against the end of 2013 by €1.1 billion to €32.9 billion; the balance sheet dropped 2% to €158.1 billion.

Non-Core Operating Unit successfully reduces risks

Portfolios in the Non-Core Operating Unit have been further scaled down since December 31, 2013. Overall, assets in 2014 were reduced from €13.4 billion to €12.4 billion and liabilities from €25.4 billion to €24.4 billion.

INTERIM MANAGEMENT REPORT AS OF JUNE 30, 2014

BUSINESS AND ENVIRONMENT

Economic environment

The upswing of the global economy continued through the first half of 2014. However, the pace of growth remained modest. Although special factors in some countries led to very erratic fluctuations in economic growth, the economic recovery stabilized in most industrial nations. Some emerging economies suffered from both political tensions and financial market uncertainties. As a result, the economies of these emerging countries developed moderately overall while nevertheless evincing substantial differences from country to country.

The economy of the United States at the start of the year was strongly hampered by unusually cold weather. Private consumption saw only moderate growth in the first quarter of 2014. Declining investments, government spending and exports even caused gross domestic product (GDP) to plunge by 0.7%. Once the weather-related setback had passed, however, the U.S. economy picked up considerably. Strong growth in economic output in the second quarter is likely to have been spurred in particular by private consumption and investments. Noticeable improvements were also experienced by the job market in the first half of the year, despite provisional economic dampeners. Employment experienced a marked uptick and the unemployment rate was strikingly retrograde.

In the eurozone, GDP rose by 0.2% in the first quarter, with light momentum provided by private consumption and gross capital expenditures. Foreign trade, on the other hand, put a bridle on growth. In the second quarter, the moderate economic upward trend seems to have continued. The job market stabilized and even showed signs of slight improvement during the first half-year. At the same time, the sovereign debt crisis continued to subside, while the inflation rate, already very low, sank even further.

German GDP in the first quarter of 2014 experienced a more robust expansion of 0.8%. Here the economy benefited considerably from the unusually mild winter, which led to substantial gains in investments in machinery, equipment and construction. Private consumption also expanded appreciably, whereas foreign trade with its massive rise in imports acted as a drag on growth. In the second quarter, a crosscurrent to the extraordinarily good performance in the prior period could be seen to emerge in investments in particular; but positive momentum for growth should once again have been provided by foreign trade. Private consumption is likely to have continued to expand but no longer at the rate it achieved at the start of 2014. Overall, GDP should have seen only moderate gains in the second quarter. Flagging economic vigor was also evident in the Ifo Business Climate Index, which rose into the first quarter but then sank three times in succession. Germany's economy was in robust health overall in the first half-year and the German employment market reflected it. While the working population continued to add briskly to its numbers, unemployment overall showed a marginal drop.

As a whole the trends in macroeconomic conditions in Germany and the eurozone corresponded substantially with the full-year forecasts we made in our 2013 Group Management Report. Trends in the U.S.A., however, fell below our expectations.

The turbulence rocking the sovereign bonds issued by members of the European Monetary Union (EMU) significantly weakened during the first half of 2014. Yield spreads vis-à-vis German Bunds dropped nearly continuously over several months to reach multi-year lows. They reached their nadir in June, shortly after the expansive monetary resolutions of the European Central Bank (ECB). Furthermore, in May, Portugal became the second EMU member state after Ireland to exit the European bailout program. Prompted by economic data that was disappointing to some extent, yield spreads rose successively again, however, until mid-year. This trend was bolstered at the start of the second half of the year by reports of substantial losses experienced by the Portuguese bank Espirito Santo. Nevertheless yield spreads remained markedly below the levels registered at the start of the year. Moreover, they rose rapidly again in succession. The yields of 10-year Portuguese government bonds recently reached a level just above the one attained before the losses were made public. The yields of corresponding Spanish government bonds even plunged to a historic low.

Because of a further slip of the inflation rate to 0.5% in the first half of the year, a very restrained inflation outlook as well as additional declines in lending, the ECB in June of 2014 cut its main refinancing rate from 0.25% to the new record low of 0.15%. At the same time, it reduced the deposit facility rate by 0.1 percentage points to –0.10% – the first time this rate has ever dropped below zero – and the marginal lending facility rate by 0.35 percentage points to 0.40%. The ECB also announced that it would maintain the key interest rates at this level for an extended period. Moreover, it decided on a series of targeted longer-term refinancing operations (TLTROs), which will allow eurozone banks to acquire liquidity at very favorable conditions. All TLTROs will mature in September 2018 and the first two operations will be conducted in September and December 2014, with the maximum borrowing allowances of individual financial institutions dependent on their respective lending volumes as of a specific date. The maximum amounts of the six successive TLTROs, to be conducted between March 2015 and June 2016, will depend on the evolution of the banks' respective lending volumes over a specific time period.

During the first half of 2014, the U.S. Federal Reserve kept its federal funds rate steady in a range of 0% to 0.25%. The volume of government bonds that the Fed buys monthly as part of its program of quantitative easing was tapered for the first time from US $85 billion over the past year to US $75 billion effective January 2014. Moreover, the Federal Open Market Committee (FOMC) decided on additional cuts at its subsequent meetings, reducing bond purchasing volumes to US $35 billion as of July 2014. The prospect of additional reductions was also held out for later FOMC meetings.

Money market rates in the eurozone rose slightly until the end of April 2014 as a result of a drop in banks' surplus liquidity. Later, due to pending monetary policies of the ECB that were ultimately implemented, the rates dipped noticeably. The three-month Euribor fell 8 basis points to 0.21% up until mid-year.

Capital market interest rates in the first six months of 2014 decreased significantly. Up until the half-year mark the yields of 10-year German Bunds sagged by 68 basis points to 1.25%. The decline in yields can be traced back to the very low inflation rate and the ECB monetary policy, which was once again more expansive. Heightened geopolitical risks such as the crisis in the Ukraine and the conflict in the Middle East also played a role. They also helped drive the returns of 10-year German Bunds to a new historic low of 1.15% in July.

At the time of the last report we did not rule out a renewed reduction of the key interest rate, but did not expect it in our macroeconomic base scenario for full-year 2014. Long-term yields had led us to expect a moderate upturn.

Sector situation

The ECB's comprehensive assessment – consisting of a supervisory risk assessment, an asset quality review and a subsequent stress test – was the key issue for the European banking sector in the first half of 2014.

The Single Supervisory Mechanism (SSM) under the auspices of the ECB represents the first pillar of the European banking union. Starting November 4, 2104, the ECB will assume supervision responsibilities for all eurozone banks. In the framework of this new supervisory system, it will directly supervise 120 major financial institutions in the eurozone, among them 21 German banks, according to a provisional list. The task of monitoring the remaining banks has been delegated by the ECB to national supervisory bodies. The final list of directly supervised banks will be published in September 2014. As things currently stand, Deutsche Postbank AG will be indirectly involved as a result of its affiliation with the Deutsche Bank Group.

Before taking up its supervisory responsibilities in November, the ECB will subject the banks to a comprehensive assessment consisting of an asset quality review (AQR) and a stress test. The result of the AQR will be integrated into the stress test so that an overall result can be presented in the second half of October 2014. The methodology used to conflate the AQR results and the stress test will be published by the ECB in the first two weeks of August. It also expects the AQR to be concluded in that same month. Capital shortfalls established by the AQR and the stress test in the baseline scenario will have to be covered within a half year after publication of the stress test results.

Shortfalls arising from the adverse scenario are to be covered within nine months. These deadlines apply from the time of the publication of the AQR and stress test results. The banks will first be notified of the final and complete results of the comprehensive assessment shortly before markets are informed by the ECB. Once informed, banks whose balance sheets show capital shortfalls then have two weeks to submit capital plans to the SSM, detailing how they plan to cover the shortfalls. The ECB plans to analyze not only the banking books but also the trading books of 29 of the 131 financial institutions subject to the assesment across the eurozone. This also applies to nine of the 24 German banks involved. The comprehensive assessment will also cover the appraisal of level 3 assets. In the absence of market prices or comparable prices, banks determine the value of these assets using their own internal model calculations.

In April 2014, the second pillar of the European banking union, the Single Resolution Mechanism, was adopted first by the European Parliament and then, in mid-May, by the European Council. Eurozone credit institutions will contribute €55 billion into a shared Single Resolution Fund within eight years. Contributions are scheduled to begin in January 2016. 60% of the funds are to be communitized after two years and the remaining 40% within eight years starting from 2016. This bank resolution directive must still be implemented in the national laws of the individual EU member states before it can enter into force.

Likewise, in April of this year, the European Parliament adopted the Directive on Deposit Guarantee Schemes for harmonizing national deposit guarantee systems. Saver deposits of amounts up to €100,000 will now remain untouched whenever a bank needs to be restructured or resolved.

The German banking market continued to feature a three-pillar structure consisting of private, public and cooperative banks. Except for mergers confined to the individual pillars, there were no noteworthy shifts in the first half of 2104.

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 March 2014 with those of the previous year's levels. All four banks generated net income both before and after tax. As a result, the bank that had reported a net loss both before and after tax in the same prior-year quarter succeeded in returning to profitability. Two of the three remaining banks were able to increase net income both before and after tax compared with the first quarter of 2013. The third saw deflating profit in both parameters. Return on equity after tax climbed at two of the three banks that reported on this metric. Two banks improved their cost/income ratio, while the two remaining banks increased this ratio. Half of the banks improved net interest income, net fee and commission income, and/or net trading income. Three banks reduced administrative expenses compared with the prior-year quarter.

In the first half of 2014, the DAX recorded a plus of 2.9%. Both banks listed in the DAX also saw their stock prices fall during the indicated time period. Furthermore, the stocks of both banks have been unable to reach the levels they had obtained before the financial crisis began in mid-2007.

Significant events in the Postbank Group (Postbank) in the first half of 2014

At the end of 2013, the relevant bodies at Postbank approved the bundling, under certain conditions, of service companies in a holding company within the Deutsche Bank Group. Postbank has a substantial stake (50% minus one vote) in this holding company. On the Postbank side, this step affects the following companies: Betriebs-Center für Banken AG, VÖB-ZVD Processing GmbH, Postbank Direkt GmbH, Postbank Service GmbH and BHW Kreditservice GmbH. 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.

Postbank's investment focuses

Postbank's investments are broken down into the categories of business development, legal requirements, lifecycle and – in regard to the Bank's integration into the Deutsche Bank Group – "Magellan".

Business development investments during the reporting year remain primarily focused on projects designed to optimize sales channels, capital requirements in the lending business and the risk structure. In addition, measures to implement a closed cash cycle and to introduce innovative technologies to stand on equal footing with customers continue to be of immediate importance.

Investments related to legal requirements focus on the establishment of SEPA capabilities (the Single Euro Payments Area) and the fulfillment of additional increasing regulatory requirements from Basel III and the Directive on Consumer Rights.

The lifecycle investments for 2014 primarily involve efforts to optimize and standardize Postbank's existing system landscape and to replace old systems such as the workstation platform.

In addition to that, the "Magellan" program aims at the development of a standardized core IT landscape for the retail banking business of Deutsche Bank and Postbank, based on SAP with defined grades of convergence. These systems are designed to allow both parties to use them independently and efficiently.

NET ASSETS, FINANCIAL POSITION, AND RESULTS OF OPERATIONS

In the first half of 2014, Postbank generated profit before tax of €538 million, an increase of €296 million or 122% compared with the prior-year period. €140 million of the half-yearly profit was generated in the first quarter of 2014 and €398 million in the second quarter. Excluding the various non-recurring effects, operating profit before tax in the first half of 2014 was €283 million, up 4.4% year-on-year.

Despite sustained low interest rate levels, combined net interest income and net fee and commission income declined only slightly in the first half of 2014 compared with the prior-year period, as the noticeable decline in interest income was offset by significantly lower interest expense. Profit was lifted primarily by the significant improvement in net income from investment securities following the transfer of the service companies and the continuing encouraging trend in the allowance for losses on loans and advances, which declined further from the already excellent prior-year figure. Administrative expenses declined significantly year-on-year. This was due on the one hand to the transfer of the service companies in the second quarter of 2014, for which the expenses incurred are now included in other expenses. On the other, cost-to-achieve was lower than in the prior-year period. The negative impact on other expenses in the second quarter resulted from, among other things, the repurchasing of liabilities as well as expenses for the actual and expected reimbursement of consumer loan processing fees. The latter relate to the implementation by Postbank of a ruling by Germany's Federal Court of Justice that affected the entire German banking sector.

Unless otherwise stated, the following comments on individual items represent a comparison with the first half of 2013 or, in the case of balance sheet disclosures, with December 31, 2013.

Income statement

In the first half of 2014, Postbank's consolidated net profit was up €99 million or 39% year-on-year at €355 million (previous year: €256 million). At €538 million, profit before tax was up €296 million year-on-year. This increase was primarily driven by the bundling of service companies in the Deutsche Bank Group, which led to a deconsolidation gain of €349 million and the derecognition of pension obligations in the amount of €12 million being reported in net income from investment securities in the second quarter. This more than offset the negative impact on profit (€–77 million) from, among other things, the repurchasing of liabilities as well as provisions for the reimbursement of processing fees.

Total income rose 6.2% to €2,148 million and includes the above-mentioned positive non-recurring effect. Adjusted for the significant non-recurring effects in the respective periods, the earnings trend was stable, despite the persistently difficult market conditions. The prior-year figure included income of €262 million from the deconsolidation of the U.S. subsidiaries.

As we expected, net interest income was up slightly, rising by 1.2% or €15 million to €1,250 million, with a positive trend from the first to the second quarter of 2014.

The continued low interest rate levels represent a challenge for all deposit-rich banks, but also had a positive effect on the development of interest expense, which decreased by 14.7% year-on-year, partly as a result of our de-risking strategy.

Net trading income improved from €–20 million in the first half of 2013 to €–10 million in the period under review. In the prior-year period, the result had primarily been impacted by a change in the measurement of derivative positions.

Net income from investment securities improved by €156 million to €407 million (first half of 2013: €251 million) and includes in particular deconsolidation and other effects from the bundling of our service companies in the Deutsche Bank Group in the course of the second quarter of 2014. The prior-year period figures included a positive contribution of €262 million from the sale of the U.S. subsidiaries.

Net fee and commission income declined by €56 million or 10.1% to €501 million. This was due to the transfer of the service companies and the focus on the new services in the branch business. Market conditions in the securities and retirement provision business remained largely unchanged. Our original forecast that net fee and commission income would be largely unchanged did not yet include the transfer of the service companies. Following the implementation of this measure at the beginning of the second quarter, we now expect a significant decline in full-year 2014.

The allowance for losses on loans and advances decreased by a further €17 million to €120 million. This reflects the positive trend in the customer business, particularly the very stabilizing effect of our retail lending business with its significant proportion of highly collateralized German real estate loans, and the favorable macroeconomic environment. At 25 basis points, the annualized net additions ratio for the customer loan portfolio based on the first half of 2014 was lower than in the first half of 2013 (27 basis points). The ratio for full-year 2013 was 32 basis points.

Administrative expenses decreased by €293 million to €1,364 million in the period under review, following €1,657 million in the first half of 2013. The prior-year figure included a write-down of intangible assets in the amount of €180 million. Other positive contributions came from the transfer of the service companies and the associated reduction in the Group's headcount, as well as lower cost-to-achieve than in the first half of 2013.

Net other income and expenses amounted to €–126 million, following €13 million in the first half of 2013. This was likewise caused by the bundling of the service companies, for which the expenses incurred are recorded in other expenses. Additional negative effects of €77 million resulted from, among other things, the early repurchasing of liabilities as well as expenses for the actual and expected reimbursement of consumer loan processing fees.

As a result, profit before tax rose by €296 million from €242 million in the first half of 2013 to €538 million in the period under review.

After adjustment for income taxes of €–182 million (previous year: €14 million) and for non-controlling interests (€–1 million), consolidated net profit amounted to €355 million, following €256 million in the previous year. The tax expense for the second quarter is largely attributable to the economic deconsolidation gain from the transfer of the service companies. Current taxes that Postbank is legally required to pay under the control and profit and loss transfer agreement and taxes from periods prior to the consolidated tax group are also reported.

Earnings per share were €1.62 (previous year: €1.17). The return on equity before tax amounted to 16.9%, compared with 8.1% in the prior-year period. The cost/income ratio was 70.9% (previous year: 81.8%).

SEGMENT REPORTING

Unless otherwise stated, the following comments on the individual segments represent a comparison with the first half of 2013.

Retail Banking

Profit before tax in the Retail Banking segment decreased by 6.6% or €26 million year-on-year to €366 million. Given the 1.9% increase in income, this is primarily due to the 2.6% rise in expenses, which were driven up, as expected, by higher internal cost allocations.

Driven by high-margin new business and lower interest expense, net interest income was up significantly year-on-year and also exceeded our expectations at the beginning of the year, rising by 4.9% to €1,298 million. The low interest rate environment is still presenting challenges with regard to investment of the customer funds deposited with us, while expansion in installment loans and mortgage lending, in particular, had a positive effect. The segment benefited from a change in the way transfer prices are calculated (at the expense of Financial Markets).

Net fee and commission income declined moderately by 1.1% to €441 million. This was impacted by declines in income as a result of narrowing the focus of new services, e.g., by discontinuing the sale of electricity contracts in the branches. In addition, persistent caution among customers continued to affect the securities and retirement provision business.

Net trading income – which is generated exclusively by our BHW Bausparkasse AG subsidiary, part of this segment – decreased by €30 million to €–7 million. In the first half of 2013, substantial positive measurement effects had arisen from the volatile fair value option we use to hedge interest rate risk in our mortgage loan portfolio. In addition, option positions on gold used to hedge our "Gold-Sparen" savings product made a positive contribution.

Total income amounted to €1,738 million following €1,706 million in the prior-year period.

Administrative expenses decreased by €110 million or 11.2% to €868 million. This significant decline is attributable to a change in the cost allocation for services that Transaction Banking provides for the retail segment. Although the fees are no longer recorded in non-staff operating expenses, they are still included in the calculation of the cost/income ratio as part of internal cost allocation. Compared with the first six months of 2013, internal cost allocations increased by €142 million to €389 million.

The allowance for losses on loans and advances trended upward as expected, rising by €10 million to €104 million, but maintained its encouragingly low level. This is mainly thanks to the high credit quality in the entire retail banking business, which is dominated by our very granular and highly collateralized mortgage lending business. The increase is primarily attributable to growth in the high-margin installment loan business.

Impacted by expenses for the actual and expected reimbursement of consumer loan processing fees, net other income and expenses amounted to €–11 million, following €5 million in the previous year.

Driven by higher internal cost allocations, the cost/income ratio for the segment increased slightly from 73.2% to 73.9%.

Corporate Banking

Profit before tax in the Corporate Banking segment fell by €38 million or 29.0% compared with the first six months of the previous year, to €93 million. This is mainly attributable to positive effects from reversals of the allowance for losses on loans and advances in the previous year.

Net interest income declined by 6.4% or €10 million to €146 million, mainly as a result of lower volumes in the short-term deposit business, a decline in new business, and maturing high-margin transactions on the assets side.

As was the case at the end of the first six months of 2013, no net trading income was generated as of June 30, 2014. Likewise, net income from investment securities again amounted to €0 million. Net fee and commission income declined slightly by €2 million to €43 million.

As a result, total income amounted to €189 million, after €201 million in the comparable prior-year period.

Administrative expenses declined by €6 million to €41 million. The allowance for losses on loans and advances amounted to €12 million. In the previous year, the reversal of specific valuation allowances for commercial real estate finance and lower additions to these allowances had led to income of €10 million being recorded.

Allocated items amounted to €–47 million following €–45 million in the prior-year period. The cost/income ratio, including internal cost allocations, increased moderately from 44.1% to 46.5%.

Transaction Banking

Income and expenditure for the segment both declined significantly due to the transfer of the service companies effective April 1, 2014.

By contrast, profit before tax rose from €1 million to €14 million. Net fee and commission income declined by €57 million to €80 million, whereas administrative expenses fell by €62 million to €62 million.

Cost allocations also decreased, from €21 million to €11 million.

Financial Markets

The profit before tax recorded by the Financial Markets segment in the first half of 2014 improved by €6 million year-on-year to €–8 million, due to various non-recurring effects.

Net interest income for the segment declined by €37 million to €11 million. This is mainly attributable to a change in the way transfer prices are calculated (in favor of the retail segment).

Net trading income broke even following €–28 million in the previous year. 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 fee and commission income remained unchanged at €–8 million.

Administrative expenses declined by €8 million to €31 million as a result of a stronger business focus.

Other income and expenses were negative at €–3 million, after €19 million in the previous year, which had seen income from high-risk securities that had already been written off.

Allocated items amounted to €–19 million as against €–12 million in the comparable prior-year period, because the Luxembourg subsidiary (PBI) recognized here invoiced various services provided to Corporate Banking to the Corporate Banking segment.

Non-Core Operating Unit

The Non-Core Operating Unit segment recorded a loss before tax of €289 million, compared with a loss of €368 million in the previous year.

Net interest income declined by €24 million to €–207 million, mainly because of a decrease in high-interest assets.

Net trading income improved by €14 million to €–1 million. In the prior-year period, measurement of embedded derivatives in the structured credit portfolio (SCP) impacted profit by €13 million.

Net income from investment securities improved significantly from €–69 million to €–7 million. In the previous year, deconsolidation effects from the sale of the subsidiaries in the U.S.A. had weighed on the result.

Administrative expenses rose by €5 million to €15 million because of the direct assignment to the segment's administrative expenses. In return, a lower amount of allocated items was charged.

The allowance for losses on loans and advances fell sharply, from €51 million to €5 million. In the previous year, the recognition of a significant specific valuation allowance for non-performing loans was the main factor leading to an increase in the allowance for losses on loans and advances. Based on the positive development of the market in the first half of 2014, no additional need to recognize allowances for risk positions has been identified.

We recorded higher expenses for products that are no longer offered in other income and expenses, which pushed up the net figure for this item from €–18 million in the prior-year period to €–36 million in the reporting period.

The cost/income ratio and the return on equity before tax were both negative.

Cost Centers/Consolidation

This segment comprises Group consolidation adjustments, the profit/loss of the cost centers, the profit/loss of the subsidiaries allocated to this segment (see Note 1 to the interim financial statements), and the reconciliation to consolidated profit. Changes in profit/loss are primarily attributable to non-recurring effects.

The segment's profit before tax increased by €262 million to €362 million. This is mainly due to a positive deconsolidation effect of €349 million from the bundling of the service companies in the Deutsche Bank Group as of April 1, 2014, and the derecognition of pension obligations for these companies in the amount of €12 million.

Net interest income rose by €25 million to €2 million. In the previous year, this item included an interest expense of €22 million resulting from additional tax payments for DSL Holding, which was acquired at the start of the millennium.

Net income from investment securities amounted to €362 million, following €312 million in the prior-year period. This is attributable to the above-mentioned non-recurring effects of the transfer of the service companies. The prior-year figure included positive effects from the sale of our U.S. subsidiaries to Deutsche Bank AG.

Net fee and commission income improved by €21 million to €–59 million. This item was mainly used to consolidate payments for the provision of payment and credit processing services for Postbank that are recognized in income for the Transaction Banking segment. As a result of the transfer of the service companies as of April 1, 2014, the segment's fee and commission expenses decreased in the second quarter.

Administrative expenses declined by €112 million to €347 million. This was primarily due to a write-down of intangible assets recognized in the prior-year period relating to the acquisition of BHW Holding in 2006.

The allocated items from the other segments, which include fully absorbed costs, had a positive impact, resulting in income of €488 million. The negative effect of the items allocated to the other segments totals the equivalent amount, i.e., €–488 million.

Net other income and expenses amounted to €–82 million, following €–9 million in the prior-year period. In turn, this is primarily due to the recognition for the first time in the consolidated financial statements of expenses and income relating to the service companies following the transfer of those companies.

TOTAL ASSETS

Total assets

Postbank's total assets amounted to €158.1 billion as of June 30, 2014, following €161.5 billion as of December 31, 2013. This decline is primarily due to the stronger focus of the business and a further reduction of risk positions, in combination with non-current liabilities reaching maturity.

The assets side of the balance sheet reflects our successful continued reduction of capital market investments and risk. The total volume of investment securities decreased by an additional €1.1 billion as against December 31, 2013, to €32.9 billion.

Specifically, the items are as follows: Loans and advances to customers, which include securitized assets such as promissory note loans, amounted to €99.3 billion as of June 30, 2014, €2.0 billion lower than the 2013 year-end figure of €101.3 billion.

Loans and advances to other banks rose by €1.8 billion to €21.9 billion as of June 30, 2014.

In line with our strategy, we reduced our holdings of investment securities in the first half of 2014 by another €1.1 billion as against the end of the previous year, to €32.9 billion.

Trading assets declined by €1.0 billion compared with December 31, 2013, to €0.8 billion as a result of interest rate levels.

On the liabilities side of the balance sheet, amounts due to customers were down €0.9 billion compared with the 2013 year-end, at €119.5 billion, in part because of the repurchase of own bonds issued. Since the current interest rate environment is less conducive to saving, the volume of savings deposits has declined by €2.7 billion to €43.7 billion since the beginning of the year; in contrast, home savings deposits rose by €173 million to €18.7 billion.

Deposits from other banks declined by 1.8% to €18.0 billion. Debt securities in issue declined by €1.0 billion to €6.3 billion due to other debt instruments that had reached maturity.

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 €259 million as against December 31, 2013, at €6,471 million.

The regular phased-in Common Equity Tier 1 ratio rose as against the 2013 year-end from 9.6% (pro-forma CRR/CRD IV) to 10.2%. The fully phased-in Common Equity Tier 1 ratio rose from 8.8% (pro-forma CRR/CRD IV) at the 2013 year-end to 9.5%. The increase was attributable among other things to the higher profit reported in the first half of the year and consequently to an improvement in Tier 1 capital.

REPORT ON POST-BALANCE SHEET DATE EVENTS

There were no reportable events in the period from June 30, 2014, up to the preparation date of the financial statements for the first half of 2014 by the Management Board on July 30, 2014.

OPPORTUNITY REPORT

Low interest rates stimulate private demand for loans
The historically low interest rates available today have prompted retail customers to step up their spending and reduce their level of savings. The low rates are also spurring demand for private residential mortgages. Postbank has already profited from these trends with rises in new business for consumer loans and residential mortgages. In contrast, the volume of savings deposits at Postbank fell by –4%. This trend caused the deposit surplus to decline and had a positive impact on the Bank's net interest income, a development that took some pressure off margins.

Decisions made by the German government could favor business
We expect that this trend will continue during 2014. However, decisions made by Germany's new government could further stimulate or deflate this trend. A ceiling on rent increases and the currently discussed introduction of a minimum wage would make it easier for certain parts of society to better plan their private spending. This could fuel demand for consumer loans and, thus, further stimulate Postbank's consumer loan business. In addition, it could help further reduce risk.

A reversal of monetary policy unlikely in the short run
A majority of market observers think that the European Central Bank is unlikely to reverse its current course and introduce a more restrictive interest rate policy. In continuing agreement with the consensus, we expect interest rates to rise only slightly in 2014 but only for the longer-term maturity ranges. This scenario could be dramatically altered, however, 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 longer-term residential mortgages with fixed interest rates. Uncertainty about the future direction of interest rates would likely result 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 terms of credit, interest rate and liquidity risks in particular.

Accelerated pace of integration creates opportunities

The integration of Postbank into the Deutsche Bank Group is a fundamental pillar of the Strategy 2015+ that the Group introduced in 2012 and that is designed to achieve its full potential starting in 2015. Most of the measures and investments were/are scheduled to be carried out in 2013 and 2014. Last year, savings produced in the entire Group rose well above expectations while expenses were less than anticipated.

For Postbank, this development creates opportunities to produce synergies faster and higher than those set by the premises of the forecast and/or at lower integration costs.

Other opportunities are being created by our strategy to reduce balance sheet volume and risk positions (de-risking). This process could eventually be conducted faster and with fewer negative impacts on results than planned. This will largely be determined by the continued development of the market in terms of trends in demand and the prices of relevant asset positions.

RISK REPORT

Summary overview of risk exposure

External factors affecting the risk profile

In contrast to the prior-year period, the first half of this year saw broad, robust economic growth. This trend was supported by rising investment and solid consumer spending. While foreign trade continued to be dragged down by a sharp rise in imports in the first quarter, there are signs of improvement in the second quarter. A good part of the growth in the first half of 2014 was also due to the mild winter, however, which led to pull-forward effects in the first quarter to the benefit of the construction industry in particular. The second half of the year is therefore likely to see slightly more moderate growth. Over the year as a whole, the Postbank Group (hereinafter referred to as "Postbank") is expecting GDP to rise by 1.8 %. The risks to these forecasts are limited. On the one hand, Postbank is anticipating firm domestic demand due to a healthy trend in consumer spending and a sound labor market. As expected, the increase in employment in particular continued during the first half of the year. On the other hand, the various political tensions at the present time have the potential to further dampen already-weaker demand from key export markets. Current industry surveys and second-quarter industrial production data, for example, already point to such a trend.

Growth is to be expected in the course of 2014 both for the eurozone as a whole and for most individual countries within it. The positive economic forecasts are also reflected in the trends in bond yields for the crisis countries. Portugal became the second country after Ireland to emerge from the bail-out. We believe that the monetary policy pursued by the European Central Bank (ECB) will remain supportive of developments in the eurozone's periphery until the end of 2015. Alongside the key interest rate cuts decided in June, the central bank's new refinancing program (Targeted Longer-Term Refinancing Operations – TLTROs) in particular has the potential to kick-start lending in peripheral eurozone states. As the results of the latest stress test in the banking sector are not yet in place, however, the ECB's measures are not expected to start having a positive effect until 2015. Given the sustained low interest rate policy, high levels of liquidity, and the slight economic upturn, Postbank is not afraid that the debt crisis may flare up again in the short term. However, fundamental weaknesses such as high government debt levels and some of their underlying causes persist. As a result, the situation remains vulnerable to market turbulence.

Changes in banking supervision regulations in 2014 cover a wide variety of topics. When the Single Supervisory Mechanism (SSM) Regulation enters into force, this first pillar of the banking union will be established under the auspices of the ECB. Under this mechanism, the ECB will directly supervise the most significant banks in the eurozone. In preparation, the supervisor launched 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 currently being 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. In addition, the *Sanierungs- und Abwicklungsgesetz* (SAG – German Restructuring and Resolution Act) will enter into force in Germany at the end of 2014.

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.

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 Bank's overall management via the assessment of the Bank's risk-bearing capacity. Group limits for market, credit, and operational risks were consistently complied with in the first half of 2014. The Group's risk-bearing capacity was ensured at all times.

The focus of Postbank's risk profile is on lending and deposit business with retail and corporate customers. With interest rate and spread volatilities on the European bond markets still low, market risk in the first half of 2014 was down significantly on the prior-year level. 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.

Credit risk

The allowance for losses on loans and advances in the first half of 2014 was below the prior-year level due to the positive trend in Postbank's customer business. This was attributable among other things to a favorable macroeconomic environment, healthy recovery proceeds from collateral realization in the mortgage lending area, and systematic risk management.

In the second half of 2014, we are expecting a slight upward but stable trend in risk exposure compared with the first half of 2014.

Market risk
As in the previous year, Postbank's market risk in the first half of 2014 was dominated in particular by interest rate trends and credit spread risks on the European bond markets. Although Postbank continued to reduce its holdings of investment securities in the year under review, its capital market portfolios are still exposed to the risk of fair value volatility, which may result in potential changes in their present value and to correspondingly higher levels of risk being reported. Value at risk (VaR) declined again in the first half of 2014 due to lower interest rate and spread risks.

If market volatility remains unchanged, we expect risk utilization in the second half of the year to be comparable to the level recorded at the end of the first half of 2014.

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 the first half of 2014, the first control measures were taken to reduce the high levels of surplus liquidity. Further steps in this regard are planned for the second half of the year. The liquidity situation was consistently sound overall and, in keeping with an overall positive macro-economic environment, is expected to remain very stable.

There has been no major change in the assessment of business risk as against the description given in the 2013 Group Management Report.

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

New developments in risk management
To calculate its capital requirements, Postbank has used not only the Basic IRB Approach and the IRB Approach for its retail business, but also the A-IRBA for its Corporate Banking Germany, Banks and Commercial Real Estate UK portfolios. The Bank plans to start using the A-IRBA for significant parts of its commercial real estate portfolio in the second half of 2014, subject to obtaining the necessary approval from the supervisory authorities.

In 2011, Postbank established a liquidity risk management project designed to meet new/more specific regulatory requirements and has continued to drive it forward since then. The focus was on establishing and extending the necessary data pool and the IT infrastructure and processes for producing the reports on the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) required under the Capital Requirements Regulation (CRR). The reports have been sent to the supervisory authority on schedule since March 2014. Since some regulatory requirements have not yet been finalized and further new requirements and measures to improve the data pool are on the horizon, project activities on the liquidity front will extend into 2015.

In the period under review, Postbank continued its systematic progress with the project work needed to implement the Basel III, Capital Requirements Directive (CRD IV), and CRR requirements. For further details, please see the section entitled "Regulatory requirements".

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 Bank-related protection system 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 individual portfolios.

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

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. 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 trading book and banking book positions; this also includes the market risk from its defined benefit pension plans. 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 (LMT) 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 risks 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.

This Risk Report discusses in detail the market, credit, operational, and liquidity risks that can be managed in the course of business operations.

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.

The focuses of Postbank's risk management system have not changed materially as against the description given in the 2013 Group Management Report. The methods, systems, and processes discussed in the 2013 Group Management Report, and the reporting system that builds on them, are subject to continuous review and enhancement in order to meet market, business, and regulatory requirements.

Risk capital and risk limitation

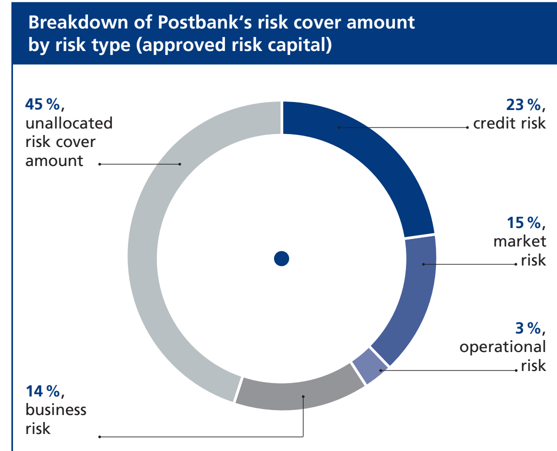
In addition to its regulatory own funds in accordance with the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation), the Bank's risk-bearing capacity is assessed both from the perspective of a liquidation approach (economic creditor protection) and in line with the going concern concept (regulatory 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).

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.

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.

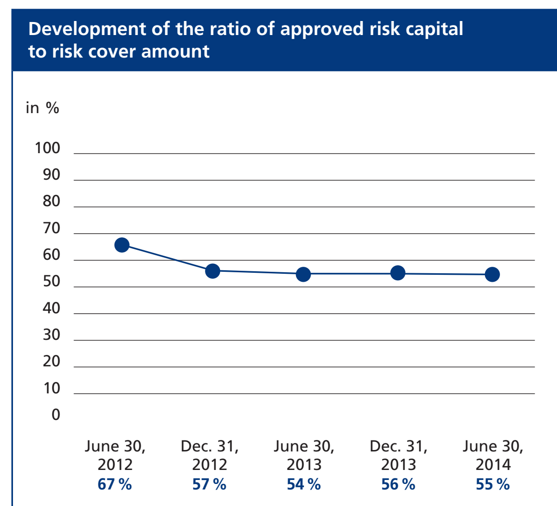
The percentage allocation of Postbank's economic creditor protection risk cover amount by risk type, after factoring in correlation effects, is as follows for the first half of 2014 (calculated as of June 30, 2014):



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 June 30, 2014, and the prior year-end are given in Note 33 to the Interim 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

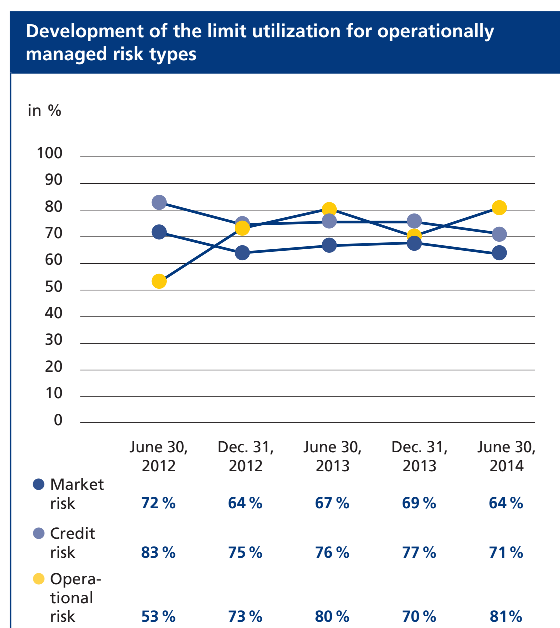
Risk cover utilization, measured in terms of the allocated risk capital after diversification, amounted to 55 % as of the reporting date. Since Postbank aims to improve the impact of its management measures on the risks by managing limits more actively, higher limit utilization must generally be expected. As part of its ongoing reduction of its risk positions, Postbank had started reducing its authorized risk capital in 2012. In the first half of 2014, the only increase in allocated capital related to real estate and investment risks. The risk cover amount therefore remains almost unchanged. Utilization decreased slightly compared to the start of the year.

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. 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:



	June 30, 2012	Dec. 31, 2012	June 30, 2013	Dec. 31, 2013	June 30, 2014
Market risk	72 %	64 %	67 %	69 %	64 %
Credit risk	83 %	75 %	76 %	77 %	71 %
Operational risk	53 %	73 %	80 %	70 %	81%

As of June 30, 2014, utilization of the authorized risk capital for market risk amounted to 64 % (December 31, 2013: 69 %). The authorized risk capital for credit risk remained unchanged in the first half of 2014. Limit utilization declined to 71 % as of June 30, 2014 (December 31, 2013: 77 %). The decrease in credit risk is due in particular to a reduction in risky positions in commercial real estate finance as well as to rating upgrades. The change in the limit utilization figure for the authorized risk capital for operational risk from 70 % as of December 31, 2013, to 81 % as of the end of the first half of 2014 is primarily due to a change in the distribution of the external retail loss data sourced from the Operational Risk Data Exchange (ORX) consortium and a rise in internal operational risk losses from legal actions and complaints in the Retail Banking business division.

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

Risk concentrations and stress testing

For information on the identification, reporting, and monitoring of risk concentrations as well as projects to improve credit portfolio management, please see the 2013 Group Management Report.

Risk concentrations are closely monitored in a timely manner via the segment-specific risk assessment reports and the risk circles used in risk management.

Postbank took measures to reduce concentration risk in the Financial Markets and Non-Core Operating Unit segments. In this context, PB London's portfolio in particular was further liquidated in the first half of the year.

A strategy designed to prevent specific regional concentration risks is being pursued for the commercial mortgage portfolio.

At present, based on the economic capital, a risk concentration is discernible in particular with respect to sovereign exposures.

Regulatory requirements

Postbank uses not only the Basic IRB Approach and the IRB Approach for its retail business to calculate its capital requirements, but also the A-IRBA. The Bank plans to extend the use of the A-IRBA to significant parts of its commercial real estate portfolio in the second half of 2014, subject to obtaining the necessary approval from the supervisory authorities. Please see the "Regulatory requirements" section of the 2013 Group Management Report for a presentation of the residual portfolios calculated using the Credit Risk Standardized Approach and for the treatment of securitization and investment exposures.

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.

The activities aimed at implementing the Basel III requirements (Capital Requirements Directive/Capital Requirements Regulation), and particularly the implementing provisions that are gradually being published, were continued in the first half of 2014. The primary focus here was on supervisory reporting requirements (Common Solvency Ratio Reporting – COREP), the calculation of regulatory capital, and the calculation of the leverage ratio.

In parallel to this, Postbank continued implementing the FINREP (Financial Reporting) requirements. The first report to the supervisory authority is scheduled for the September 30, 2014 reporting date.

Turning to national regulations, Postbank has implemented the requirements arising from the *Großkredit- und Millionenkreditverordnung* (GroMiKV – German Regulation Governing Large Exposures and Loans of €1.5 Million or More) at system and process level, and made preparations to submit the first consolidated forms pursuant to the *Finanzinformationenverordnung* (FinaV – German Financial Information Regulation) as of the September 30, 2014 reporting date. Project activities are also under way to

implement other new reporting requirements (regarding forbearance, non-performing exposures, and asset encumbrance, for example).

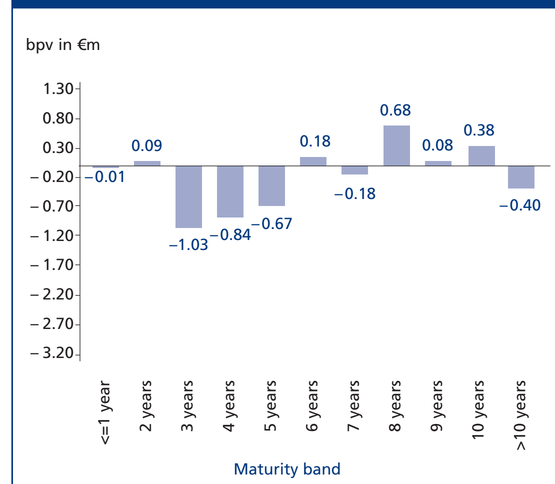
Postbank faces extensive regulatory changes beyond 2014 as well. These include the principles for effective risk data aggregation and risk reporting issued by the Basel Committee on Banking Supervision (BCBS; consultative document 239) and the Analytical Credit Dataset project (AnaCredit project) established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

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.

Interest rate risk – a significant component of market risk – is the term used to denote changes in the fair value of interest-sensitive financial instruments resulting from a change in the market rate of interest. 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 June 30, 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 June 30, 2014.

Postbank's interest rate positions (bpv) as of June 30, 2014



The chart shows that the long positions as of the reporting date of June 30, 2014 are primarily concentrated in the short- to medium-term maturity range (up to 5 years). In the long-term maturity range (8 to 10 years), on the other hand, the majority of interest rate risk overhangs were on the short side as of the reporting date. Overall, a long interest rate position was maintained in the period under review, as in the previous year. The total bpv as of June 30, 2014 amounted to €–1.7 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.

Monitoring market 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 period under review.

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 June 30, 2014, backtesting (one-sided binomial test in accordance with the Basel

traffic light approach) produced one outlier at Group level – within the statistically expected range. All backtesting results were analyzed in detail to determine their causes. Consequently, the appropriateness of the VaR methodology used can be confirmed unchanged.

For more detailed descriptions of the methods used to measure and limit market risk, see the "Monitoring and managing market risk" section of the Risk Report contained in the 2013 Group Management Report.

Stress testing

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 the first half of 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.

Risk indicators

The following VaR figures were calculated for the first half of 2014 and the second half of 2013 (confidence level of 99 %, holding period of 10 days):

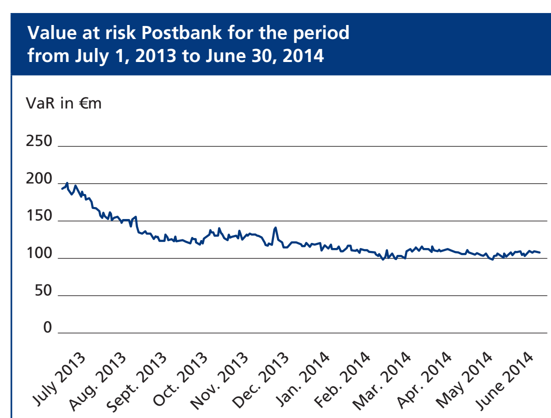
Value at risk, market risk Postbank Group

Group VaR (99 %, 10 days)	VaR at end of half-year		Maximum VaR		Minimum VaR		Average VaR	
	H1 2014 €m	H2 2013 €m	H1 2014 €m	H2 2013 €m	H1 2014 €m	H2 2013 €m	H1 2014 €m	H2 2013 €m
Interest rate risk	20.4	47.3	48.6	98.1	20.3	30.1	38.0	63.6
Equity/stock index risk	2.5	3.5	3.6	4.1	2.5	1.8	3.0	3.0
Currency risk	1.8	3.7	5.5	7.9	0.9	1.3	2.0	4.4
Other market risk (spread)	110.2	120.3	122.6	224.9	96.8	119.2	109.0	157.5
Diversification effects	–26.0	–57.9	–58.9	–124.8	–23.1	–25.3	–42.6	–87.1
Total	**108.9**	**116.9**	**121.0**	**201.3**	**98.1**	**115.7**	**109.4**	**141.4**

The VaR for market risk (confidence level of 99 %, holding period of 10 days) amounted to a total of €109 million as of June 30, 2014 (for comparative purposes: €117 million as of December 31, 2013).

The following graphic shows the VaR for Postbank during the period under review:

Value at risk Postbank for the period from July 1, 2013 to June 30, 2014



VaR declined steadily in the period under review due to a decrease in interest rate and spread risk caused by lower volatilities and at the end of the first half of 2014 was slightly below the figure at the prior year-end.

The VaR figures for the trading book positions are contained in the following overview:

Value at risk, trading book								
VaR trading book (99 %, 10 days)	VaR at end of half-year		Maximum VaR		Minimum VaR		Average VaR	
	H1 2014 €m	H2 2013 €m	H1 2014 €m	H2 2013 €m	H1 2014 €m	H2 2013 €m	H1 2014 €m	H2 2013 €m
Interest rate risk	0.0	0.0	0.1	0.5	0.0	0.0	0.0	0.2
Equity/stock index risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency risk	0.4	0.3	0.4	0.4	0.3	0.3	0.4	0.4
Other market risk (spread)	0.0	0.0	0.1	0.2	0.0	0.0	0.0	0.1
Diversification effects	0.0	0.0	–0.2	–0.4	0.0	0.0	–0.1	–0.2
Total	**0.4**	**0.3**	**0.5**	**0.7**	**0.3**	**0.3**	**0.4**	**0.4**

The risk indicators for the trading book have remained at a very low level since the second half of 2013. The discontinuation of trading book activities at the former subsidiary Deutsche Postbank International S. A., Munsbach, Luxembourg, in the first half of 2014, ahead of its conversion into a branch, resulted in a further reduction in trading volumes.

The VaR for the entire trading book as of June 30, 2014, was a mere €0.4 million (December 31, 2013: €0.3 million).

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. For a detailed presentation, please see the "Monitoring and managing credit risk" section of the 2013 Group Management Report (page 69ff.).

The following table provides an overview of material credit risk indicators for the various profit centers as of June 30, 2014, compared to the end of 2013 (volumes: IFRS carrying amounts):

Credit risk	Volume		Expected loss		Economic capital[1]	
	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m
Retail Banking	75,454	75,999	265	274	765	781
Corporate Banking	15,209	16,541	52	66	342	465
Financial Markets	51,525	51,406	6	6	335	343
Non-Core Operating Unit	12,450	13,481	12	19	675	709
Pension funds	n/a	n/a	0	0	5	5
Total	**154,638**	**157,427**	**335**	**364**	**2,122**	**2,302**

[1]The underlying confidence level is 99.93 %.

The risk indicators for the expected loss and the economic capital have declined compared with the prior year-end. Since December 31, 2013, the credit risk from pension fund investments has been reported as a separate item.

In the Corporate Banking segment, a sharp decline in the expected loss and the economic capital reflects the scaling-back of risk-bearing assets in commercial real estate finance. Furthermore, the portfolio as a whole saw rating upgrades and therefore a decline in the average probability of default.

The "Maximum counterparty credit risk" table depicts the maximum credit risk as of June 30, 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, as of June 30, 2014, held an equity investment in the amount of €422 million, which was accounted for using the equity method (see Note 17).

Maximum counterparty credit risk

Risk-bearing financial instruments	Maximum counterparty credit risk exposure[1]		Collateral		Guarantees/ credit derivatives		Maximum counterparty credit risk exposure after credit risk mitigation	
	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m
Trading assets	**831**	**1,824**	**138**	**142**	**–**	**–**	**693**	**1,682**
Held for trading	831	1,824	138	142	–	–	693	1,682
Hedging derivatives	**130**	**113**	**–**	**–**	**–**	**–**	**130**	**113**
Loans and advances to other banks	**21,903**	**20,153**	**15,797**	**15,077**	**–**	**–**	**6,106**	**5,076**
Loans and receivables	21,903	20,153	15,797	15,077	–	–	6,106	5,076
Securities repurchase agreements	18,297	15,101	15,797	15,077			2,500	24
Overnight money	976	1,826	–	–			976	1,826
Loans	573	808	–	–	–	–	573	808
Registered bonds	321	324	–	–			321	324
Term deposits	1,186	1,248	–	–			1,186	1,248
Other loans and advances	550	846	–	–	–	–	550	846
Loans and advances to customers	**99,302**	**101,313**	**74,889**	**76,794**	**686**	**704**	**23,727**	**23,815**
Loans and receivables	93,999	95,483	69,824	71,252	686	704	23,489	23,527
Private mortgage lending	64,120	64,633	61,769	62,430			2,351	2,203
Home savings loans	3,646	3,690	3,479	3,503			167	187
Commercial loans	15,177	16,603	4,576	5,319	686	704	9,915	10,580
Public-sector receivables	3,713	3,815	–	–			3,713	3,815
Installment loans	5,824	5,454	–	–			5,824	5,454
Other loans and advances	1,519	1,288	–	–			1,519	1,288
Fair value option	5,303	5,830	5,065	5,542	–	–	238	288
Private mortgage lending	5,303	5,830	5,065	5,542			238	288
Investment securities	**32,472**	**34,024**	**–**	**–**	**129**	**–**	**32,343**	**34,024**
Loans and receivables	21,731	23,786	–	–	–	–	21,731	23,786
Available for sale	10,741	10,238	–	–	129	–	10,612	10,238
Bonds and other fixed-income securities	10,583	10,084	–	–			10,583	10,084
Equities	–	–	–	–			–	–
Investment fund shares	129	123	–	–	129		–	123
Equity investments	23	25	–	–			23	25
Investments in unconsolidated subsidiaries	6	6	–	–			6	6
Subtotal	**154,638**	**157,427**	**90,824**	**92,013**	**815**	**704**	**62,999**	**64,710**
Contingent liabilities from guarantees	**379**	**359**	**–**	**–**			**379**	**359**
Other liabilities	**19,261**	**19,532**	**–**	**–**	**0**	**0**	**19,261**	**19,532**
Total	**174,278**	**177,318**	**90,824**	**92,013**	**815**	**704**	**82,639**	**84,601**

Since the third quarter of 2008, Postbank has reduced its holdings of investment securities as part of its program to scale back financial market-related portfolios and risks. A further reduction of €1.1 billion occurred in the first half of 2014.

The table as of the end of the first half of 2014 contains netting effects relating to trading assets and hedging derivatives in the amount of €8.1 billion (December 31, 2013: €5.5 billion), and netting effects of €6.8 billion (December 31, 2013: €2.4 billion) relating to securities repurchase agreements, in the amount disclosed for the maximum counterparty credit risk amount before collateral.

€7.0 billion of the amount disclosed in the "investment securities" balance sheet item as of the end of the first half of 2014 and to a limited 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 June 30, 2014 (December 31, 2013: €0.2 billion), can be considered to be fully collateralized.

Sector structure of the loan portfolio

The following table (see following page) illustrates the risk concentrations by sector and borrower group, broken down by balance sheet item, holding category, and product group.

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.

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	
	June 30, 2014 €m	Dec, 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m
Trading assets	**144**	**150**	**396**	**1,368**	**–**	**–**	**123**	**140**	**52**	**63**	**29**	**28**	**87**	**75**	**831**	**1,824**
Held for trading	144	150	396	1,368	–	–	123	140	52	63	29	28	87	75	831	1,824
Hedging derivatives	**–**	**–**	**130**	**113**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**130**	**113**
Loans and advances to other banks	**–**	**–**	**21,902**	**20,148**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1**	**5**	**21,903**	**20,153**
Loans and receivables	–	–	21,902	20,148	–	–	–	–	–	–	–	–	1	5	21,903	20,153
Securities repurchase agreements	–	–	18,297	15,101	–	–	–	–	–	–	–	–	–	–	18,297	15,101
Overnight money	–	–	976	1,826	–	–	–	–	–	–	–	–	–	–	976	1,826
Loans	–	–	573	804	–	–	–	–	–	–	–	–	–	4	573	808
Registered bonds	–	–	321	324	–	–	–	–	–	–	–	–	–	–	321	324
Term deposits	–	–	1,186	1,248	–	–	–	–	–	–	–	–	–	–	1,186	1,248
Other loans and advances	–	–	549	845	–	–	–	–	–	–	–	–	1	1	550	846
Loans and advances to customers	**81,913**	**82,499**	**343**	**432**	**3,582**	**3,649**	**7,129**	**8,524**	**3,482**	**3,377**	**1,997**	**1,918**	**856**	**914**	**99,302**	**101,313**
Loans and receivables	76,610	76,669	343	432	3,582	3,649	7,129	8,524	3,482	3,377	1,997	1,918	856	914	93,999	95,483
Private mortgage lending	63,959	64,454	1	1	–	–	–	–	31	26	–	–	129	152	64,120	64,633
Home savings loans	3,646	3,690	–	–	–	–	–	–	–	–	–	–	–	–	3,646	3,690
Commercial loans	1,704	1,830	316	405	–	–	7,129	8,513	3,447	3,347	1,997	1,918	584	590	15,177	16,603
Public-sector receivables	–	–	–	–	3,582	3,649	–	–	2	2	–	–	129	164	3,713	3,815
Installment loans	5,823	5,454	–	–	–	–	–	–	1	–	–	–	–	–	5,824	5,454
Other loans and advances	1,478	1,241	26	26	–	–	–	11	1	2	–	–	14	8	1,519	1,288
Fair value option	5,303	5,830	–	–	–	–	–	–	–	–	–	–	–	–	5,303	5,830
Private mortgage lending	5,303	5,830	–	–	–	–	–	–	–	–	–	–	–	–	5,303	5,830
Investment securities	**–**	**–**	**15,165**	**16,774**	**15,216**	**15,020**	**–**	**–**	**931**	**993**	**614**	**647**	**546**	**590**	**32,472**	**34,024**
Loans and receivables	–	–	11,134	12,565	9,409	10,021	–	–	560	540	360	362	268	298	21,731	23,786
Available for sale	–	–	4,031	4,209	5,807	4,999	–	–	371	453	254	285	278	292	10,741	10,238
Bonds and other fixed-income securities	–	–	3,894	4,063	5,807	4,999	–	–	371	453	254	285	257	284	10,583	10,084
Equities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Investment fund shares	–	–	129	123	–	–	–	–	–	–	–	–	–	–	129	123
Equity investments	–	–	2	17	–	–	–	–	–	–	–	–	21	8	23	25
Investments in unconsolidated subsidiaries	–	–	6	6	–	–	–	–	–	–	–	–	–	–	6	6
Subtotal	**82,057**	**82,649**	**37,936**	**38,835**	**18,798**	**18,669**	**7,252**	**8,664**	**4,465**	**4,433**	**2,640**	**2,593**	**1,490**	**1,584**	**154,638**	**157,427**
Contingent liabilities from guarantees	**36**	**19**	**–**	**18**	**–**	**–**	**12**	**13**	**203**	**205**	**82**	**71**	**46**	**33**	**379**	**359**
Other liabilities	**16,575**	**16,671**	**43**	**33**	**42**	**1**	**99**	**155**	**1,589**	**1,681**	**644**	**768**	**269**	**223**	**19,261**	**19,532**
Total	**98,668**	**99,339**	**37,979**	**38,886**	**18,840**	**18,670**	**7,363**	**8,832**	**6,257**	**6,319**	**3,366**	**3,432**	**1,805**	**1,840**	**174,278**	**177,318**

Regional distribution of the loan portfolio

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	
	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m
Trading assets	**523**	**1,098**	**288**	**706**	**20**	**20**	**831**	**1,824**
Held for trading	523	1,098	288	706	20	20	831	1,824
Hedging derivatives	**83**	**71**	**33**	**40**	**14**	**2**	**130**	**113**
Loans and advances to other banks	**13,837**	**16,364**	**8,034**	**3,752**	**32**	**37**	**21,903**	**20,153**
Loans and receivables	13,837	16,364	8,034	3,752	32	37	21,903	20,153
Securities repurchase agreements	11,263	12,821	7,034	2,280	–	–	18,297	15,101
Overnight money	245	1,264	699	527	32	35	976	1,826
Loans	307	313	266	495	–	–	573	808
Registered bonds	321	324	–	–	–	–	321	324
Term deposits	1,186	1,188	–	60	–	–	1,186	1,248
Other loans and advances	515	454	35	390	–	2	550	846
Loans and advances to customers	**91,028**	**91,757**	**7,597**	**8,456**	**677**	**1,100**	**99,302**	**101,313**
Loans and receivables	85,741	85,946	7,583	8,441	675	1,096	93,999	95,483
Private mortgage lending	60,121	60,542	3,941	4,037	58	54	64,120	64,633
Home savings loans	3,623	3,668	21	20	2	2	3,646	3,690
Commercial loans	11,096	11,343	3,472	4,225	609	1,035	15,177	16,603
Public-sector receivables	3,602	3,701	111	114	–	–	3,713	3,815
Installment loans	5,797	5,436	23	15	4	3	5,824	5,454
Other loans and advances	1,502	1,256	15	30	2	2	1,519	1,288
Fair value option	5,287	5,811	14	15	2	4	5,303	5,830
Private mortgage lending	5,287	5,811	14	15	2	4	5,303	5,830
Investment securities	**12,337**	**12,924**	**19,557**	**20,100**	**578**	**1,000**	**32,472**	**34,024**
Loans and receivables	8,463	8,928	12,784	14,024	484	834	21,731	23,786
Available for sale	3,874	3,996	6,773	6,076	94	166	10,741	10,238
Bonds and other fixed-income securities	3,732	3,859	6,757	6,059	94	166	10,583	10,084
Equities	–	–	–	–	–	–	–	–
Investment fund shares	129	121	–	2	–	–	129	123
Equity investments	12	15	11	10	–	–	23	25
Investments in unconsolidated subsidiaries	1	1	5	5	–	–	6	6
Subtotal	**117,808**	**122,214**	**35,909**	**33,054**	**1,321**	**2,159**	**154,638**	**157,427**
Contingent liabilities from guarantees	**331**	**306**	**48**	**53**	**–**	**–**	**379**	**359**
Other liabilities	**19,101**	**19,287**	**146**	**232**	**14**	**13**	**19,261**	**19,532**
Total	**137,240**	**141,807**	**35,703**	**33,339**	**1,335**	**2,172**	**174,278**	**177,318**

The following table "Exposures to debtors in selected European countries" comprises exposures to debtors in the so-called 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	
	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m
Greece	0.0	0.0	0.0	0.0	1.6	2.0	0.7	3.0	0.0	0.0	2.3	5.0
Ireland	363.7	361.2	209.9	242.4	3.7	4.9	33.6	26.6	59.0	52.6	669.9	687.7
Italy	3,413.5	3,433.7	907.1	1,115.7	2,565.2	2,664.5	309.3	292.1	0.0	0.0	7,195.1	7,506.0
Portugal	63.3	62.7	285.6	288.8	2.9	6.0	2.6	1.6	0.0	0.0	354.4	359.1
Spain	600.2	608.0	2,099.0	2,432.1	29.9	34.6	125.5	126.9	0.0	26.0	2,854.6	3,227.6
Total	**4,440.7**	**4,465.6**	**3,501.6**	**4,079.0**	**2,603.3**	**2,712.0**	**471.7**	**450.2**	**59.0**	**78.6**	**11,076.3**	**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 June 30, 2014, Postbank had accepted securities amounting to a total of €2.47 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 June 30, 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 similar covered issues that are relatively low-risk in nature. For this reason, the issue ratings are shown in the following table. The distribution of rating categories in the Group loan portfolio reflects Postbank's conservative approach. The good rating categories predominate: 93 % 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	
	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m
Trading assets	**–**	**37**	**30**	**231**	**289**	**554**	**169**	**645**	**76**	**91**	**123**	**116**	**687**	**1,674**
Held for trading	–	37	30	231	289	554	169	645	76	91	123	116	687	1,674
Hedging derivatives	**–**	**–**	**–**	**–**	**129**	**112**	**1**	**1**	**–**	**–**	**–**	**–**	**130**	**113**
Held for trading	–	–	–	–	129	112	1	1	–	–	–	–	130	113
Loans and advances to other banks	**336**	**1,276**	**2,934**	**1,693**	**15,772**	**16,586**	**2,729**	**400**	**130**	**152**	**1**	**44**	**21,902**	**20,151**
Loans and receivables	336	1,276	2,934	1,693	15,772	16,586	2,729	400	130	152	1	44	21,902	20,151
Securities repurchase agreements	–	–	2,656	1,500	13,200	13,601	2,441	–	–	–	–	–	18,297	15,101
Overnight money	–	1,000	220	111	711	672	45	43	–	–	–	–	976	1,826
Loans	250	229	–	–	192	334	–	56	130	152	–	35	572	806
Registered bonds	–	–	–	–	141	143	180	181	–	–	–	–	321	324
Term deposits	84	44	–	60	1,102	1,101	–	43	–	–	–	–	1,186	1,248
Other loans and advances	2	3	58	22	426	735	63	77	–	–	1	9	550	846
Loans and advances to customers	**3,072**	**1,778**	**2,565**	**4,025**	**2,007**	**1,387**	**4,129**	**4,303**	**4,100**	**5,146**	**898**	**1,206**	**16,774**	**17,844**
Loans and receivables	3,072	1,778	2,565	4,025	2,007	1,387	4,129	4,303	4,100	5,146	898	1,206	16,774	17,844
Private mortgage lending	8	6	10	12	20	20	41	40	37	45	23	23	142	141
Commercial loans	1,320	1,659	1,016	913	1,987	1,367	4,087	4,266	3,960	4,987	508	651	12,878	13,843
Public-sector receivables	1,744	113	1,538	3,100	–	–	–	–	103	103	328	499	3,713	3,815
Other loans and advances	–	–	1	–	–	–	1	1	–	11	39	33	41	45
Investment securities	**11,951**	**10,151**	**7,896**	**5,997**	**9,048**	**13,357**	**2,869**	**3,193**	**662**	**960**	**38**	**358**	**32,464**	**34,016**
Loans and receivables	6,154	4,345	5,299	4,409	7,589	11,840	2,143	2,279	536	835	10	78	21,731	23,786
Available for sale	5,797	5,806	2,597	1,588	1,459	1,517	726	914	126	125	28	280	10,733	10,230
Bonds and other fixed-income securities	5,797	5,806	2,595	1,578	1,339	1,517	726	914	118	118	–	143	10,575	10,076
Equities	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Investment fund shares	–	–	–	–	120	–	–	–	–	–	9	123	129	123
Equity investments	–	–	1	9	–	–	–	–	8	7	14	9	23	25
Investments in unconsolidated subsidiaries	–	–	1	1	–	–	–	–	–	–	5	5	6	6
Total	**15,359**	**13,242**	**13,425**	**11,946**	**27,245**	**31,996**	**9,897**	**8,541**	**4,971**	**6,349**	**1,060**	**1,724**	**71,957**	**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 June 30, 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	
	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m
Trading assets	**–**	**–**	**2**	**4**	**14**	**17**	**73**	**56**	**55**	**57**	**–**	**16**	**144**	**150**
Held for trading	–	–	2	4	14	17	73	56	55	57	–	16	144	150
Loans and advances to customers	**282**	**35**	**381**	**804**	**5,304**	**5,355**	**32,183**	**25,546**	**37,979**	**33,588**	**3,422**	**14,940**	**79,551**	**80,268**
Loans and receivables	282	31	352	695	4,858	4,782	29,372	23,688	36,001	31,973	3,418	13,312	74,283	74,481
Private mortgage lending	–	14	203	466	3,844	4,081	26,713	22,250	29,956	27,200	1,941	9,303	62,657	63,314
Home savings loans	–	17	104	215	779	604	1,836	821	746	447	24	1,458	3,489	3,562
Commercial loans	282	–	17	–	60	–	43	3	42	33	1,258	1,789	1,702	1,825
Installment loans	–	–	14	12	85	84	564	560	4,439	4,137	160	147	5,262	4,940
Other loans and advances	–	–	14	2	90	13	216	54	818	156	35	615	1,173	840
Fair value option	–	4	29	109	446	573	2,811	1,858	1,978	1,615	4	1,628	5,268	5,787
Private mortgage lending	–	4	29	109	446	573	2,811	1,858	1,978	1,615	4	1,628	5,268	5,787
Total	**282**	**35**	**383**	**808**	**5,318**	**5,372**	**32,256**	**25,602**	**38,034**	**33,645**	**3,422**	**14,956**	**79,695**	**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 June 30, 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			
	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m
Loans and advances to customers	**261**	**282**	**37**	**64**	**63**	**158**	**204**	**217**	**565**	**721**	**449**	**571**
Loans and receivables	260	281	36	63	59	151	197	205	552	700	438	553
Private mortgage lending	231	253	16	37	41	64	185	162	473	516	386	410
Home savings loans	5	4	3	3	4	5	11	12	23	24	20	22
Commercial loans	5	4	14	22	14	82	–	30	33	138	22	113
Installment loans	2	6	–	–	–	–	–	–	2	6	–	–
Other loans and advances	17	14	3	1	–	–	1	1	21	16	10	8
Fair value option	1	1	1	1	4	7	7	12	13	21	11	18
Private mortgage lending	1	1	1	1	4	7	7	12	13	21	11	18
Total	**261**	**282**	**37**	**64**	**63**	**158**	**204**	**217**	**565**	**721**	**449**	**571**

The carrying amount of financial assets that would have been past due or impaired if their conditions had not been renegotiated (renegotiated volume) amounted to €310 million (December 31, 2013: €279 million).

The following table shows all impaired financial assets as of June 30, 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	
	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m
Loans and advances to other banks	**1**	**2**	**1**	**2**	**–**	**–**	**–**	**–**
Loans and receivables	1	2	1	2	–	–	–	–
Overnight money	–	–	–	–	–	–	–	–
Loans	1	2	1	2	–	–	–	–
Loans and advances to customers	**2,412**	**2,480**	**1,260**	**1,314**	**1,152**	**1,166**	**1,248**	**1,169**
Loans and receivables	2,390	2,458	1,260	1,313	1,130	1,145	1,228	1,149
Private mortgage lending	848	712	332	369	516	343	720	578
Home savings loans	134	154	4	3	130	151	117	135
Commercial loans	564	797	288	333	276	464	391	436
Public-sector receivables	–	–	–	–	–	–	–	–
Installment loans	560	508	362	324	198	184	–	–
Other loans and advances	284	287	274	284	10	3	–	–
Fair value option	22	22	–	1	22	21	20	20
Private mortgage lending	22	22	–	1	22	21	20	20
Investment securities	**51**	**51**	**43**	**43**	**8**	**8**	**–**	**–**
Loans and receivables	42	42	42	42	–	–	–	–
Available for sale	9	9	1	1	8	8	–	–
Bonds and other fixed-income securities	9	9	1	1	8	8	–	–
Equities	–	–	–	–	–	–	–	–
Investment fund shares	–	–	–	–	–	–	–	–
Total	**2,464**	**2,533**	**1,304**	**1,359**	**1,160**	**1,174**	**1,248**	**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.

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.

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

Investor

In the course of credit substitution transactions, Postbank invested in structured credit products (SCPs), among other things. 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. Investor positions in the banking book are classified as one of the two IFRS categories "loans and receivables" or "available for sale," depending on the intention and structure of the investment concerned, and measured accordingly. Securitization positions are generally rated by at least one recognized rating agency (Standard & Poor's, Moody's, or Fitch Ratings). The portfolio is valued periodically using arranger quotes or an internal valuation model.

As of June 30, 2014, the total notional volume of the portfolio had declined slightly to €122 million due to redemptions (December 31, 2013: €123 million). Impairment losses of €1 million but no measurement losses on embedded derivatives were recognized in the period under review. Negative fair value changes amounting to €22 million were recognized in the revaluation reserve. Please see Note 4 (h) of the Notes to the 2013 Consolidated Financial Statements for further details on measurement (page 109f.).

Postbank's securitization positions as of June 30, 2014 were as follows:

Securitization positions: volumes by rating category

Securitization positions	AAA		AA		A		BBB		< BBB		Total	
	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m
CMBSs	–	–	–	–	–	–	–	–	–	–	–	–
RMBSs	–	–	6	7	34	34	3	3	37	37	80	81
Corporate CDOs	–	–	–	–	–	–	–	–	–	–	–	–
Non-corporate CDOs	–	–	–	–	–	–	–	–	–	–	–	–
Other ABSs	–	–	–	–	–	–	–	–	42	42	42	42
Total	**–**	**–**	**6**	**7**	**34**	**34**	**3**	**3**	**79**	**79**	**122**	**123**

The regional focus of the redeemed RMBSs is on Germany. As of the reporting date of June 30, 2014, no securitization positions were hedged with monoliners.

Originator
In addition to being an investor, Postbank also acts as an originator. 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	€959 million	(Deutsche Postbank AG)
Provide Blue 2005-2	€1,043 million	(BHW Bausparkasse AG)
PB Domicilio 2007-1	€540 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. 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 approximately €21 million.

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. Generally speaking, operational liquidity risk management is performed centrally by Deutsche Postbank AG's Chief Operating Office. BHW Bausparkasse AG and the subsidiary in Luxembourg manage their risks independently within the framework of Group-wide procedures and processes. Deutsche Postbank AG serves as a 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 branch.

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. At present, no significant funding measures on the money and capital markets are planned.

The following table shows the financial liabilities as of June 30, 2014, and December 31, 2013, broken down into residual maturity bands.

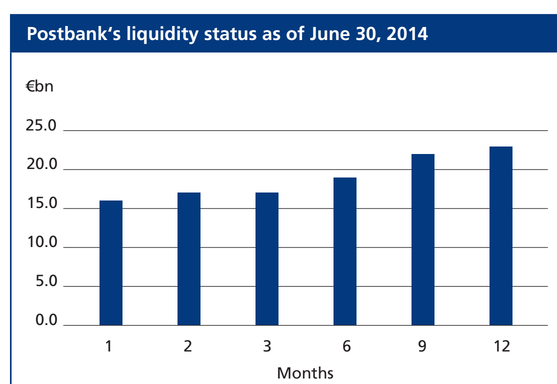
Liabilities by residual maturity

Liabilities	Payable on demand		≤ 3 months		> 3 months and ≤ 1 year		> 1 year and ≤ 5 years		> 5 years		Total	
	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m
Non-derivative liabilities	58,961	56,936	55,875	58,083	21,279	23,279	12,205	18,364	18,649	20,744	166,969	177,406
Deposits from other banks	63	193	7,601	7,627	556	744	4,118	5,845	6,119	4,884	18,457	19,293
Due to customers	39,257	36,852	45,711	47,968	19,292	20,284	6,101	7,603	7,997	10,715	118,358	123,422
Debt securities in issue	–	0	1,595	1,114	1,190	1,896	239	2,518	2,928	2,436	5,952	7,964
Subordinated debt	–	–	23	541	241	355	1,747	2,398	1,605	2,709	3,616	6,003
Other liabilities	–	–	945	833	–	–	–	–	–	–	945	833
Contingent liabilities and other obligations	19,641	19,891	–	–	–	–	–	–	–	–	19,641	19,891
Derivative liabilities	–	–	181	192	79	444	395	1,192	523	559	1,178	2,387
Hedging derivatives	–	–	66	60	12	85	187	260	85	207	350	612
Trading liabilities	–	–	115	132	67	359	208	932	438	352	828	1,775
Total	**58,961**	**56,936**	**56,056**	**58,275**	**21,358**	**23,723**	**12,600**	**19,556**	**19,172**	**21,303**	**168,147**	**179,793**

The undiscounted 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 June 30, 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.

Postbank's liquidity status as of June 30, 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 the Bank's adequate cash position.

The results of the stress tests in the first half of 2014 also underline Postbank's sound 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.

The VaR limit for operational risk at overall bank level amounted to €600 million as of the closing date for the first half of the year. 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.

At €55 million, operational risk losses in the first half of 2014 were up on the second half of 2013 (€39 million). This is mainly due to an increase in legal actions and complaints about investment advice. A large proportion of these relate to advice provided and transactions entered into before 2008 in the area of closed-end funds.

The second 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 measures in 2013 successfully led to a decline in losses in the first half of 2014 compared with the prior-year period.

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)	
	June 30, 2014 €m	Dec. 31, 2013 €m
Retail Banking	294	243
Corporate Banking	30	35
Transaction Banking	81	71
Financial Markets	80	70
Postbank total	**485**	**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 €294 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 €59 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.

REPORT ON EXPECTED DEVELOPMENTS

Trends in economic conditions

World economic growth should see mild gains throughout the rest of the year and end up in a somewhat better position in 2014 than in the prior year. The International Monetary Fund (IMF) expects global economic output to grow by 3.4% in 2014. Risks to the worldwide economy are currently posed by political uncertainties and the monetary policy in the U.S.A. Should rising inflationary pressure lead to the expectation that the Fed could raise the federal funds rate more rapidly than assumed to date, the situation could lead financial markets to respond fiercely, especially in emerging countries. This could lead to considerable negative effects for the global economy.

The U.S. economic momentum is based on a broad foundation. But we do not expect GDP growth, at 1.9%, to turn out higher than it did last year given the very weak weather-related start of 2014.

In the eurozone, the economy is expected to pick up gradually. Domestic demand is likely to undergo a mild resurgence. In addition, the slowly improving global environment should cause the pace of exports to accelerate. Risks to this outlook are posed by uncertainty about the development of the global economy and by the EMU sovereign debt crisis, which has not yet been fully overcome. For 2014 as a whole, we expect moderate GDP growth of 1.1%.

Economic outlook for Germany

The fundamental shape of the German economy remains substantially better than that of the entire eurozone. Early indicators like the Ifo Business Climate Index suggest that Germany will continue to enjoy an economic upturn, but that momentum will wane a bit in the year's second half. Gross capital expenditures in 2014 in particular are expected to provide an appreciable momentum. As a result, employment and income are likely to climb noticeably, leading to a more rapid growth in private consumption. Exports too should grow more rapidly but not at the same pace as imports. As a result, foreign trade overall may hamper growth. We expect German GDP to rise slightly by 1.8% in 2014. Unemployment may inch downward during the rest of this year, entailing a possible decline in the average annual unemployment rate from 6.9% to 6.7%.

Since our Report on Expected Developments in the Bank's 2013 Annual Report, we have moderately raised our 2014 growth forecasts for Germany and marginally raised them for the EMU; for the U.S.A., however, our expectations have been markedly lowered.

The gradual change of course in U.S. monetary policy as well as the on-going economic uncertainties in a number of eurozone countries can cause a flare up of volatility at any time on capital markets. In light of the risk premiums demanded for the government bonds of the so-called peripheral eurozone countries, we think a further narrowing is possible, provided that budget deficits are reduced long term and the countries in question continue their course of economic recovery.

The ECB is expected to keep its key interest rate at the record low of 0.15 % for the rest of 2014. The deposit and marginal lending facility rates should also remain at the level reached at mid-year. In addition, the ECB is expected to implement the additional measures it adopted in June. If the modest recovery of the EMU economy that we expect fails to materialize or if inflation rate continues to drop, we think it is possible that the ECB will pass a resolution on purchasing asset-backed securities on a moderate scale. This year, the U.S. Federal Reserve should keep its federal funds rate steady in a range of 0% to 0.25%. It is likely to continue to successively reduce its volumes of government bond purchases, with the purchasing program likely to expire in October. German Bunds will probably continue to benefit from the ECB's low interest policy. In contrast, the EMU's inflation rate, which is slightly rising once again in line with our expectations, and the gradual course change in U.S. monetary policy should have a negative effect on bond markets. We expect the yields of 10-year German Bunds to reach 1.75 % by the end of 2014. The long end of the yield curve is likely to become successively steeper by the end of the year, starting from its current position.

Overall, we anticipate a lower yield level for the end of 2014 than we did at the time of the outlook in our 2013 Annual Report.

Sector situation

In all likelihood, German banks will continue to face two main challenges through the end of 2014: A clear and long-term improvement of the operating business as well as the implementation of new regulatory requirements. Here, the ECB's on-going comprehensive assessment and its complete assumption of the supervision of the most significant credit institutions of the eurozone, scheduled for November 4, 2014, should be of special significance.

Growth in the operating business of German banks is likely to be made more difficult by the sustained low level of interest rates and the currently negative deposit facility rate of the ECB. We do not expect to see any significant rate increase until the end of 2014. As a result, interest margin increases are likely to be possible only to a limited extent, especially since tough competition in the German retail customer and business customer segment (SMEs) has a negative impact on net fee and commission income and the interest margin. In addition, only moderate growth is expected for the lending business with these customer groups. Substantial gains in net fee and commission income and net interest income should therefore be achieved only with great difficulty.

Low financing costs, however, could stimulate the equity and debt capital markets business issues as well as the mergers and acquisitions activities (M&A) of companies. This would have a positive impact on income from investment banking. Because of the persistently difficult conditions on the income side, many banks are likely to have additional cost optimizations on their agendas.

We believe that the three-pillar structure of the German banking market consisting of private, public and cooperative banks is unlikely to change by the end of 2014. Mergers and/or takeovers should occur primarily within individual banking groups. Noteworthy changes of the market position and/or competitive situations of individual banks are likely to continue to be limited to the *Landesbanken*.

Legal disputes may also have a negative impact on the reputation and the business performance of the German banking industry.

The impact of the AQR and the successive stress tests on the banking industry and thus on Deutsche Postbank AG cannot be assessed at the current time, since the ECB's methodology will not be published until August following the AQR's completion. Moreover, the results will be initially published in the second half of October, shortly before the ECB's assumption of supervisory responsibilities for the 120 banks.

Investment focuses

The following text on future investment focuses has been excerpted from Postbank's 2013 Annual Report by virtue of its unchanged validity:

"In 2014, both Postbank and Deutsche Bank will continue to pursue the Magellan program, which aims at creating a joint retail platform for both institutions and is designed to generate synergies through the standardization of systems. It will also have the highest priority in Postbank's investment portfolio in years to come, alongside investments to address compliance and realignment issues related to regulatory matters. The latter include the fulfillment of liquidity and capital requirements as well as accounting standards, SEPA, Basel III, and various consumer protection issues. Lifecycle investments will be made in 2014 to the extent they are technically necessary. But they will be avoided if possible as long as they are no longer needed with the introduction of Magellan."

As part of the merger of the Postbank und norisbank brands under the umbrella of Postbank, investments in the sales channels focus on growth in the online business, call center operations and the self-service strategy. We are also still moving forward with the re-design of our branch concept owing to large sales and service areas.

To promote opportunities for growth, the Bank plans to invest in a greater degree of digitization starting this year in cooperation with Deutsche Bank as part of the "Next" program. In the years ahead, customer access options will be optimized, the efficiency of front-back processes further improved and opportunities offered by big data for pricing and risk decisions more intensively exploited.

Outlook for the Postbank Group

In light of business developments at the Postbank Group in fiscal year 2014, our expectations as of June 30, 2014 remain largely unchanged from those presented in the Group Management Report as of December 31, 2013. The transfer of the service companies as of April 1, 2014, however, will lead to changes in the outlook for individual earnings components.

The Postbank Group assumes that net interest income in 2014 will more or less reach its prior-year level despite continuingly low interest rates.

After the bundling of service companies in the Deutsche Bank Group, net fee and commission income will perform somewhat worse than expected at the start of the year and remain slightly below the level of fiscal year 2013 due to the omission of external fee and commission income. Because of uncertainty related to the timing of the implementation of these measures, they were not incorporated into the planning values at the start of the year. Otherwise net fee and commission income will continue its stable trend as expected given the continuing reserve of customers in the securities and retirement provision business.

In line with expectations, net trading income will generate a slightly negative earnings contribution that will markedly exceed the prior-year value, which was marked in particular by negative effects from the NCOU segment (SCPs) and the utilization of cross currency swaps.

Also in view of measures to accelerate the reduction of investment securities, among other things, we expect net income from investment securities to make a markedly positive contribution in 2014, resulting primarily from deconsolidation and other effects produced by the bundling of service companies in the Deutsche Bank Group.

With regard to the allowance for losses on loans and advances Postbank expects the risk situation to develop in a stable manner thanks to the positive performance in the first half of the year combined with a positive macroeconomic environment overall. For 2014, as we did in 2013, we expect the allowance for losses on loans and advances to decline in the NCOU segment as well as a moderate increase in our core business resulting primarily from business growth.

Administrative expenses for the overall year could drop markedly year-on-year because of expenditures for services companies which no longer apply as well as a writedown of €180 million in the prior-year period. Due to additional integration measures planned for the second half year, we expect substantially higher expenditures compared with the first six months.

Corresponding to our Report on Expected Developments for the full-year 2014, we expect to see a significant rise in profit before and after tax in the lower three-digit millions compared with the fiscal year 2013, arising primarily from the bundling of the service companies.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD JANUARY 1 TO JUNE 30, 2014

Consolidated Income Statement	Note	Jan. 1 – June 30, 2014 €m	Jan. 1 – June 30, 2013 €m
Interest income	(4)	2,425	2,613
Interest expense	(4)	–1,175	–1,378
Net interest income	(4)	1,250	1,235
Allowance for losses on loans and advances	(5)	–120	–137
Net interest income after allowance for losses on loans and advances		1,130	1,098
Fee and commission income	(6)	624	684
Fee and commission expense	(6)	–123	–127
Net fee and commission income	(6)	501	557
Net trading income	(7)	–10	–20
Net income from investment securities	(8)	407	251
Administrative expenses	(9)	–1,364	–1,657
Other income	(10)	113	54
Other expenses	(11)	–239	–41
Profit before tax		538	242
Income tax		–182	14
Profit from ordinary activities after tax		356	256
Non-controlling interests		–1	0
Consolidated net profit		**355**	**256**
Basic earnings per share (€)[1]		1.62	1.17
Diluted earnings per share (€)[1]		1.62	1.17

[1] An average of 218.8 million shares were outstanding in both reporting periods.

Condensed Statement of Comprehensive Income	Jan. 1 – June 30, 2014 €m	Jan. 1 – June 30, 2013 €m
Profit from ordinary activities after tax	356	256
Other comprehensive income after tax	**39**	**29**
Items that will not be reclassified to profit or loss	–102	–69
Remeasurement gains/losses (–) on defined benefit plans	–102	–69
Income tax on items not reclassified to profit or loss	–5	–5
Items that will be/may be reclassified to profit or loss, before tax	146	112
Change in revaluation reserve	146	–26
Unrealized gains/losses (–) for the period, before tax	143	–29
Gains (–)/losses reclassified to profit or loss, before tax	3	3
Change in currency translation reserve	–	138
Unrealized gains/losses (–) for the period, before tax	–	–
Gains (–)/losses reclassified to profit or loss, before tax	–	138
Income tax on items that will be/may be reclassified to profit or loss	0	–9
Total comprehensive income for the period attributable to non-controlling interests	–1	0
Total comprehensive income	**394**	**285**

CONSOLIDATED INCOME STATEMENT – QUARTERLY OVERVIEW

	2014		2013			
	Q2 €m	Q1 €m	Q4 €m	Q3 €m	Q2 €m	Q1 €m
Interest income	1,210	1,215	1,253	1,292	1,297	1,316
Interest expense	–579	–596	–655	–662	–648	–730
Net interest income	631	619	598	630	649	586
Allowance for losses on loans and advances	–68	–52	–89	–93	–53	–84
Net interest income after allowance for losses on loans and advances	563	567	509	537	596	502
Fee and commission income	295	329	335	357	339	345
Fee and commission expense	–60	–63	–57	–72	–62	–65
Net fee and commission income	235	266	278	285	277	280
Net trading income	–7	–3	–15	–18	–23	3
Net income from investment securities	392	15	–1	24	40	211
Administrative expenses	–660	–704	–792	–728	–742	–915
Other income	91	22	46	29	33	21
Other expenses	–216	–23	–48	–30	–24	–17
Profit/loss before tax	**398**	**140**	**–23**	**99**	**157**	**85**
Income tax	–155	–27	–4	3	33	–19
Profit/loss from ordinary activities after tax	**243**	**113**	**–27**	**102**	**190**	**66**
Non-controlling interests	–1	0	–1	0	0	0
Consolidated net profit/loss	**242**	**113**	**–28**	**102**	**190**	**66**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME – QUARTERLY OVERVIEW

	2014		2013			
	Q2 €m	Q1 €m	Q4 €m	Q3 €m	Q2 €m	Q1 €m
Profit/loss from ordinary activities after tax	243	113	–27	102	190	66
Other comprehensive income after tax	**31**	**8**	**16**	**6**	**–69**	**98**
Items that will not be reclassified to profit or loss	–38	–64	45	–12	–8	–61
Remeasurement gains/losses (–) on defined benefit plans	–38	–64	45	–12	–8	–61
Income tax on items not reclassified to profit or loss	–6	1	3	0	–9	4
Items that will be/may be reclassified to profit or loss, before tax	75	71	–39	18	–51	163
Change in revaluation reserve	75	71	–39	18	–51	25
Unrealized gains/losses (–) for the period, before tax	70	73	–34	38	–60	31
Gains (–)/losses reclassified to profit or loss, before tax	5	–2	–5	–20	9	–6
Change in currency translation reserve	0	0	0	0	0	138
Unrealized gains/losses (–) for the period, before tax	0	0	0	0	0	0
Gains (–)/losses reclassified to profit or loss, before tax	0	0	0	0	0	138
Income tax on items that will be/may be reclassified to profit or loss	0	0	7	0	–1	–8
Total comprehensive income for the period attributable to non-controlling interests	–1	0	–1	0	0	0
Total comprehensive income	**273**	**121**	**–12**	**108**	**121**	**164**

CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2014

Assets	Note	June 30, 2014 €m	Dec. 31, 2013 €m
Cash reserve		774	1,739
Loans and advances to other banks	(12)	21,903	20,153
Loans and advances to customers	(13)	99,302	101,313
Allowance for losses on loans and advances	(15)	– 1,411	– 1,478
Trading assets	(16)	831	1,824
Hedging derivatives		130	113
Investment securities	(17)	32,894	34,024
Intangible assets	(18)	1,974	2,028
Property and equipment	(19)	689	698
Current tax assets		119	115
Deferred tax assets		33	92
Other assets	(20)	874	728
Assets held for sale		26	157
Total assets		**158,138**	**161,506**

Equity and Liabilities	Note	June 30, 2014 €m	Dec. 31, 2013 €m
Deposits from other banks	(21)	17,962	18,282
Due to customers	(22)	119,535	120,398
Debt securities in issue	(23)	6,297	7,342
Trading liabilities	(24)	827	1,681
Hedging derivatives		351	460
Provisions	(25)	1,781	1,608
Current tax liabilities		150	80
Deferred tax liabilities		93	84
Other liabilities	(26)	945	833
Subordinated debt	(27)	3,726	4,358
Liabilities directly related to assets held for sale		–	168
Equity		6,471	6,212
a) Issued capital		547	547
b) Share premium		2,010	2,010
c) Retained earnings		3,554	3,320
d) Consolidated net profit		355	330
Non-controlling interests		5	5
Total equity and liabilities		**158,138**	**161,506**

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 Jan. 1, 2013	**547**	**2,010**	**3,198**	**– 138**	**72**	**287**	**5,976**	**4**	**5,980**
Changes in retained earnings			287			– 287	0		0
Total comprehensive income Jan. 1 – June 30, 2013			– 74	138	– 35	256	285	0	285
Treasury shares							–		–
Other changes			– 586				– 586	–	– 586
Balance at June 30, 2013	**547**	**2,010**	**2,825**	**0**	**37**	**256**	**5,675**	**4**	**5,679**
Total comprehensive income July 1 – Dec. 31, 2013			36		– 14	74	96	1	97
Treasury shares							–		–
Other changes			436				436		436
Balance at Dec. 31, 2013	**547**	**2,010**	**3,297**	**0**	**23**	**330**	**6,207**	**5**	**6,212**
Changes in retained earnings			330			– 330	0		0
Total comprehensive income Jan. 1 – June 30, 2014			– 107		146	355	394	1	395
Treasury shares							–		–
Other changes			– 135				– 135	– 1	– 136
Balance at June 30, 2014	**547**	**2,010**	**3,385**	**0**	**169**	**355**	**6,466**	**5**	**6,471**

CONDENSED CASH FLOW STATEMENT

	Jan. 1 – June 30, 2014 €m	Jan. 1 – June 30, 2013 €m
Cash and cash equivalents at start of period	**1,739**	**2,054**
Net cash used in operating activities	–2,393	–5,290
Net cash from investing activities	2,231	4,347
Net cash from/used in financing activities	–803	141
Effects of exchange rate differences	–	–
Cash and cash equivalents at end of period	**774**	**1,252**

Reported cash and cash equivalents correspond to the cash reserve.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(1) Segment reporting

Segment reporting by business division

	Retail Banking		Corporate Banking		Transaction Banking		Financial Markets		Non-Core Operating Unit		Cost Centers/ Consoli-dation		Group	
	Jan. 1– June 30, 2014 €m	Jan. 1– June 30, 2013[1] €m	Jan. 1– June 30, 2014 €m	Jan. 1– June 30, 2013[1] €m	Jan. 1– June 30, 2014 €m	Jan. 1– June 30, 2013[1] €m	Jan. 1– June 30, 2014 €m	Jan. 1– June 30, 2013[1] €m	Jan. 1– June 30, 2014 €m	Jan. 1– June 30, 2013[1] €m	Jan. 1– June 30, 2014 €m	Jan. 1– June 30, 2013[1] €m	Jan. 1– June 30, 2014 €m	Jan. 1– June 30, 2013[1] €m
Net interest income	1,298	1,237	146	156	0	0	11	48	–207	–183	2	–23	1,250	1,235
Net trading income	–7	23	0	0	0	0	0	–28	–1	–15	–2	0	–10	–20
Net income from investment securities	6	0	0	0	5	0	41	8	–7	–69	362	312	407	251
Net fee and commission income	441	446	43	45	80	142	–8	–8	4	12	–59	–80	501	557
Total income	**1,738**	**1,706**	**189**	**201**	**85**	**142**	**44**	**20**	**–211**	**–255**	**303**	**209**	**2,148**	**2,023**
Administrative expenses	–868	–978	–41	–47	–62	–124	–31	–39	–15	–10	–347	–459	–1,364	–1,657
Allowance for losses on loans and advances	–104	–94	–12	10	0	0	1	–2	–5	–51	0	0	–120	–137
Other income/ expenses	–11	5	4	12	2	4	–3	19	–36	–18	–82	–9	–126	13
Allocations	–389	–247	–47	–45	–11	–21	–19	–12	–22	–34	488	359	0	0
Profit/loss before tax	**366**	**392**	**93**	**131**	**14**	**1**	**–8**	**–14**	**–289**	**–368**	**362**	**100**	**538**	**242**
Revenues from external customers	1,736	1,704	188	199	29	49	44	20	–211	–255	362	306	2,148	2,023
Intersegmental revenues	2	2	1	2	56	93	0	0	0	0	–59	–97	0	0
Depreciation and amortization	–14	–14	–1	–1	–1	–2	0	–1	0	0	–43	–46	–59	–64
Impairment losses	–14	–14	–1	–1	–1	–2	0	–1	0	0	–43	–226	–59	–244
Reversal of impairment losses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cost/income ratio (CIR)	**73.9 %**	**73.2 %**	**46.5 %**	**44.1 %**	**83.7 %**	**99.7 %**	**122.4 %**	**129.49 %**	**–34.7 %**	**–25.3 %**			**70.9 %**	**81.8 %**
Return on equity before taxes (RoE)	**27.8 %**	**33.8 %**	**28.8 %**	**43.3%**	**–**	**–**	**–1.8 %**	**–1.9 %**	**–30.7 %**	**–45.6 %**			**16.9 %**	**8.1 %**

[1]Figures adjusted

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.

The allocation of costs to the segments was changed compared with the previous year, and the method of allocating fully absorbed costs to the segments was also adjusted. In addition, 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. The method used to calculate the cost/income ratio (CIR) was also adjusted. Other income is added to total income and other expenses to administrative expenses and allocations. Other income and other expenses continue to be presented on a net basis under "Other income/expenses."

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 3, 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- 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. 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.

Postbank's Retail Banking business division offers private and business customers a broad spectrum of 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, the domestic retail business of BHW Bausparkasse AG and other subsidiaries of BHW Holding AG, Postbank Filialvertrieb AG, Postbank Filial GmbH, Postbank P.O.S. Transact GmbH, and the results of Postbank Direkt GmbH for the first quarter and the proportionate claim to the compensation payment for the second quarter of 2014. 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. (in each case minus selected individual exposures), as well as certain commercial real estate finance transactions.

The Transaction Banking business division offers organizational and technical settlement and processing services for the Group as well as for other banks in the area of domestic and cross-border payment transaction services. Its earnings comprise the earnings of Betriebs-Center für Banken AG and of VÖB-ZVD Processing GmbH for the first quarter and the proportionate claim to the compensation payment for the second quarter of 2014.

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, and the profit/loss of the subsidiary Deutsche Postbank International S.A. (not including the corporate banking business).

The Non-Core Operating Unit (NCOU) segment comprises portfolios and activities that are no longer part of the Bank's core business according to its current strategy. Besides further increasing 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 in GIIPS countries, certain international commercial real estate finance transactions and selected corporate customer loans, certain foreign retail business transactions, and selected retail products that are no longer actively marketed. In addition, certain secured and unsecured issues and the structured credit portfolio are allocated to the segment (the SCP was liquidated in 2013).

The Cost Centers/Consolidation segment comprises Group consolidations – less intrasegment consolidation adjustments – plus the profit/loss of the cost centers. In addition, the segment includes the profit/loss of the following subsidiaries that are allocated to the cost centers: Postbank Systems AG, Postbank Immobilien und Baumanagement GmbH, Postbank Immobilien und Baumanagement GmbH & Co. KG, and the results of Postbank Service GmbH and BHW Kreditservice GmbH for the first quarter and the proportionate claim to the compensation payment for the second quarter of 2014. 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. In 2014, the main items related to the deconsolidation of the service companies that were transferred to PBC Banking Service GmbH (see Note 3).

In addition to the profit/loss in the income statement of the business units allocated to the business divisions, imputation procedures are applied to ensure correct allocation of the segment profit/loss to their originators. 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.

Since the settlement of payment transactions is not banking business in the traditional sense, we do not report the return on equity in our Transaction Banking business division.

The prior-year segment reporting figures were adjusted in the course of the above-mentioned changes to business unit accounting (new cost allocation and reallocation of optional savings books). The main adjustments are described below.

Income in the Retail Banking segment increased by €8 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 €26 million. Charges relating to allocated items including fully absorbed costs declined by €33 million. Overall, profit before tax for the segment improved by €15 million. The CIR rose from 72.6% to 73.2%.

In the Corporate Banking segment, allocated items decreased by €8 million, resulting in an €8 million improvement in the segment's profit before tax. The CIR declined from 49.8% to 44.1%.

The result for the Transaction Banking segment decreased by €12 million due to the allocation of fully absorbed costs. The CIR rose from 93.7% to 99.7%.

In the Financial Markets segment, income declined by €8 million due to the reallocation of the optional savings books to the Retail Banking segment. Charges relating to allocated items increased by €3 million. Overall, profit before tax for the segment decreased by €11 million. The CIR declined from 171.4% to 129.9%.

In the NCOU segment, the negative CIR widened from –17.3% to –25.3%.

Administrative expenses in the Cost Centers/Consolidation segment decreased by €26 million. The allocated items decreased by the same amount. The profit before tax remained unchanged.

Company level disclosures

The following table contains information about income per product or service:

	Jan. 1 – June 30, 2014 €m	Jan. 1 – June 30, 2013 €m
Deposits and loans for Retail and Corporate Banking customers	1,486	1,446
Payment transaction services for Retail and Corporate Banking customers	199	196
Retail and Corporate Banking fee and commission income	256	258
Transaction Banking insourcing (net fee and commission income)	22	44
Others	185	79
Total	**2,148**	**2,023**

Total income 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. The income for the NCOU segment is reported under the "Others" item.

The results for the geographic regions are calculated using the profit and loss as reported in the income statement of the legal entities and branches attributable to the regions.

The "Europe" region comprises the London branch (until December 31, 2013), the Luxembourg entities Deutsche Postbank International S.A. and 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	
	Jan. 1 – June 30, 2014 €m	Jan. 1 – June 30, 2013 €m	Jan. 1 – June 30, 2014 €m	Jan. 1 – June 30, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m
Germany	2,097	1,937	523	245	2,645	2,707
Europe	51	86	15	–3	18	19
Total	**2,148**	**2,023**	**538**	**242**	**2,663**	**2,726**

Non-current assets comprise intangible assets and property and equipment.

BASIS OF PREPARATION

(2) Basis of accounting

The interim financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs), as adopted by the EU, and the additional requirements of German commercial law under section 315a (1) of the *Handelsgesetzbuch* (HGB – German Commercial Code), insofar as these were applicable at the balance sheet date. In particular, the interim financial statements comply with the IAS 34 requirements for interim financial reports. In accordance with section 37w of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) in conjunction with section 37y no. 2 of the WpHG, Postbank prepares a half-yearly financial report, which also comprises an interim management report, including an interim risk report (see the Management Report), in addition to the condensed financial statements presented here. Unless otherwise stated below, the same accounting policies used in preparing the 2013 consolidated financial statements were applied in preparing the interim financial statements for the period ended June 30, 2014.

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 measurement of the fair value and recoverable amount 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 future tax benefits. When determining the intention to hold financial instruments, business strategy and current market conditions are also taken into account.

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 measurement in profit or loss are performed at the end of the month.

The Bank accounted for an investment in an associate using the equity method in accordance with IAS 28 for the first time in the reporting period. Under the equity method, investments in associates and joint ventures are initially recognized at cost including transaction costs. Subsequent measurement recognizes the investor's share in the profit or loss of the associate or joint venture. The carrying amount of the investment is regularly tested for impairment.

Postbank introduced additional criteria for its fair value hierarchy classification processes in the reporting period. This resulted in a reallocation between Level 1 and Level 2.

Postbank applied the amendments to IAS 32 (amended 2011) on offsetting financial assets and financial liabilities, IAS 36 on recoverable amount disclosure requirements for impaired non-financial assets, and IAS 39 regarding the simplified requirements for the "Novation of Derivatives and Continuation of Hedge Accounting" for the first time in the reporting period. The application of the amended IAS 32, IAS 36, and IAS 39 did not affect the consolidated balance sheet or the consolidated income statement as of June 30, 2014.

3) Basis of consolidation

In addition to the parent company Deutsche Postbank AG, 23 (December 31, 2013: 28) subsidiaries that are presented in the following overview are included in the consolidated financial statements as of June 30, 2014.

Consolidated companies

Name and domicile	Equity (%) interest direct	Equity (%) interest indirect
BHW Holding AG, Hameln	100.0	
Deutsche Postbank International S.A., Munsbach, Luxembourg	100.0	
DSL Portfolio GmbH & Co. KG, Bonn	100.0	
DSL Portfolio Verwaltungs GmbH, Bonn	100.0	
PB Factoring GmbH, Bonn	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	
PBC Banking Services GmbH, Frankfurt am Main	49.9	
BHW Bausparkasse Aktiengesellschaft, Hameln		100.0
BHW Gesellschaft für Vorsorge mbH, Hameln		100.0
BHW - Gesellschaft für Wohnungswirtschaft mbH, Hameln		100.0
BHW - Gesellschaft für Wohnungswirtschaft mbH & Co. Immobilienverwaltungs KG, Hameln		100.0
Postbank Immobilien GmbH, 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 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

As part of the bundling 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.

PBC Banking Services GmbH is a subsidiary of Deutsche Bank Privat- und Geschäftskunden AG, Frankfurt am Main, Germany; its main purpose is to acquire and hold investments in the service companies within the Deutsche Bank Group.

The proceeds received for the shares of BHW Kreditservice GmbH are reported as cash under the "Net cash from investing activities" 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 €12.3 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).

Due to the shareholders' agreement between Postbank and Deutsche Bank Privat- und Geschäftskunden AG, as well as continuing business arrangements between Postbank and the service companies, Postbank AG has significant influence over the company, which therefore represents 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, in "Investments accounted for using the equity method" under the "Investment securities" item in the consolidated balance sheet. The investment is recognized and measured in accordance with the equity method under IAS 28.

Under the control and profit and loss transfer agreement between PBC Banking Services GmbH and its majority shareholder Deutsche Bank Privat- und Geschäftskunden AG, Deutsche Bank Privat- und Geschäftskunden AG guarantees Postbank an annual compensation payment in accordance with section 304 of the *Aktiengesetz* (AktG – German Stock Corporation Act), instead of a share in the profit or loss of PBC Banking Services GmbH, for the duration of the agreement. The cost of the investment in PBC Banking Services GmbH includes the present value of the claim to the compensation payment of €22.3 million p.a., 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 "of which claim to the compensation payment." See Note 17, Investment securities.

Under the equity method, subsequent measurement of the investment recognizes the claim to the compensation payment arising in the reporting period, instead of the share of the profit or loss of PBC Banking Services GmbH.

The tax expense for the second quarter of 2014 is largely attributable to the economic deconsolidation gain from the transfer of service companies. The current taxes that Postbank is legally required to pay under the control and profit and loss transfer agreement are also reported as well as taxes from periods prior to the establishment of the consolidated tax group.

There were no other changes in the basis of consolidation.

STATEMENT OF COMPREHENSIVE INCOME DISCLOSURES

(4) Net interest income

	Jan. 1 – June 30, 2014 €m	Jan. 1 – June 30, 2013 €m
Interest and current income		
Interest income from:		
Lending and money market transactions	2,083	2,229
Fixed-income and book-entry securities	330	375
Trading operations	0	2
Net gains on hedges	3	3
	2,416	**2,609**
Current income from:		
Equity investments	9	4
	9	**4**
	2,425	**2,613**
Interest expense on:		
Deposits	872	993
Debt securities in issue	104	125
Subordinated debt	103	111
Swaps	96	149
Trading operations	–	–
	1,175	**1,378**
Total	**1,250**	**1,235**

€2,322 million of the interest income (previous year: €2,517 million) relates to financial instruments classified as loans and receivables and €91 million (previous year: €87 million) to financial instruments classified as available for sale.

Interest income from the lending business and from money market transactions includes €13 million (previous year: €15 million) of interest income accrued on impaired assets (unwinding in accordance with IAS 39).

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

	Jan. 1 – June 30, 2014 €m	Jan. 1 – June 30, 2013 €m
Gains/losses on the fair value remeasurement of hedged items	–224	132
Gains/losses on the fair value remeasurement of hedging instruments	227	–129
Total	**3**	**3**

(5) Allowance for losses on loans and advances

	Jan. 1 – June 30, 2014 €m	Jan. 1 – June 30, 2013 €m
Cost of additions to allowance for losses on loans and advances		
Specific valuation allowances	214	281
Portfolio-based valuation allowances	0	3
Cost of additions to provisions for credit risks	17	14
Direct loan write-offs	26	38
Income from reversals of the allowance for losses on loans and advances		
Specific valuation allowances	107	172
Portfolio-based valuation allowances	12	3
Income from the reversal of provisions for credit risks	6	13
Recoveries on loans previously written off	12	11
Total	**120**	**137**

€109 million (previous year: €136 million) of the allowance for losses on loans and advances relates to receivables classified as loans and receivables. €11 million was added to the allowance for losses on loans and advances for guarantees, warranties, and irrevocable loan commitments (previous year: €1 million).

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:

	Jan. 1 – June 30, 2014 €m	Jan. 1 – June 30, 2013 €m
Additions		
Private mortgage lending	87	96
Home savings loans	1	2
Commercial loans	43	102
Installment loans	43	51
Other loans and advances	40	28
Portfolio-based valuation allowances	0	3
Total	**214**	**282**

€0 million (previous year: €2 million) of the cost of additions to the allowance for losses on loans and advances relates to loans and advances to other banks.

	Jan. 1 – June 30, 2014 €m	Jan. 1 – June 30, 2013 €m
Reversal		
Private mortgage lending	66	56
Home savings loans	0	1
Commercial loans	28	96
Installment loans	0	0
Other loans and advances	13	19
Portfolio-based valuation allowances	12	3
Total	**119**	**175**

(6) Net fee and commission income

	Jan. 1 – June 30, 2014 €m	Jan. 1 – June 30, 2013 €m
Checking account business	185	202
Securities business	22	24
Lending and guarantee business	13	35
Branch business	193	204
Other fee and commission income	88	92
Total	**501**	**557**

(7) Net trading income

	Jan. 1 – June 30, 2014 €m	Jan. 1 – June 30, 2013 €m
Net income from interest rate products	–2	–4
Net gains/losses on derivatives carried in the trading portfolio and the banking book	–10	–31
Net gain/loss from application of the fair value option	–2	12
Foreign exchange gain	5	4
Net fee and commission income carried in the trading portfolio	–1	–1
Total	**–10**	**–20**

The net gains/losses on derivatives include effects from the measurement of embedded derivatives from structured credit products of €0 million (previous year: loss of €13 million).

(8) Net income from investment securities

	Jan. 1 – June 30, 2014 €m	Jan. 1 – June 30, 2013 €m
Net income from loans and receivables investment securities	27	7
thereof net income from sale	27	7
Gains on sale	29	80
Losses on sale	2	73
thereof impairment losses (net)	0	0
Net income from available-for-sale investment securities	12	7
thereof net income from sale	13	8
Gains on sale	13	15
Losses on sale	0	7
thereof net impairment loss	–1	–1
Net income from loans to other banks	0	0
thereof net income from sale of loans and receivables	0	0
Net income from loans to customers	0	0
thereof net income from sale of loans and receivables	0	0
Net income from equity investments	368	237
thereof net income from investments accounted for using the equity method	11	0
Total	**407**	**251**

	Jan. 1 – June 30, 2014 €m	Jan. 1 – June 30, 2013 €m
Net income from bonds and promissory note loans	40	15
Net income from equity investments	368	237
Impairment	–1	–1
Total	**407**	**251**

€–1 million (previous year: loss of €0 million) of the net impairment loss on investment securities related to other debt instruments, and €0 million (previous year: loss of €–1 million) to retail funds and investments.

Net income from equity investments comprises deconsolidation effects (see Note 3).

(9) Administrative expenses

	Jan. 1 – June 30, 2014 €m	Jan. 1 – June 30, 2013 €m
Staff costs	609	732
Other administrative expenses	696	681
Amortization of intangible assets	31	215
Depreciation and writedowns of property and equipment	28	29
Total	**1,364**	**1,657**

(10) Other income

	Jan. 1 – June 30, 2014 €m	Jan. 1 – June 30, 2013 €m
Income from property and equipment	13	13
Miscellaneous	100	41
Total	**113**	**54**

(11) Other expenses

	Jan. 1 – June 30, 2014 €m	Jan. 1 – June 30, 2013 €m
Other taxes	5	3
Expenses from property and equipment	0	0
Miscellaneous	234	38
Total	**239**	**41**

BALANCE SHEET DISCLOSURES

(12) Loans and advances to other banks

	June 30, 2014 €m	Dec. 31, 2013 €m
Payable on demand	3,935	2,383
Other loans and advances	17,968	17,770
Total	**21,903**	**20,153**

Loans and advances to other banks consist solely of financial instruments classified as loans and receivables.

€4,230 million (December 31, 2013: €4,182 million) of loans and advances to other banks is due after more than 12 months.

The loans and advances to other banks can be broken down by product group as follows:

	June 30, 2014 €m	Dec. 31, 2013 €m
Securities repurchase agreements	18,297	15,101
Overnight money	976	1,826
Loans	573	808
Registered bonds	321	324
Term deposits	1,186	1,248
Other loans and advances	550	846
Total	**21,903**	**20,153**

Collateral received that can be unconditionally liquidated or 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	
	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m
Financial collateral	17,425	13,300	1,421	2,070
Non-financial collateral	–	–	–	–
Total	**17,425**	**13,300**	**1,421**	**2,070**

(13) Loans and advances to customers

	June 30, 2014 €m	Dec. 31, 2013 €m
Private mortgage lending	69,423	70,463
Home savings loans	3,646	3,690
Commercial loans	15,177	16,603
Public sector	3,713	3,815
Installment loans	5,824	5,454
Other loans and advances	1,519	1,288
Total	**99,302**	**101,313**

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

	June 30, 2014 €m	Dec. 31, 2013 €m
Loans and receivables	93,999	95,483
Fair value option	5,303	5,830
Total	**99,302**	**101,313**

€74,147 million (December 31, 2013: €75,387 million) of loans and advances to customers is due after more than 12 months.

The Bank reclassified a real estate loan from the loans and receivables category to the held-for-sale category in the reporting period. The amount reported in the "Non-current assets held for sale" balance sheet item corresponds to the carrying amount of the receivable, which has been assigned to the Non-Core Operating Unit segment and allocated to Level 2. The real estate loan was sold in July 2014.

(14) Total credit extended

	June 30, 2014 €m	Dec. 31, 2013 €m
Loans and advances to other banks	21,903	20,153
Loans and advances to customers	99,302	101,313
Guarantees	379	359
Total	**121,584**	**121,825**

(15) Allowance for losses on loans and advances

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

	June 30, 2014 €m	Dec. 31, 2013 €m
Specific valuation allowances	1,261	1,316
Portfolio-based valuation allowances	150	162
Total allowance for losses on loans and advances	**1,411**	**1,478**
Provisions for credit risks	62	52
Total	**1,473**	**1,530**

€1 million of the allowance for losses on loans and advances (December 31, 2013: €2 million) relates to loans and advances to other banks and €1,410 million (December 31, 2013: €1,476 million) to loans and advances to customers classified as loans and receivables.

Collective specific valuation allowances are also reported under the specific valuation allowances.

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

	Specific valuation allowances		Portfolio-based valuation allowances		Total	
	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	214	281	0	3	214	284
Reclassifications	0	–7	0	7	0	0
Disposals						
Utilization	148	249	–	–	148	249
Allowance reversed to the income statement	107	172	12	3	119	175
Unwinding	13	15	–	–	13	15
Currency translation differences	1	4	–	–	1	4
Balance at June 30	**1,261**	**1,448**	**150**	**138**	**1,411**	**1,586**

The allowance for losses on loans and advances to customers can be broken down by product group as follows:

	June 30, 2014 €m	Dec. 31, 2013 €m
Specific valuation allowances		
Private mortgage lending	332	370
Home savings loans	4	3
Commercial loans	288	333
Installment loans	362	324
Other loans and advances	274	284
Portfolio-based valuation allowances	150	162
Total	**1,410**	**1,476**

(16) Trading assets

	June 30, 2014 €m	Dec. 31, 2013 €m
Building loans held for trading	144	150
Positive fair values of derivatives carried as trading assets	659	1,361
Positive fair values of banking book derivatives	28	298
Positive fair values from derivatives relating to hedged items accounted for under the fair value option	0	15
Total	**831**	**1,824**

Holdings of €683 million (December 31, 2013: €1,519 million) are due after more than 12 months.

(17) Investment securities

	June 30, 2014 €m	Dec. 31, 2013 €m
Bonds and other fixed-income securities		
Loans and receivables	21,731	23,786
Available for sale	10,583	10,084
	32,314	**33,870**
Investment fund shares (available for sale)	129	123
Equity Investments (available for sale)	23	25
Investments in unconsolidated subsidiaries (available for sale)	6	6
Investments accounted for using the equity method	422	–
thereof investment	323	–
thereof claim to compensation payment	99	–
Total	**32,894**	**34,024**

Holdings of €28,745 million (December 31, 2013: €30,658 million) are due after more than 12 months.

The carrying amount of the investment in PBC Banking Services GmbH reported under "Investments accounted for using the equity method" includes the claim to the compensation payment of €11 million. Further information can be found in Note 3, Basis of consolidation.

Investment securities were furnished as collateral for the following liabilities:

	June 30, 2014 €m	Dec. 31, 2013 €m
Liabilities	15,108	14,345
Contingent liabilities	0	6
Total	**15,108**	**14,351**

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 June 30, 2014, the total volume of securities reclassified in accordance with IAS 39.50E had a fair value of €10.9 billion and a carrying amount of €10.8 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 €111 million (December 31, 2013: increase of €224 million) in the period up to June 30, 2014.

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 June 30, 2014; net disposal gains on reclassified securities amounted to €11 million (previous year: disposal loss of €6 million).

Interest income amounting to €123 million (previous year: €171 million) accrued for the reclassified securities in the period up to June 30, 2014.

(18) Intangible assets

	June 30, 2014 €m	Dec. 31, 2013 €m
Acquired goodwill	1,581	1,622
Acquired software, concessions, industrial rights	280	295
Internally generated intangible assets and software	37	48
Advance payments on intangible assets and in-process intangible assets	76	63
Total	**1,974**	**2,028**

The decline in acquired goodwill is due to the transfer of five service companies belonging to the Postbank Group to PBC Banking Services GmbH.

The "acquired software, concessions, industrial rights" item includes the capitalized BHW brand in the amount of €139 million (December 31, 2013: €139 million). The capitalized amounts for customer relationships amounted to €64 million (December 31, 2013: €66 million), while those for beneficial contracts amounted to €23 million (December 31, 2013: €26 million).

(19) Property and equipment

	June 30, 2014 €m	Dec. 31, 2013 €m
Land and buildings	546	552
Operating and office equipment	136	143
Advance payments and assets under development	7	3
Total	**689**	**698**

(20) Other assets

	June 30, 2014 €m	Dec. 31, 2013 €m
Prepaid expenses	591	526
Trade receivables	84	119
Receivables from tax authorities	41	30
Advances to members of the mobile sales force	13	10
Miscellaneous	145	43
Total	**874**	**728**

Other assets amounting to €405 million (December 31, 2013: €433 million) have a maturity of more than 12 months.

(21) Deposits from other banks

	June 30, 2014 €m	Dec. 31, 2013 €m
Payable on demand	687	7,806
With an agreed maturity or withdrawal notice	17,275	10,476
Total	**17,962**	**18,282**

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

€9,083 million (December 31, 2013: €9,488 million) is due after more than 12 months

(22) Due to customers

	June 30, 2014 €m	Dec. 31, 2013 €m
Savings deposits	43,678	46,429
Home savings deposits	18,733	18,560
Other amounts due		
Payable on demand	39,476	37,295
With an agreed maturity or withdrawal notice	17,648	18,114
	57,124	**55,409**
Total	**119,535**	**120,398**

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

€25,823 million (December 31, 2013: €25,999 million) is due after more than 12 months

(23) Debt securities in issue

	June 30, 2014 €m	Dec. 31, 2013 €m
Public-sector *Pfandbriefe*	1,612	1,592
Mortgage *Pfandbriefe*	3,447	4,456
Other debt instruments	1,238	1,294
Total	**6,297**	**7,342**

Debt securities in issue only include financial instruments classified as liabilities at amortized cost.

€3,386 million (December 31, 2013: €4,407 million) is due after more than 12 months.

(24) Trading liabilities

	June 30, 2014 €m	Dec. 31, 2013 €m
Negative fair values of trading derivatives	647	1,098
Negative fair values of banking book derivatives	54	395
Negative fair values from derivatives relating to hedged items accounted for under the fair value option	126	188
Total	**827**	**1,681**

€646 million (December 31, 2013: €1,383 million) is due after more than 12 months.

(25) Provisions

	June 30, 2014 €m	Dec. 31, 2013 €m
Provisions for pensions and other employee benefits	193	93
Provisions for home savings business	1,042	976
Miscellaneous	546	539
Total	**1,781**	**1,608**

€1,269 million (December 31, 2013: €1,162 million) of recognized provisions is due after more than 12 months.

(26) Other liabilities

	June 30, 2014 €m	Dec. 31, 2013 €m
Liabilities to DB Finanz-Holding GmbH under control and profit and loss transfer agreement	123	151
Trade payables	111	198
Liabilities from other taxes	41	168
Liabilities from expenses for outstanding invoices	55	91
Liabilities from expenses for outstanding vacation entitlements and other compensated absences	41	34
Liabilities from expenses for management bonuses	40	45
Liabilities from expenses for commissions and premiums	23	37
Deferred income	9	13
Miscellaneous liabilities	502	96
Total	**945**	**833**

€37 million (December 31, 2013: €77 million) is due after more than 12 months.

(27) Subordinated debt

	June 30, 2014 €m	Dec. 31, 2013 €m
Subordinated liabilities	2,638	3,140
Profit participation certificates outstanding	1,066	1,196
Contributions by typical silent partners	22	22
Total	**3,726**	**4,358**

Subordinated debt consists solely of financial instruments classified as liabilities at amortized cost.

€3,522 million (December 31, 2013: €4,027 million) is due after more than 12 months.

OTHER DISCLOSURES

(28) Contingencies and other obligations

	June 30, 2014 €m	Dec. 31, 2013 €m
Contingent liabilities		
on guarantees and warranties	379	359
Other obligations		
irrevocable loan commitments	7,046	7,179
thereof building loans provided	2,999	2,871
miscellaneous obligations	12,216	12,353
Total	**19,641**	**19,891**

(29) Fair values of financial instruments

Fair value hierarchy
Postbank uses the three-level fair value hierarchy for financial instruments measured at fair value.

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. This category includes 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 in the market. Such valuation techniques are used in particular to measure structured credit products.

Postbank introduced additional criteria for its fair value hierarchy classification processes in the reporting period. This resulted in a reallocation between Level 1 and Level 2.

The following table shows the allocation of the individual categories of financial instruments to the corresponding levels in the fair value hierarchy:

Assets measured at fair value	June 30, 2014				
	Fair value reported in:				
Classes	June 30, 2014 €m	Level 1 €m	Level 2 €m	Level 3 €m	Dec. 31, 2013 €m
Financial assets at fair value through profit or loss (FVtPL)					
Trading assets	831	1	829	1	1,824
Hedging derivatives	130	0	130	0	113
Loans and advances to customers	5,303	0	5,303	0	5,830
Available-for-sale financial assets					
Investment securities	10,741	3,356	7,326	59	10,238
Total	**17,005**	**3,357**	**13,588**	**60**	**18,005**

Liabilities measured at fair value	June 30, 2014				
	Fair value reported in:				
Classes	June 30, 2014 €m	Level 1 €m	Level 2 €m	Level 3 €m	Dec. 31, 2013 €m
Financial liabilities at fair value through profit or loss (FVtPL)					
Trading liabilities	827	0	825	2	1,681
Hedging derivatives	351	0	351	0	460
Total	**1,178**	**0**	**1,176**	**2**	**2,141**

Valuation techniques whose inputs result in allocation to Level 3 are used for both assets and liabilities. Embedded derivatives from the synthetic SCP portfolios are allocated to Level 3.

Financial assets that are required to be allocated to Level 3 changed as follows in the reporting period:

Assets measured at fair value based on Level 3	June 30, 2014					
	Assets measured at fair value in Level 3					
	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	–1	0	–1
in profit or loss	0	0	0	0	0	0
in revaluation reserve	0	0	0	–1	0	–1
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	–1	0	–1
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**	**59**	**0**	**60**
Total remeasurement gains/losses for assets held at the end of the reporting period	**0**	**0**	**0**	**–1**	**0**	**–1**

The above-mentioned change in financial assets allocated to Level 3 is due to the redemption of receivables and fluctuations in fair value.

These changed as follows as of December 31, 2013:

Assets measured at fair value based on Level 3	December 31, 2013					
	Assets measured at fair value in Level 3					
	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 the reporting period:

Liabilities measured at fair value based on Level 3	June 30, 2014		
	Fair value reported in Level 3		
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
Exchange rate effects	0	0	0
Settlements	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**

Liabilities allocated to Level 3 are only subject to fluctuations in fair value.

These changed as follows as of December 31, 2013:

Liabilities measured at fair value based on Level 3	December 31, 2013		
	Fair value reported in Level 3		
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**

Due to the low volume of financial instruments allocated to Level 3, Postbank does not explicitly disclose qualitative and quantitative information.

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:

	June 30, 2014		Dec. 31, 2013	
	Carrying amount €m	Full fair value €m	Carrying amount €m	Full fair value €m
Assets				
Cash reserve	774	774	1,739	1,739
Loans and advances to other banks (loans and receivables)	21,903	21,939	20,153	20,167
Loans and advances to customers (loans and receivables)	93,999	100,295	95,483	100,615
Allowance for losses on loans and advances	−1,411	−1,411	−1,478	−1,478
Investment securities (loans and receivables)	21,731	22,096	23,786	23,696
	136,996	**143,693**	**139,683**	**144,739**
Liabilities				
Deposits from other banks (liabilities at amortized cost)	17,962	18,541	18,282	18,675
Due to customers (liabilities at amortized cost)	119,535	121,934	120,398	122,752
Debt securities in issue and subordinated debt	10,023	10,629	11,700	12,191
	147,520	**151,104**	**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.

(30) 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.

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

The fair values of the individual contracts were calculated using recognized valuation models and reflect any netting agreements.

Holdings of derivatives are composed of the following items:

	Notional amount		Positive fair values		Negative fair values	
	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m
Trading derivatives	185,896	178,895	687	1,674	827	1,681
Hedging derivatives	21,380	21,303	130	113	351	460
Total	**207,276**	**200,198**	**817**	**1,787**	**1,178**	**2,141**

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

			Fair value			
	Notional amount		Positive fair values		Negative fair values	
	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m	June 30, 2014 €m	Dec. 31, 2013 €m
Trading derivatives						
Foreign currency derivatives	8,479	8,482	74	128	70	115
Interest rate derivatives	176,847	169,842	611	1,544	753	1,561
Equity/index derivatives	46	46	1	1	–	–
Credit derivatives	524	525	1	1	4	5
Total holdings of trading derivatives	**185,896**	**178,895**	**687**	**1,674**	**827**	**1,681**
Hedging derivatives						
Fair value hedges	21,380	21,303	130	113	351	460
Total holdings of hedging derivatives	**21,380**	**21,303**	**130**	**113**	**351**	**460**
Total holdings of derivatives	**207,276**	**200,198**	**817**	**1,787**	**1,178**	**2,141**

Risks relating to the financial instruments are presented in the Risk Report.

(31) 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 June 30, 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 agreement or similar agreement.

	Financial assets (gross)	Offset recognized amounts (gross)	Recognized financial assets (net)	Effects of master netting agreements	Cash collateral	Collateral taking the form of financial instruments	Net amount
	€m	€m	€m	€m	€m	€m	€m
Assets							
Loans and advances to other banks (including allowance for losses on loans and advances)	29,268	–7,367	21,901	–	–	–18,262	3,639
Trading assets	7,817	–6,986	831	–40	–46	–	745
Hedging derivatives	1,245	–1,115	130	–48	–9	–	73
Total	**38,330**	**–15,468**	**22,862**	**–88**	**–55**	**–18,262**	**4,457**

	Financial liabilities (gross)	Offset recognized amounts (gross)	Recognized financial liabilities (net)	Effects of master netting agreements	Cash collateral	Collateral taking the form of financial instruments	Net amount
	€m	€m	€m	€m	€m	€m	€m
Equity and liabilities							
Deposits from other banks	14,332	–6,797	7,535	–	–	–7,117	418
Trading liabilities	8,769	–7,942	827	40	–416	–	451
Hedging derivatives	1,080	–729	351	48	–176	–	223
Total	**24,181**	**–15,468**	**8,713**	**88**	**–592**	**–7,117**	**1,092**

The column headed "Offset recognized amounts (gross)" contains the amounts offset in accordance with the provision of IAS 32.42ff. The column entitled "Effects of master netting agreements" contains the amounts that are covered by master netting agreements but that have not been offset 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 offset collateral taking the form of financial instruments and cash collateral depends on 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 are 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)	Offset recognized amounts (gross)	Recognized financial assets (net)	Effects of master netting agreements	Cash collateral	Collateral taking the form of financial instruments	Net amount
	€m	€m	€m	€m	€m	€m	€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)	Offset recognized amounts (gross)	Recognized financial liabilities (net)	Effects of master netting agreements	Cash collateral	Collateral taking the form of financial instruments	Net amount
	€m	€m	€m	€m	€m	€m	€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**

(32) 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 implement 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 charge), 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 June 30, 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:

	June 30, 2014[1] €m	Dec. 31, 2013[2] €m
Credit and counterparty risk (including CVA)	41,800	42,184
Market risk positions	161	200
Operational risk	5,395	4,588
Total risk-weighted assets	47,356	46,972
Common Equity Tier 1 capital	4,843	4,529
Additional Tier 1 capital	0	0
Tier 1 capital	4,843	4,529
Tier 2 capital	2,742	2,866
Own funds	7,585	7,395

	in %	in %
Common Equity Tier 1 capital ratio	10.2	9.6
Tier 1 capital ratio	10.2	9.6
Total capital ratio	16.0	15.7

[1] Subject to supervisory recognition with regard to the new requirements under the CRR, which entered into force on January 1, 2014
[2] Pro-forma values in accordance with the CRR/CRD IV

The fully phased-in Common Equity Tier 1 capital ratio amounted to 9.5% (December 31, 2013: 8.8%).

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 positions 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.

(33) Risk capital

The following table shows the Postbank Group's authorized risk capital, broken down by risk types, before and after factoring in correlation effects and the risk cover amount. The figures are given as of June 30, 2014, compared with December 31, 2013.

Risk capital by risk types

Capital and risk components	Allocated risk capital	
	June 30, 2014 €m	Dec. 31, 2013 €m
Credit risk	3,000	3,000
Market risk	2,150	2,095
Operational risk	600	600
Business risk	2,450	2,450
Total before diversification	**8,200**	**8,145**
Diversification effects	1,379	1,380
Total after diversification	**6,821**	**6,765**
Unallocated risk cover amount	5,509	5,241
Total risk cover amount	**12,330**	**12,006**

Other disclosures relating to capital management can be found in the Risk Report section of the Group Management Report.

(34) Related party disclosures

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 3, Basis of consolidation). Consequently, the Postbank Group's relationships with these previously consolidated entities are presented as related party disclosures in the Notes for the first time from April 1, 2014.

Related party receivables

	June 30, 2014 €m	Dec. 31, 2013 €m
Loans and advances to other banks		
Deutsche Bank AG	1,337	1,349
Other related parties	2,484	6
	3,821	**1,355**
Loans and advances to customers		
Subsidiaries	4	4
Other related parties	98	51
	102	**55**
Trading assets		
Deutsche Bank AG	23	29
	23	**29**
Hedging derivatives		
Deutsche Bank AG	70	63
	70	**63**
Investment securities		
Deutsche Bank AG	958	949
	958	**949**
Other assets		
Deutsche Bank AG	36	9
Other related parties	28	5
	64	**14**

The loans and advances to other banks primarily relate to money market transactions with Deutsche Bank AG and its subsidiaries.

The investment securities relate to the Deutsche Bank AG bonds.

Related party payables

	June 30, 2014 €m	Dec. 31, 2013 €m
Deposits from other banks		
Deutsche Bank AG	7,642	7,239
Other related parties	1	0
	7,643	**7,239**
Due to customers		
Subsidiaries	10	12
Other related parties	193	3
	203	**15**
Trading liabilities		
Deutsche Bank AG	205	206
Other related parties	0	5
	205	**211**
Hedging derivatives		
Deutsche Bank AG	28	25
	28	**25**
Other liabilities		
Deutsche Bank AG	49	88
DB Finanz-Holding GmbH	123	151
Other related parties	19	1
	191	**240**
Subordinated debt		
Subsidiaries	1,618	1,620
	1,618	**1,620**

The liabilities to Deutsche Bank AG primarily comprise securities repurchase transactions.

The other liabilities to DB Finanz-Holding GmbH relate to effects of the control and profit and loss transfer agreement that were recognized in retained earnings.

The subordinated debt relates to the initial debt securities originally issued by Deutsche Postbank AG in the course of the first issue that were acquired by Deutsche Postbank Funding LLC I to IV.

As part of the bundling 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. Further information on the effects of the transaction can be found in Note 3, Basis of consolidation.

Income and expenses from related parties

	2013 €m	2012 €m
Interest income		
Deutsche Bank AG	23	7
Other related parties	3	5
	26	**12**
Interest expense		
Deutsche Bank AG	8	–
Other related parties	36	33
	44	**33**
Fee and commission income		
Deutsche Bank AG	9	18
Other related parties	9	11
	18	**29**
Fee and commission expense		
Deutsche Bank AG	1	1
Other related parties	0	1
	1	**2**
Net trading income		
Deutsche Bank AG	–28	4
	–28	**4**
Net income from investment securities		
Other related parties	11	–
	11	**–**
Administrative expenses		
Deutsche Bank AG	3	4
Subsidiaries	6	5
Other related parties	15	8
	24	**17**
Other income		
Deutsche Bank AG	12	6
Subsidiaries	0	1
Other related parties	93	4
	105	**11**
Other expenses		
Other related parties	118	3
	118	**3**

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.

(35) 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
Hans-Peter Schmid, Baldham
Ralf Stemmer, Königswinter
Hanns-Peter Storr, Bonn

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, professor of civil law, commercial law, and banking law, Goethe-Universität 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 Global Head of Group Audit, 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

RESPONSIBILITY STATEMENT

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

Bonn, July 30, 2014

Deutsche Postbank Aktiengesellschaft

The Management Board

Frank Strauss

Marc Hess

Hans-Peter Schmid

Ralf Stemmer

Hanns-Peter Storr

REVIEW REPORT

To Deutsche Postbank AG, Bonn
We have reviewed the condensed consolidated interim financial statements - comprising the statement of financial position, statement of comprehensive income, condensed statement of cash flows, statement of changes in equity and selected explanatory notes - and the interim group management report of Deutsche Postbank AG, Bonn, for the period from January 1 to June 30, 2014 which are part of the half-year financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

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

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Düsseldorf, July 30, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Ralf Schmitz	Christian F. Rabeling
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

FINANCIAL CALENDAR

August 1, 2014	Publication of Interim Report as of June 30, 2014
November 13, 2014	Interim Management Statement as of September 30, 2014

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

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This Interim Report contains forward-looking statements that relate to macroeconomic developments (in particular the development of money and capital market rates), the business and the net assets, financial position and results of operations of the Postbank Group. Forward-looking statements 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 Interim Report are expressly cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this Interim Report. Deutsche Postbank AG does not intend and does not undertake any obligation to revise these forward-looking statements.

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