2014

DEUTSCHE POSTBANK AG, BONN
ANNUAL FINANCIAL STATEMENTS (HGB)
AS OF DECEMBER 31, 2014

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ANNUAL FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2014
AND MANAGEMENT REPORT FOR FISCAL YEAR 2014

POSTBANK MANAGEMENT REPORT

BUSINESS AND ENVIRONMENT

Corporate profile

Business model of Postbank

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

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

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

Key locations

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

The subsidiary BHW Bausparkasse Aktiengesellschaft is domiciled in Hameln.

Key sales markets and competitive position

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

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

Management at Postbank

Postbank is responsible for the management of the entire Postbank subgroup.

Non-financial key performance indicators at Postbank

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

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

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

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

Financial key performance indicators

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

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

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

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

Management process

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

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

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

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

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

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

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

DISCLOSURES IN ACCORDANCE WITH SECTION 289(4) OF THE *HANDELSGESETZBUCH* (HGB – GERMAN COMMERCIAL CODE) AND EXPLANATORY REPORT

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

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

Equity interests in excess of 10 % of voting rights
Deutsche Bank AG, Frankfurt am Main, held directly and indirectly, primarily through DB Finanz-Holding GmbH, Frankfurt on Main, approximately 94.1% of Postbank shares on December 31, 2014. As a result, the free float tradable on stock exchanges amounts to around 5.9 % of Postbank's share capital.

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

Type of voting rights control when employees with equity interests do not exercise their control rights directly
Employees who hold Postbank shares exercise their rights of control like other shareholders in accordance with statutory provisions and the Articles of Association.

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

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

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

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

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

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

Powers of the Management Board to issue or repurchase shares
The Management Board is authorized, with the consent of the Supervisory Board, to increase the share capital on one or more occasions in whole or in part by up to €218.8 million in the period up to May 27, 2018, by issuing new no-par value registered shares against cash and/or non-cash contribu-

tions, including mixed non-cash contributions (Authorized Capital I). The shareholders are generally granted preemptive rights. The new shares may also be underwritten by a bank or a syndicate of banks specified by the Management Board provided that said underwriters are obliged to offer those shares to shareholders for subscription (indirect preemptive rights). However, the Management Board is authorized, with the consent of the Supervisory Board, to disapply shareholders' preemptive rights for the purpose of eliminating fractions from those rights. The Management Board is authorized, with the consent of the Supervisory Board, to determine the additional details of the capital increase and its implementation.

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

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

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

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

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

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

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

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

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

Under section 71(1) no. 8 of the AktG, the Management Board, with the consent of the Supervisory Board, is authorized on the basis of this or an earlier authorization, to redeem the own shares without further resolution of the Annual General Meeting. The redemption may be limited to a portion of the acquired shares. Multiple use of the redemption option may be made. The redemption generally leads to a reduction in share capital. Notwithstanding the preceding, the Management Board may determine that the share capital shall remain unchanged and instead that the redemption lead to an increase in the proportion of remaining shares in the share capital pursuant to section 8(3) of the AktG. The Management Board shall in this case be authorized to modify the statement of the number of shares in the Articles of Association.

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

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

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

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

Section 289a of the HGB: Corporate Governance Statement
The Corporate Governance Statement can be found on our home page at https://www.postbank.com/postbank/en/au_corporate_governance.html.

REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

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

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

Structure of the remuneration of the Management Board in fiscal year 2014
The overall structure of the remuneration of the Management Board and the principal components of Management Board contracts are stipulated and regularly reviewed by Postbank's Supervisory Board. This review focuses in particular on the appropriateness of the system's design and on changes that become necessary in response to new regulatory requirements.

The core criterion for the design of the remuneration system and the amount of Management Board remuneration is to remunerate Management Board members appropriately in line with the market and competitors and in accordance with all statutory and regulatory requirements, taking into account members' areas of activity and responsibility, Postbank's overall long-term performance, and the collective and individual performance of the members of the Management Board. The appropriateness of the remuneration of the Management Board in both market terms and within the Postbank Group was confirmed by a vertical and horizontal remuneration comparison conducted on the basis of the recommendations of the German Corporate Governance Code.

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

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

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

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

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

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

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

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

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

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

Equity upfront award

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

Restricted equity award

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

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

Following the above vesting periods, there is a six-month holding period for all members of the Management Board before the share-based remuneration elements are granted in the form of Deutsche Bank shares. Special performance, deferral, and forfeiture provisions apply during the vesting period and, where applicable, the holding period. This means that, taking into account the performance, deferral, and forfeiture provisions, members of the Management Board who are part of the Senior Management Group cannot realize the value of the REA granted for 2014 until 2020 at the earliest (i. e., five years after it was granted). For the remaining members of the Management Board, the value of the final tranche of the REA can be realized in 2018 at the earliest (i.e., 3.5 years after the REA was granted).

Restricted incentive award

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

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

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

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

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

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

Performance, deferral, and forfeiture provisions

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

Granting and payment of variable remuneration until the end of 2013

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

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

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

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

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

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

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

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

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

Other provisions

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

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

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

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

Remuneration of the Supervisory Board in 2014

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

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

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

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

Under the remuneration rules valid until December 31, 2013, members of the Supervisory Board are still entitled to performance-related annual remuneration with a long-term incentive effect amounting to €300 for each 1% by which the consolidated net profit per share for the second fiscal year following the fiscal year under review (base year) exceeds the consolidated net profit per share of the fiscal year preceding the fiscal year under review. The Chairman of the Supervisory Board receives double the remuneration of a full member of the Supervisory Board, while the Deputy Chairman receives one-and-a-half times the remuneration. The chairmanship of a Supervisory Board committee is remunerated by an additional sum in the amount of the remuneration, while members of the Supervisory Board committees additionally receive half this amount for each such position held. This does not apply to membership of the Mediation Committee and the Nomination Committee. The amount of the Supervisory Board's variable remuneration is capped in two ways: It may not exceed the amount of the fixed annual remuneration and remuneration of committee members may not exceed twice the remuneration of the Supervisory Board member concerned.

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

EMPLOYEES

At the end of 2014, Postbank employed 4,458 full-time equivalents, 1,575 more than on December 31, 2013. Staff numbers have risen primarily because of civil servants working in the banking service companies are reported as Postbank staff. In total, active civil servants account for about 44 % of the workforce. About 19 % of our staff works part-time.

Our external turnover in 2014 was around 4.3 %. This slight increase compared with the prior year's 3.5 % can mainly be attributed to employees with early retirement arrangements in 2014 and those entering regular retirement.

The average length of employment at the Company was approximately 22.6 years. Postbank remunerates almost all of its employees on the basis of performance and profit-related criteria that flow into a variable remuneration component.

SIGNIFICANT EVENTS AT POSTBANK IN 2014

April 2014: At the end of 2013, the relevant bodies at Postbank approved, under certain conditions, the bundling of service companies in a holding company within the Deutsche Bank Group. On the Postbank side, this step affected the following companies: Betriebs-Center für Banken AG, VÖB-ZVD Processing GmbH, Postbank Direkt GmbH, Postbank Service GmbH, and BHW Kreditservice GmbH. Postbank has a substantial stake (50 % minus one vote) in this holding company.

Postbank's newly established branch in Luxembourg was entered into the commercial register in Luxembourg on May 13, 2014, with a founding date of April 29, 2014. The Postbank subsidiary PB International S.A., Schuttrange (Munsbach), Luxembourg, sold off its customer business to the new branch, effective July 1, 2014.

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

REPORT ON ECONOMIC POSITION

OVERALL ECONOMIC PARAMETERS IN 2014

Macroeconomic environment

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

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

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

In the eurozone, economic activity continuously improved during the reporting year. But with quarterly growth rates of between 0.1 % and 0.3 %, the economic recovery proceeded at a slow rate. Nonetheless, the upswing had a broad foundation. Private consumption rose by 0.9 %. Government spending rose at the same level. Gross capital expenditures climbed by an estimated 0.7 %, and domestic demand increased by 0.9 %. Foreign trade picked up as well, a development to which exports and imports contributed on a nearly equal basis. As a result, this helped GDP rise to 0.8 % following a drop by 0.4 % in the previous year. The economic performance of individual members of the eurozone continued to vary widely. While the economies of several member countries improved markedly, other members remained mired in recession. The slow economic recovery also resulted in a slight improvement in the job market. Nonetheless, the average unemployment rate remained at a very high level of 11.4 % at year's end.

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

Economic downturn in Germany during the year

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

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

Market developments

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

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

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

Acting on the basis of the markedly falling inflation rate, a very moderate outlook for inflation and a continuing low level of private sector lending, the ECB took additional expansionary monetary steps during 2014. In June, the bank lowered its main refinancing rate from 0.25 % to 0.15 %. It also cut its deposit facility rate by 0.1 percentage points to −0.1%, the first time the deposit facility rate has been set at a negative level, and the marginal lending rate by 0.35 percentage points to 0.4 %. It also approved a number of targeted longer-term refinancing operations (TLTRO). As a result, banks in the eurozone can obtain liquidity at very favorable conditions with a maturity that runs through September 2018. But demand for the first two TLTROs conducted in September and December 2014 was limited and remained behind expectations. In September, the ECB cut its key interest rates by an additional 0.1 percentage point, sending the main refinancing rate to the previous record low of 0.05 % and the deposit facility to −0.2 %. Furthermore, it decided to purchase asset-backed securities (ABSs) and covered bonds. The ECB said the decisions were designed to increase its total assets to the level achieved at the beginning of 2012. In the wake of the more expansionary policies, money market rates fell significantly. At the end of 2014, the three-month Euribor was 0.08 %, 0.21 percentage points lower than at the prior-year end.

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

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

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

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

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

Sector situation

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

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

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

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

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

Banks of global systemic importance will be expected to maintain total loss absorbency capacity (TLAC) totaling 16 % to 20 % of their risk-weighted assets. This requirement is designed to ensure that these banks will have sufficient amounts of liable capital on hand in times of need in order to facilitate an orderly liquidation process without drawing on public funds or threatening the existence of the finance system. In addition to equity, the TLAC will include subordinated liabilities that, when necessary, can be converted into equity. The Financial Stability Board expects that the final requirements of the TLAC will be set at the beginning of 2015 and that it will take effect on January 1, 2019. The Bank Recovery and Resolution Directive (BRRD) regulates the minimum requirement for own funds and eligible liabilities that banks must maintain in accordance with the Minimum Requirement for Eligible Liabilities (MREL) within the European Union. Like the TLAC, the MREL is designed to ensure that lending institutions maintain a sufficient level of capital that can be used if the bank must be liquidated or restructured. Ratios have not been defined yet. The topic currently under discussion involves alignment with the TLAC ratios.

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

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

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

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

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

COURSE OF BUSINESS

Results of operations, financial position, and net assets

Postbank generated a profit before tax of €117 million in fiscal year 2014 despite the ongoing difficult market conditions. This corresponds to a €33 million increase as against the prior-year figure of €84 million.

Net profit for the period after tax and before profit transfer amounted to €15 million (previous year: €151 million). In accordance with the control and profit and loss transfer agreement, Postbank will transfer the profit to DB Finanz-Holding GmbH in full.

The rise in profit before tax resulted in particular from the increase in the fair value of the assets transferred in fiscal year 2013 under the contractual trust arrangement (CTA) to cover pension obligations. This largely offset the expenses for the actual or expected reimbursement of consumer loan processing fees. After examining the claims for recovery received, we do not expect any further significant negative effects in 2015.

Litigation and complaints about investment advice gave rise to further negative effects. A large proportion of these relate to advice provided and transactions entered into concerning closed-end funds. The distribution of these funds was discontinued in 2012.

Adjusted for non-recurring effects, net interest income declined year-on-year due to the continued historically low interest rates, as we had expected.

The anticipated slight rise in other administrative expenses adjusted for non-recurring effects was primarily attributable to higher communication and marketing expenses.

Contrary to our expectations, the net gains on the measurement of securities in the liquidity reserve continued to develop positively due to the continuing low interest rates.

The operating business of our former subsidiary PB International S.A. in Luxembourg (PBI) was transferred to a new Postbank branch in Luxembourg, effective July 1, 2014. The resulting significant effects are presented separately.

As expected, the net measurement losses in the lending business widened appreciably due to the planned growth in the core business.

Results of operations

Individual items

Net interest income

At €2,644 million in fiscal year 2014, net interest income (including current income and income from profit and loss transfer agreements) increased as against the prior-year figure of €2,452 million, which we had not expected. Net interest income improved despite the continued prevailing market conditions characterized by historically low interest rates because of maturing high-interest liabilities, the lack of negative non-recurring effects seen in the previous year, and positive non-recurring effects in the reporting period. The key non-recurring effects in the reporting period were income from the repurchase of own bonds of BHW Bausparkasse AG in the amount of €25 million, and a further €15 million in income for services charged to our subsidiary PB International S.A., Luxembourg (PBI). In addition, the transfer of subsidiary PBI's operating business to the newly established branch in Luxembourg increased net interest income by €35 million.

Net interest income from securities increased by €26 million in the reporting period. The transfer of subsidiary PBI's securities to the new branch in Luxembourg resulted in a €49 million increase in net interest income from securities. Excluding this non-recurring effect, net interest income from securities continued to fall due to the systematic reduction and the low interest rates.

Interest income of €65 million was generated by closing out derivatives prior to maturity (previous year: interest expense of €4 million).

Current income in the amount of €103 million (previous year: €200 million) largely relates to the profit distributions of our subsidiaries PB International S.A. (€61 million) and P.O.S. Transact GmbH (€9 million), as well as the guaranteed dividend (€22 million). 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 (DB PGK), DB PGK guarantees to pay Postbank annual compensation ("guaranteed dividend") in accordance with section 304 of the *Aktiengesetz* (AktG – German Stock Corporation Act) for the duration of the agreement.

Income from profit and loss transfer agreements amounted to €242 million (previous year: €202 million) and primarily relates to Postbank Filialvertrieb AG (€82 million), BHW Holding AG (€49 million), PB Factoring GmbH (€41 million), Postbank Beteiligungen GmbH (€36 million), and Postbank Systems AG (€31 million).

Net fee and commission income

Contrary to our expectations, net fee and commission income decreased by €30 million to €408 million. This is largely the result of changes in the structure of customer notification fees and the discontinuation of processing fees for consumer credits and private mortgage lending.

Net income from the trading portfolio

In fiscal year 2014, Postbank reported net income from its trading portfolio of €17 million (previous year: net expense of €12 million).

This was chiefly due to trading activities connected with the elimination of foreign currency risks, which made a positive contribution to earnings in the total amount of €11 million (previous year: €0.2 million). Of this amount, €3 million was attributable to the branch in Luxembourg. Interest rate derivatives held in the trading portfolio contributed €12 million to earnings (previous year: €–9 million). This was offset by a risk discount on derivatives in the trading portfolio (including credit/debt value adjustments) in the amount of €3 million.

A total of €3 million of the net income from trading operations was added to the fund for general banking risks in accordance with section 340e(4) of the *Handelsgesetzbuch* (HGB – German Commercial Code).

Administrative expenses

Administrative expenses (including depreciation and amortization of property and equipment, and intangible assets) decreased by an appreciable €426 million to €2,239 million (previous year: €2,665 million).

Personnel expenses decreased to €617 million (previous year: €667 million) due to lower staff-related provisions.

At €1,622 million, the non-personnel operating expense decreased by €375 million year-on-year. This was mainly due to the change implemented in the reporting period to the presentation of reimbursements for services provided by the service companies in the amount of €–439 million, which are now recognized in other expenses as opposed to the non-personnel operating expense. The adjusted non-personnel operating expense increased slightly, as we had expected.

An impairment loss in the amount of €14 million was recognized in the reporting period on the fund business acquired from the former BHW Bank.

Net measurement gains/losses

Risk provisions for securities in the liquidity reserve benefited from the historically low interest rates to reach €23 million in the fiscal year (previous year: €22 million). The expected negative effects were offset by positive effects, with losses on the sale of securities of €4 million more than compensated for by gains of €12 million. The reversals of writedowns of fixed-income securities of €37 million were more than enough to offset the €21 million of writedowns.

As we had expected, net measurement losses in the lending business widened appreciably from €87 million to €266 million. This was primarily attributable to the planned expansion of the core business and the adjustments made to the inputs in the fiscal year.

Writedowns and adjustments of equity investments, investments in affiliated companies, and securities treated as fixed assets

In the reporting period, writedowns were recognized on the carrying amounts of the investment in Postbank Filialvertrieb AG in particular (€582 million).

Income from reversals of writedowns of equity investments, investments in affiliated companies, and securities treated as fixed assets

Income mainly comprises book gains of €318 million from the capital reduction by PB International S.A. and gains of €182 million generated in connection with the contribution of the shares in the service companies to PBC Banking Services GmbH.

Other income
Net other income and expenses (including other taxes) amounted to €–117 million in the year under review (previous year: €335 million).

Other operating income primarily includes reimbursements of civil servants' salaries by affiliated companies amounting to €261 million (previous year: €266 million), income from the measurement of plan assets of €186 million (previous year: €0 million), income of €77 million from the reversal of provisions (previous year: €37 million), and rental income of €71 million (previous year: €63 million).

Other operating expenses mainly relate to services provided by the service companies amounting to €446 million, expenses for the actual or expected reimbursement of consumer loan processing fees of €128 million (previous year: €0 million), expenses for the recognition of provisions relating to closed-end funds in the amount of €113 million (previous year: €35 million), and provisions for expected losses on executory contracts of €56 million (previous year: €0 million). Expenses also include court and litigation costs amounting to €21 million (previous year: €14 million) and payments made to the Bundesanstalt für Post und Telekommunikation of €9 million (previous year: €8 million).

Extraordinary result
The difference resulting from the measurement of pension provisions, as determined when the *Bilanzrechtsmodernisierungsgesetz* (BilMoG – German Accounting Law Modernization Act) was introduced on January 1, 2010, was required to be added to the provisions over a maximum period of 15 years, however at the latest by December 31, 2024. The entire remaining difference of €15 million (previous year: €15 million) was added in fiscal year 2014.

Profit before tax
Profit before tax and profit transfer amounted to €117 million in fiscal year 2014, after €84 million in the previous year. The forecast break-even result was substantially exceeded thanks to positive non-recurring effects and the transfer of the operating business of our subsidiary PB International S.A. in Luxembourg to the new Postbank branch in Luxembourg.

Taxes on income
Income taxes amounted to €102 million (previous year: income tax income of €67 million). The income tax expense in 2014 is attributable to the taxes that Postbank is legally required to pay under the control and profit and loss transfer agreement for the current year (including the branches in the UK and Luxembourg), as well as prior-period taxes.

Net profit for the period
Postbank reported net profit of zero in fiscal year 2014 after transferring its profit of €15 million to DB Finanz-Holding GmbH.

Net assets and financial position

Changes in the balance sheet structure

Total assets
As of December 31, 2014, Postbank's total assets were down €6.6 billion year-on-year, from €139.7 billion to €133.1 billion.

Changes on the assets side mainly related to the reduction in the trading portfolio due to the netting of interest rate derivatives with a central counterparty, which was used for the first time in fiscal year 2014, and to the decline in term deposits and overnight money lent to affiliated companies. By contrast, the securities portfolio increased due to the transfer of former subsidiary PBI's operating business to the new Postbank branch in Luxembourg. On the liabilities side, the bond portfolio was reduced due to maturities.

Loans and advances to customers
Loans and advances to customers amounted to €66.5 billion as of December 31, 2014, up €1.8 billion year-on-year. The rise is primarily due to the transfer of assets belonging to PBI, which transferred its customer business to the new branch in Luxembourg effective July 1, 2014. This led to increases in both the promissory note portfolio (€0.8 billion) and commercial lending portfolio (€0.6 billion) in particular.

Money and capital market investments
Money and capital market investments, comprising loans and advances to other banks, investments in the trading portfolio, and bonds, amounted to €56.5 billion as of the reporting date (previous year: €65.2 billion).

The increase in the securities portfolio is attributable to the acquisition of PBI's securities portfolio (€3.7 billion) by the Postbank branch in Luxembourg.

Loans and advances to other banks decreased by €6.8 billion to €27.0 billion, due in particular to the reduction in the term deposit and overnight money portfolios.

The trading portfolio amounted to €0.7 billion as of the reporting date (previous year: €5.7 billion) and mainly comprised positive fair values of derivative financial instruments. The significant decline in the volume of derivative financial instruments in the balance sheet is due to the netting of interest rate derivatives with central counterparties for the first time in the fiscal year.

Due to customers
Total amounts due to customers amounted to €101.0 billion as of the reporting date, remaining roughly level with the prior-year figure. The €2.8 billion increase in demand deposits was offset by decreases in savings deposits (€–1.9 billion) and registered securities (€–0.3 billion).

Money and capital market liabilities

Money and capital market liabilities, comprising deposits from other banks, debt securities in issue, and the trading portfolio, amounted to €21.6 billion (previous year: €28.6 billion).

The netting of interest rate derivatives with central counterparties led to a decrease in the trading portfolio. At present, this solely comprises negative fair values of derivative financial instruments.

The €0.9 billion increase in deposits from other banks to €16.8 billion was mainly attributable to the overnight money business.

The portfolio of debt securities in issue declined by €2.6 billion to €4.6 billion due to maturities.

Fund for general banking risks

In the reporting period, €244 million was added to the fund for general banking risks in accordance with section 340g of the HGB. An addition of €3 million was also made in accordance with section 340e(4) of the HGB. Following these additions, the fund for general banking risks amounted to €2,270 million as of the end of the year.

Equity

As of December 31, 2014, equity was unchanged at €2,740 million.

Regulatory capital ratios

Postbank prepares the relevant individual institution notifications and fulfills its other notification requirements under the CRR/CRD IV.

On the basis of the most recent audited annual financial statements (December 31, 2013), the regular phased-in Common Equity Tier 1 capital ratio amounted to 9.7 % as of year-end 2014. The fully phased-in Common Equity Tier 1 capital ratio was 9.2 % as of December 31, 2014. The regular phased-in total capital ratio amounted to 15.0 % as of the end of 2014; the fully phased-in total capital ratio as of year-end 2014 was 14.8 %.

Based on the current capital position as of December 31, 2014, the regular phased-in Common Equity Tier 1 capital ratio was 10.4 %[1]. The fully phased-in Common Equity Tier 1 capital ratio amounted to 9.6 %[1] as of year-end 2014. The regular phased-in total capital ratio amounted to 15.9 %[1] as of the end of 2014; the fully phased-in total capital ratio as of year-end 2014 was 15.3 %[1].

Please see the "Monitoring and managing liquidity risk" section of the Risk Report for information on the financial position.

Postbank's investment focuses in 2014

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

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

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

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

Overall assessment of business performance in 2014

With profit before tax amounting to €117 million, Postbank's net assets, financial position, and results of operations remain very stable despite the continuing difficult conditions. This is largely attributable to the sustained performance of our retail and corporate banking business, which has not shown itself to be susceptible to fluctuation. The lending business continued to have the greatest influence on net assets. In line with our de-risking strategy, our holdings of investment securities were further reduced after taking special factors into consideration.

Financial and non-financial key performance indicators

The return on equity before taxes was 1.7 % (previous year: 1.8 %). The cost/income ratio improved significantly to 72.4 % (previous year: 91.9 %). The liquidity ratio was 1.92 % (previous year: 1.93 %).

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

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

[1]Subject to the adoption of the annual financial statements

REPORT ON POST-BALANCE SHEET DATE EVENTS

No reportable events occurred in the period between December 31, 2014, and the preparation of the annual financial statements by the Management Board on February 25, 2015.

OPPORTUNITY REPORT

Low interest rates stimulate private demand for loans

Today's historically low interest rates have prompted retail customers to step up their spending. The low rates are also spurring demand for private residential mortgages. In 2014, Postbank continued to profit from these trends, with new business for consumer loans (€2.3 billion) and for residential mortgages (€4.8 billion) remaining brisk. In contrast, the volume of savings deposits at Postbank continued its decline, at –4.3 %.

Purchasing power in Germany may continue to grow

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

Monetary policy reversal unlikely in the short run

It is unlikely that the European Central Bank will reverse its current course in the short term and introduce a more restrictive interest rate policy, given its decisions of January 22, 2015. Instead, a substantially more expansive monetary policy has been initiated for the foreseeable future. But this scenario could be dramatically altered by decisions related to the future structure of the eurozone and, in particular, to the long-term refinancing of the union or its member countries. This would especially be the case if eurobonds or similar instruments were considered as an option for the collective (partial) refinancing of eurozone member countries. Joint (partial) funding in the eurozone would immediately drive up interest rates for and in Germany. Over the short term, this could stimulate demand for private lending, particularly long-term residential mortgages with fixed interest rates. Uncertainty about the future direction of interest rates would likely result in higher long-term interest rates in premiums covering the interest rate risk and have a positive effect on margins in the customer business.

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

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

RISK REPORT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Postbank continued the project work needed to implement the banking supervision requirements in the reporting period, in particular the expanded requirements for calculating regulatory own funds and risk-weighted assets for counterparty credit risk, as well as the associated reporting requirements (Common Solvency Ratio Reporting – COREP).

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

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

Integration with Deutsche Bank's risk management activities
Subject to the applicable company law and supervisory law requirements, Postbank is integrated into Deutsche Bank AG's risk management system, the aim being to guarantee uniform, appropriate, and effective risk management at the level of the Deutsche Bank Group. To this end, Postbank is integrated in a suitable system for identifying, assessing, managing, monitoring, and communicating risk that permits an end-to-end overview of the risk situation and the institutional protection system as a whole, and that allows the Bank 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 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 Bank-wide risk inventory.

The annual risk inventory reviews the materiality of the risk types and the existence of additional, previously untracked risks. When performing the risk inventory, Postbank uses instruments that, in the aggregate, cover all material organizational units and risk areas within the Bank. The risk types identified as material in the risk inventory are quantified during the risk-bearing capacity assessment and backed by risk capital. They are monitored on a regular basis.

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, reputational risk has now been assigned to business risk. Market risk from pension obligations, real estate risk, and investment risk are components of market risk.

Postbank distinguishes between the following risk types:

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

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

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

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

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

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

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

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

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

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

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

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

- Business risk
  Business risk covers savings and checking account risk, 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) 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.

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

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

Organization of risk management

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

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

Responsibilities and risk strategy

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

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

As required by the *Mindestanforderungen an das Risikomanagement* (MaRisk – Minimum Requirements for Risk Management), the Bank's risk strategy is consistent with its business policies and takes into account all significant areas of business and types of risk.

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

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

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

Risk committees

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

Tasks of the Bank Risk Committee and its subordinate risk committees

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

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

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

Centralized risk monitoring and management

Risk Control function

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

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

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

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

Risk management units and tasks

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

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

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

Risk management by risk type

Within Postbank, responsibility for risk management at an operational level – in the sense of position-taking activities – is spread across a number of units. Chief among these are Treasury/ALM (Asset/Liability Management), the Corporate Finance, Commercial Real Estate Finance, and Banking & Capital Markets credit units, the Retail Banking credit functions and the Non-Core Operating Unit (NCOU).

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

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

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

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

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

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

Overarching risk management

Risk-bearing capacity

Postbank is included in the Postbank Group's risk-bearing capacity concept 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 serves above all to protect prior-ranking liabilities in a liquidation scenario.

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

Risk capital and risk limitation

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

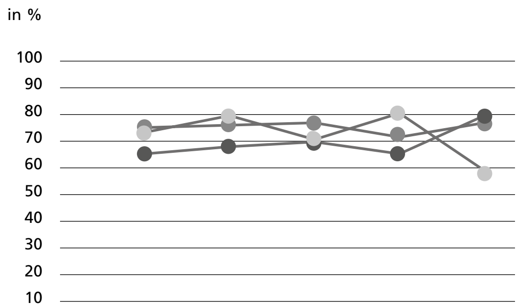
Economic capital is allocated to all the risk types listed in the section entitled "Risk types" with the exception of liquidity risk and reputational risk. To prevent the risk of illiquidity, Postbank maintains a liquidity buffer consisting of highly liquid and liquid assets for a two-month survival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

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

The following graphic depicts the Postbank Group's limit utilization for operationally managed risk types over time:

Development of the limit utilization for operationally managed risk types



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

Risk concentrations and stress testing

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

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

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

Postbank took additional measures to reduce concentration risk.

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

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

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

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

New products process

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

Risk reporting

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

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

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

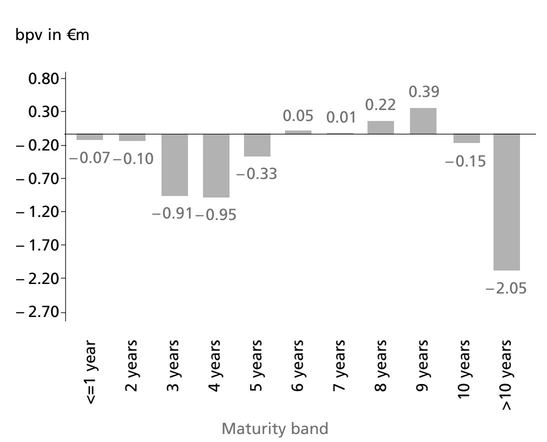
Monitoring and managing market risk
Postbank manages its market risk in the narrower sense of the word using, on the one hand, VaR limits and present-value based loss limits at Bank level and for subportfolios. On the other, sensitivity indicators and maturity structures are used as additional management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

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

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

Interest rate risk analysis is an integral part of daily market risk measurement in the trading and banking books. The following chart presents the profile of Postbank's open interest rate positions as of December 31, 2014, in the form of a basis point value (bpv) graph.

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



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

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

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

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

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

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

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

Stress testing

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

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

Appropriate market terms

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

Risk indicators

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

Value at risk, market risk Postbank

Postbank VaR (10 days, 99 %)	As of		Maximum VaR		Minimum VaR		Average VaR	
Market risk types	Dec. 31, 2014 €m	Dec. 31, 2013 €m	2014 €m	2013 €m	2014 €m	2013 €m	2014 €m	2013 €m
Interest rate risk	41.4	40.4	42.6	89.1	15.3	19.7	29.0	58.3
Equity/stock index risk	3.5	3.5	4.0	5.9	2.4	1.7	3.2	2.5
Currency risk	1.7	4.7	8.9	36.5	1.0	3.1	2.3	7.5
Other market risk (spread)	97.7	123.7	125.7	361.4	92.2	121.0	101.8	213.3
Diversification effects	–30.1	–53.6	–56.5	–134.3	–19.0	–18.8	–32.8	–85.9
Total	114.2	118.7	123.0	366.7	92.5	114.8	103.4	195.6

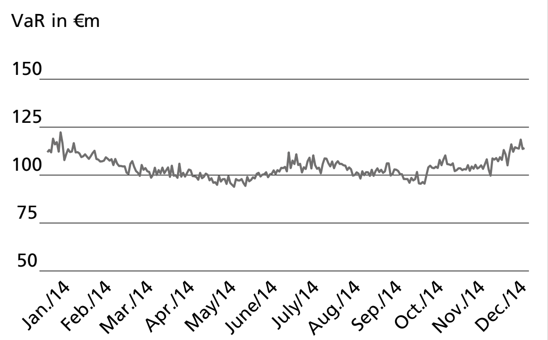
The VaR for market risk (confidence level of 99 %, holding period of 10 days) amounted to a total of €114 million as of December 31, 2014 (for comparative purposes: €119 million as of December 31, 2013).

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

The trading book has not contained any active positions since May 2014. There is not currently any new trading book business. The VaR for the trading book (confidence level of 99 %, holding period of 10 days) amounted to €0.3 million as of the end of the previous year, mainly as a result of currency risk. The maximum VaR in 2014 was €0.4 million.

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

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



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

Real estate risk management
The properties in the Postbank portfolio are primarily owner-occupied properties used by the Bank. They are reappraised every three years in order to monitor their value on an ongoing basis.

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

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

These also include the interests held by Postbank in special-purpose entities (SPEs). In the year under review, SPEs were used in particular to issue subordinated securities and for the temporary ownership of real estate. Postbank has no interests in SPEs designed for asset outplacement. The large number of management and monitoring systems in existence, which are continually being enhanced, guarantees that Postbank is in a position to monitor and manage shareholding risks, including strategic investment risks, at all times.

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

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

Managing individual risks

Credit approval procedures

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

Scoring and rating

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

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

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

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

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

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

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

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

Risk/return key performance indicators

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Global valuation allowances are recognized for latent credit risks. Postbank factors in expected default probabilities, loss rates, and the estimated time between when the default occurs and when this is identified (the loss identification period (LIP) factor), depending on the type of product and customer group concerned in each case. The default probabilities and the loss rates for defaults at the portfolio level are calculated at portfolio level and updated where necessary on the basis of the results of the annual validation and recalibration of the IRBA rating systems; LIP factors are estimated on an individual basis, regularly reviewed, and adjusted where necessary in line with the relevant risk monitoring processes.

Uncollectible loans are written off directly through profit or loss.

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

Managing credit risk at portfolio level

Portfolio management

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

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

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

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

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

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

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

Portfolio structure

The following table provides an overview of material credit risk indicators for the various profit centers as of December 31, 2014, compared to the end of 2013 (volumes: carrying amounts). As the EC including portfolio effects is not calculated at the level of Deutsche Postbank AG, the portfolio structure is shown at Group level.

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

[1]The underlying confidence level is 99.93 %

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

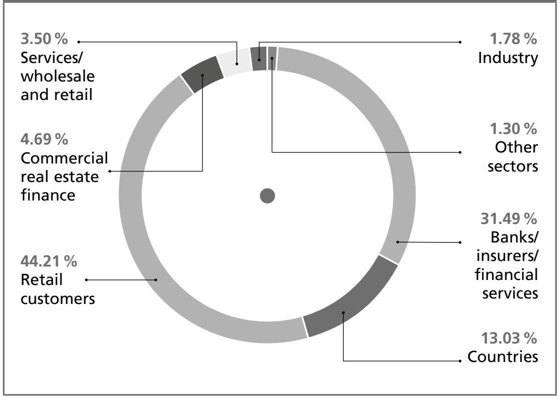
In the Corporate Banking segment, a marked decline in the EL and the EC reflects the scaling-back of risk-bearing assets in the commercial mortgages portfolio. The corporates also saw an improvement in ratings over the course of the year. The rise in the EL and EC in the Retail segment is attributable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

Sector structure of the loan portfolio

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 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 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.

Sector structure

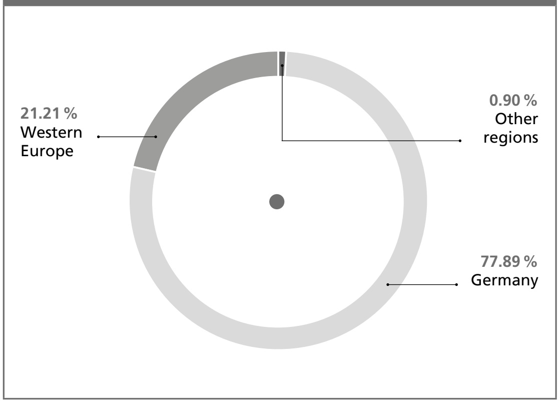


Regional distribution of the loan portfolio

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

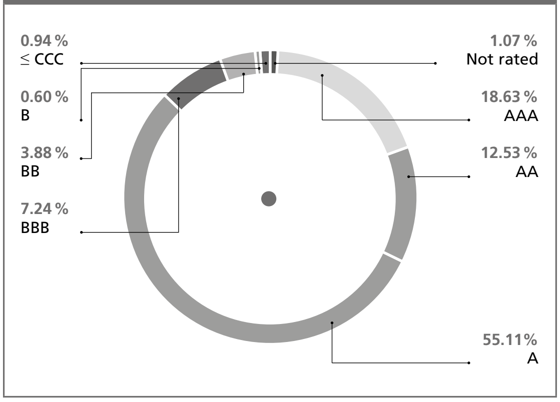
The regional distribution of the credit volume reveals a concentration on the domestic German market in line with Postbank's strategy, as well as selected exposures in Western Europe.

Regional distribution



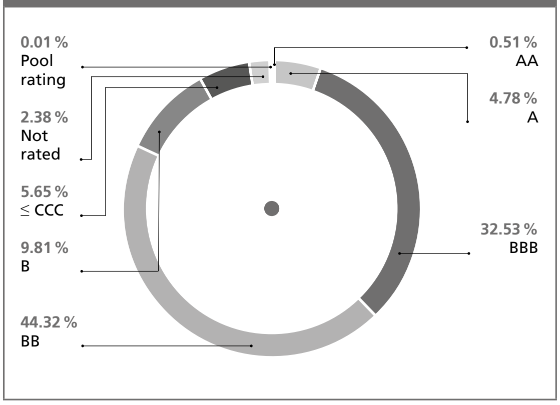
Rating structure of the loan portfolio
The distribution of ratings in the loan portfolio reflects Postbank's conservative approach. The following graphic depicts the rating structure of the loan portfolio for the non-retail business. The good rating categories classified as investment grade predominate.

Credit rating structure (non-retail)



Similarly, the following graphic illustrates the credit quality of the risk-bearing financial instruments for Postbank's retail business that were neither past due nor for which impairment losses had been recognized as of the December 31, 2014, reporting date (with the exception of "contingent liabilities" and "other liabilities"). Postbank's retail business continued to exhibit a stable rating performance.

Credit rating structure (retail)



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

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

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

Monitoring and managing liquidity risk
The goal of liquidity risk management is to ensure Postbank's solvency at all times, including in certain stress situations. As a matter of principle, operational liquidity risk management is performed centrally by Postbank's Chief Operating Office. Postbank serves as the lender of last resort in the case of local liquidity squeezes. In the event of a liquidity shock at the level of the Postbank Group, the Liquidity Crisis Committee has clear responsibility and authority over all portfolio managers at Postbank.

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

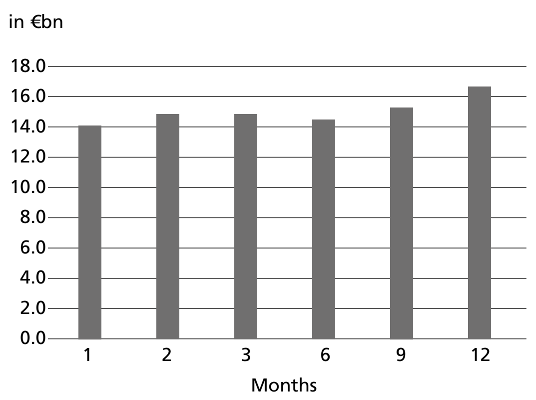
Due to its strategic focus as a retail bank, Postbank enjoys a strong refinancing base in its customer business and is therefore relatively independent of the money and capital markets. As in the past, no significant funding measures on the money and capital markets are planned. Concentration risk during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

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

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

The following graphic illustrates Postbank's liquidity status as of December 31, 2014. This overview presents the expected cash inflows/outflows for the coming twelve months on a cumulative basis, in accordance with the principles of internal liquidity management.

Liquidity status of Postbank as of December 31, 2014



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

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

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

Monitoring and managing operational risk

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

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

Operational risk is fully integrated with Postbank's risk-bearing capacity concept. In the case of limit exceedances, the limit for operational risk is increased (including during the course of the year) at the expense of other risk types or of the unallocated risk cover amount. Postbank's business divisions have been allocated specific risk capital amounts, utilization of which is also monitored each quarter.

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

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

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

Operational Risk Control is responsible for central coordination and reporting in the CRO board department.

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

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

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

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

Business segment in accordance with the SolvV	Weighting for operational risk	
	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Corporate finance	–	–
Trading and sales	23	14
Retail banking	347	340
Corporate banking	42	48
Payment transactions and processing	0	0
Agency services	1	1
Asset management	–	–
Retail brokerage	8	8
Total Postbank	421	411

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

Monitoring and managing business risk

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

Managing savings and checking account risk

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

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

Reputational risk management

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

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

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

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

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

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

Internal control and risk management system for the financial reporting process
The following section describes the key features of the internal control and risk management system for the financial reporting process. In this respect, Deutsche Postbank AG complies with the requirement set out in section 289(5) of the *Handelsgesetzbuch* (HGB – German Commercal Code). Postbank regards information as being material within the meaning of section 289(5) of the HGB if failure to disclose it could influence the economic decisions taken on the basis of the annual financial statements and the other components of financial reporting. Materiality cannot always be determined in general terms, but is rather established in the context of the issue at hand, and is assessed on the basis of the nature and scope of the issues involved. Postbank assesses the question of the materiality of an issue by reference to its importance with respect to the annual financial statements.

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

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

Postbank's internal control system performs the following tasks:

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

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

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

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

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

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

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

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

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

The Chief Risk Office performs the following tasks:

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

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

- Advice and supervision with respect to financial reporting, the internal control system, risk management and risk control (insofar as the Risk Committee is not responsible for this), internal audit, and compliance

- Discussion of questions relating to the requirement of auditor independence

- Engagement of the auditors, determination of the areas of emphasis of the audit, and agreement of the fee.

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

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

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

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

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

Accounting policies and other rules serve to ensure the due and proper treatment of business transactions; the policies and rules are reviewed on an ongoing basis and modified as necessary. Postbank prepares its annual financial statements and management report in accordance with the provisions of German commercial law applicable to major stock corporations (sections 242 – 256a, 264 – 286, and 289 – 289a of the HGB), taking into consideration the legal-form specific requirements for German stock corporations (sections 150 – 161 of the AktG), the sector-specific requirements for credit institutions, and the requirements of the Bank's Articles of Association.

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

The risk of non-compliant financial statements is addressed by corresponding instructions in the guidelines. The quality of the annual financial statements is assured by the Accounting department.

The core principle behind the design of these processes is the clear separation of irreconcilable activities. The principle of dual control plays a key role here, with all transactions being processed and entered in line with it. Dual control can be exercised at the technical or organizational level, or a combination of both.

The financial reporting process for the annual financial statements comprises technical support for the business transactions, data capture and processing, reporting, and the publication of the components of financial reporting. The entire financial reporting process is IT-based. Both standard applications and custom software are used. Rules and procedures, which are based on Postbank's IT strategy and risk strategy, exist for program development and modifications, data backups, and access control, thus ensuring the propriety of the financial reporting.

Postbank uses SAP for account entry. In addition, end user data processing tools are used, the design of which is supervised during monitoring of end user data processing.

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

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

Internal Audit is obliged to comply with the standards issued by the Institute of Internal Auditors (IIA) and the Deutsches Institut für Interne Revision (German Institute for Internal Auditing). It reviews the effectiveness and appropriateness of risk management in general and of the internal control system in particular in a risk-oriented and process-independent manner, in line with the MaRisk.

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

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

Remuneration systems

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

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

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

OUTLOOK

Overall economic parameters

Macroeconomic environment

Global economy

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

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

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

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

Economic outlook for Germany

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

Markets

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

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

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

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

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

Sector situation

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

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

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

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

OUTLOOK FOR POSTBANK

Postbank's investment focuses

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

Non-financial key performance indicators

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

Expected development of Postbank's earnings situation

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

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

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

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

Net interest income is expected to decline in 2015 despite positive momentum from Postbank's core business. This will largely be due to the absence of one-time effects that lifted the 2014 figure. The positive overall trend in Postbank's customer business in 2015 is unlikely to fully compensate for these non-recurring effects.

Net fee and commission income is forecast to increase slightly in 2015. The expansion of business activities in the SME segment and growth initiatives in connection with digitization at Postbank should both have a positive impact. We expect growing demand for investment products – driven among other things by the interest rate environment – to provide positive momentum.

After making a positive contribution to earnings in 2014, we are forecasting that net trading income will be largely flat.

Risk provisions for securities in the liquidity reserve are expected to make a negative contribution to earnings in the single-digit million range in 2015 in light of the continuing low interest rates and flat yield curve.

We expect to see a year-on-year improvement in the allowance for losses on loans and advances. This is due in particular to the fact that the negative one-off effects in 2014 resulting from modifications to methods and parameters are not likely to be repeated in 2015.

Administrative expenses should decrease slightly in 2015, mainly as a result of lower integration-related expenses.

We expect the cost situation reported in other operating expenses to improve significantly compared with the previous year. Negative effects in 2014 resulted from the early repurchase of liabilities as well as expenses for the expected and actual reimbursement of consumer loan processing fees, and expenses in connection with legal actions and complaints about investment advice. We do not expect effects of this magnitude to reoccur in the future. Most of these expenses relate to advice provided and transactions entered into in the area of closed-end funds, the distribution of which was discontinued in 2012.

We expect other operating income to make a significantly lower contribution to earnings than in 2014. This is because the significantly positive contribution from the measurement of assets used to fund pension obligations (contractual trust arrangements) is not likely to be repeated given the current interest rate situation.

Net other income/expenses should remain roughly on the same level in 2015 as the non-recurring effects in other operating income and expenses in 2014 more or less offset each other.

Reversals of writedowns/writedowns on equity investments and securities are expected to have a substantially greater negative effect in 2015 due to the absence of positive non-recurring effects (in particular the capital reduction at a subsidiary).

Unlike in previous years, we do not currently expect to make additions to the fund for general banking risks in 2015.

On this basis, we are forecasting a slightly positive overall result before tax in 2015.

RESPONSIBILITY STATEMENT

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

Bonn, February 25, 2015

Deutsche Postbank Aktiengesellschaft

The Management Board

Frank Strauss

Marc Hess

Susanne Klöss-Braekler

Ralph Müller

Hans-Peter Schmid

Ralf Stemmer

Hanns-Peter Storr

BALANCE SHEET AS OF DECEMBER 31, 2014 – DEUTSCHE POSTBANK AG, BONN

Assets	€	Previous year €m	€	€	Dec. 31, 2014 €	Previous year €m
1. Cash reserve						
a) Cash balance				957,765,823.26		897
b) Balances with central banks				176,269,896.01		93
of which: with Deutsche Bundesbank	175,469,945.45	91			1,134,035,719.27	
2. Loans and advances to other banks						
a) Payable on demand				1,254,473,235.56		2,603
b) Other loans and advances				25,793,983,044.90		31,257
of which:						
mortgage loans	331,886.94	30				
public-sector loans	20,000,000.00	20			27,048,456,280.46	
3. Loans and advances to customers						
of which:						
mortgage loans	21,736,147,506.35	23,503				
public-sector loans	3,113,810,864.49	3,408			66,482,890,806.23	64,724
4. Bonds and other fixed-income securities						
a) Money market securities						
aa) Public-sector issuers			0.00			0
of which:						
eligible as collateral with Deutsche Bundesbank	0.00	0				
ab) other issuers			0.00	0.00		0
of which:						
eligible as collateral with Deutsche Bundesbank	0.00	0				
b) Bonds						
ba) Public-sector issuers			15,791,555,955.93			14,016
of which:						
eligible as collateral with Deutsche Bundesbank	15,783,472,837.77	14,016				
bb) other issuers			12,956,115,887.65	28,747,671,843.58		11,670
of which:						
eligible as collateral with Deutsche Bundesbank	11,839,809,931.77	10,641				
c) Own bonds				0.00		0
Principal amount	0.00	0			28,747,671,843.58	
5. Equities and other non-fixed-income securities					6,135.80	0
5a. Trading portfolio					699,428,896.50	5,684
6. Equity investments						
of which:						
in other banks	98,617.98	1				
in financial services providers	0.00	0			19,900,540.80	25
7. Investments in affiliated companies						
of which:						
in other banks	0.00	548				
in financial services providers	12,046,461.58	12			5,650,645,320.06	6,296
8. Trust assets						
of which: trustee loans	507,144,190.50	619			508,108,391.00	630
9. Intangible assets						
a) Internally generated industrial and similar rights and assets				0.00		0
b) Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets				26,837,354.06		32
c) Goodwill				0.00		15
d) Prepayments				0.00	26,837,354.06	0
10. Property and equipment					373,303,669.03	411
11. Other assets					1,913,103,674.58	1,131
12. Prepaid expenses						
a) From issuing and lending business				107,064,196.14		87
b) Other				24,169,839.64	131,234,035.78	37
13. Deferred tax assets					19,914,585.39	0
14. Overfunded plan assets					326,984,867.31	130
Total assets					133,082,522,119.85	139,738

Equity and liabilities	€	Previous year €m	€	€	Dec. 31, 2014 €	Previous year €m
1. Deposits from other banks						
a) Payable on demand				1,566,816,999.50		7,764
b) With an agreed maturity or withdrawal notice				15,231,493,781.35		8,112
of which:						
registered mortgage *Pfandbriefe* issued	118,056,095.17	111				
registered public-sector *Pfandbriefe* issued	75,638,759.44	231				
Pfandbriefe lodged with lenders						
as collateral for loans received:						
registered mortgage *Pfandbriefe*	0.00	0				
registered public-sector *Pfandbriefe*	0.00	0				
registered bonds (mixed cover) in accordance						
with DSL Bank Reorganization Act (DSLBUmwG)	1,025,486,726.02	1,099			16,798,310,780.85	
2. Due to customers						
a) Savings deposits						
aa) With an agreed withdrawal notice of three months			44,370,099,315.75			46,295
ab) With an agreed withdrawal notice						
of more than three months			123,210,426.60	44,493,309,742.35		134
b) Registered mortgage *Pfandbriefe* issued				1,665,577,861.75		1,552
c) Registered public-sector *Pfandbriefe* issued				137,200,633.53		198
d) Registered bonds (mixed cover) in accordance						
with DSLBUmwG				11,405,830,590.92		11,636
e) Other amounts due						
ea) Payable on demand			39,759,342,955.85			36,916
eb) With an agreed maturity or withdrawal notice			3,066,349,702.56	42,825,692,658.41		3,262
of which:						
Pfandbriefe lodged with lenders						
as collateral for loans received:						
registered mortgage *Pfandbriefe*	0.00	0				
registered public-sector *Pfandbriefe*	0.00	0			100,527,611,486.96	
3. Debt securities in issue						
a) Bonds issued						
aa) Mortgage *Pfandbriefe*			3,571,460,336.00			4,500
ab) Public-sector *Pfandbriefe*			66,376,267.12			1,594
ac) Bonds (mixed cover) in accordance						
with DSLBUmwG			0.00			0
ad) Other bonds			949,069,916.18	4,586,906,519.30		1,090
b) Other debt securities in issue				0.00		0
of which: money market securities	0.00	0			4,586,906,519.30	
3a. Trading portfolio					195,402,152.64	5,514
4. Trust liabilities						
of which: trustee loans	507,144,190.50	619			508,108,391.00	630
5. Other liabilities					1,192,569,160.50	1,126
6. Deferred income						
a) From issuing and lending business				13,245,219.51		21
b) Other				18,506,474.35	31,751,693.86	17
7. Provisions						
a) Provisions for pensions and						
other employee benefits				0.00		0
b) Provisions for taxes				46,244,552.77		35
c) Other provisions				703,777,481.69	750,022,034.46	500
8. Subordinated debt					2,428,752,106.20	2,927
9. Profit participation capital						
of which: due within two years	872,500,000.00	296			1,052,000,000.00	1,152
10. Fund for general banking risks						
of which: special reserve in accordance						
with section 340e(4) HGB	6,292,421.58	3			2,270,642,647.83	2,023
11. Equity						
a) Issued capital				547,000,000.00		547
b) Capital contributions by typical silent partners				20,225,837.62		20
c) Share premium				1,090,499,481.11		1,090
d) Retained earnings				1,082,719,827.52		1,083
e) Net retained profit for the period				0.00	2,740,445,146.25	0
Total equity and liabilities					133,082,522,119.85	139,738

		Dec. 31, 2014 €	Previous year €m
1. Contingent liabilities			
a) Contingent liabilities from endorsed bills settled with customers	-.--		–
b) Liabilities from guarantees and indemnity agreements[1]	732,018,979.51		1,402
c) Liabilities from the provision of collateral for third-party liabilities	-.--	732,018,979.51	–
2. Other commitments			
a) Repurchase obligations from non-genuine securities repurchase agreements	-.--		–
b) Placement and underwriting obligations	-.--		–
c) Irrevocable loan commitments	5,551,150,285.10	5,551,150,285.10	6,428

[1]Commitments under letters of comfort are disclosed under point C.I. in the notes

INCOME STATEMENT – DEUTSCHE POSTBANK AG, BONN, FOR THE PERIOD FROM JANUARY 1, 2014 TO DECEMBER 31, 2014

Comparative figures from January 1, 2013 to December 31, 2013

Expenses	€	Previous year €m	€	€	Dec. 31, 2014 €	Previous year €m
1. Interest expense					1,478,372,559.01	1,784
2. Fee and commission expense					298,937,201.51	299
3. Net expense from the trading portfolio					0.00	12
4. General administrative expenses						
a) Personnel expenses						
aa) Wages and salaries			462,796,415.88			494
ab) Social security contributions, pensions, and other employee benefits			154,421,908.64	617,218,324.52		173
of which: for pensions	107,990,031.84	128				
b) Other administrative expenses				1,582,796,696.24	2,200,015,020.76	1,960
5. Depreciation, amortization, and writedowns of intangible assets and property and equipment					39,128,943.14	38
6. Other operating expenses					854,941,061.58	139
7. Writedowns and adjustments to loans and advances and certain securities, and additions to provisions for credit risks					242,748,487.30	157
8. Writedowns and adjustments of equity investments, investments in affiliated companies, and securities treated as fixed assets					610,256,119.47	347
9. Expenses from loss absorption					1,269,495.28	3
10. Extraordinary expenses					14,499,855.55	15
11. Taxes on income					102,001,548.32	–67
of which from change in recognized deferred taxes	–19,914,585.39	0				
12. Other taxes not reported under item 6					3,365,749.99	5
13. Profit transferred on the basis of profit pooling, profit transfer, or partial profit transfer agreements					14,774,551.54	151
14. Addition to the fund for general banking risks					244,037,918.76	250
15. Net profit for the period					0.00	0
Total expenses					6,104,348,512.21	5,760

Income	€	Previous year €m	€	€	Dec. 31, 2014 €	Previous year €m
1. Interest income from						
a) Lending and money market transactions				3,056,650,047.65		3,138
b) Fixed-income and book entry securities				721,603,568.87	3,778,253,616.52	696
2. Current income from						
a) Equities and other non-fixed-income securities				18,530.94		1
b) Equity investments				1,351,902.78		0
c) Investments in affiliated companies				101,162,507.41	102,532,941.13	198
3. Income from profit pooling, profit and loss transfer agreements, or partial profit and loss transfer agreements					241,998,734.12	202
4. Fee and commission income					707,422,592.65	738
5. Net income from the trading portfolio					17,385,747.47	0
of which: appropriated to special reserve in accordance with section 340e(4) HGB	3,146,210.79	0				
6. Income from reversals of writedowns of equity investments, investments in affiliated companies, and securities treated as fixed assets					515,816,380.14	308
7. Other operating income					740,938,500.18	479
Total income					6,104,348,512.21	5,760

	Dec. 31, 2014 €	Previous year €m
1. Net profit/loss for the period	0.00	0
2. Net retained profit/net accumulated loss for the period	0.00	0

NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF DEUTSCHE POSTBANK AG FOR FISCAL YEAR 2014

A. GENERAL INFORMATION ON THE STRUCTURE OF THE ANNUAL FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

I. General information

The annual financial statements of Deutsche Postbank AG (Postbank) have been prepared in accordance with the *Handelsgesetzbuch* (HGB – German Commercial Code) and the Aktiengesetz (AktG – German Stock Corporation Act), as well as the *Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute* (RechKredV – German Bank Accounting Regulation); they cover the period from January 1 to December 31, 2014.

II. Accounting policies

1. General information

The accounting policies are basically unchanged compared with the previous year.

In the year under review, changes were made to the presentation of expenses in connection with services provided by related parties, the reimbursement of postage expenses, and the initial netting of interest rate derivatives held in the trading portfolio via central counterparties.

The method previously used to measure general valuation allowances for potential credit risks from loans and advances, which used actual defaults in the past, was replaced by a forward-looking method based on lending data (expected loss) in the reporting period.

The newly formed Postbank branch in Luxembourg commenced operations as of July 1, 2014. The PB International S.A. subsidiary in Luxembourg sold its customer business to the newly formed branch on this date.

2. Accounting policies

Current assets

The cash reserve, loans and advances to other banks and customers, other loans and advances, trust assets, and other assets are carried at their principal amounts. Premiums/discounts are amortized ratably. Purchased loans and advances are recognized at cost. The registered securities and promissory note loans included in loans and advances to other banks and customers are measured at their principal amounts plus deferred interest in accordance with section 340e(2) sentence 1 of the HGB. The differences between the principal amounts and cost are reported under deferred income/prepaid expenses and reversed to profit or loss.

All discernible individual risks in the lending business as well as country risks are adequately reflected by the recognition of suitable valuation allowances and provisions. General valuation allowances are recognized for potential risks from loans and advances. A fund for general banking risks has also been set up in accordance with section 340g of the HGB.

Bonds and other fixed-income securities as well as equities and other non-fixed-income securities classified as current assets (with the exception of the trading portfolio) are recognized at historical cost, taking into account the strict principle of lower of cost or market value and the requirement to reverse writedowns (section 340e (1) sentence 2 in conjunction with section 253(4) sentence 1 of the HGB and section 253(5) sentence 1 of the HGB).

Indicative prices (arranger quotes) are used for structured credit products (SCPs) such as residential mortgage-backed securities. The valuation thus takes into account market inputs to the greatest possible extent. The synthetic collateralized debt obligations (CDOs) included in these assets constitute structured products as defined by IDW AcP HFA 22 and are presented separately in the balance sheet.

Hedge accounting

Postbank uses microhedges to hedge assets and liabilities against interest rate risk and applies hedge accounting to them. The goal of microhedges is to hedge interest rate fluctuations in assets and liabilities using derivatives with matching amounts, currencies, or maturities.

Hedge accounting complies with the requirements of section 254 of the HGB and with IDW AcP HFA 35. Hedging relationships end when the hedged item or hedging instrument expires or has been sold or exercised, or the requirements for hedge accounting are no longer met.

Effectiveness testing for all hedges is performed prospectively by way of a sensitivity analysis of the hedged item and the hedging instrument. The changes in the fair value of the hedged item attributable to the hedged risk are compared retrospectively with the change in the fair value of the hedging instrument for each hedging relationship. If they offset each other (effective portion), the fair values of both the hedged item and the hedging instrument are reported in other assets/other liabilities (gross hedge presentation method). If they are negative, ineffective changes in the value of the hedging instrument are recognized in provisions for expected losses. Changes in the value of the hedged item that are not attributable to the hedged risk are recognized in accordance with general accounting rules.

When close-out payments received and paid on microswaps whose underlying contracts are still in the portfolio are reversed, these are offset against the carrying amount of the hedging instrument and, where necessary, against ineffective changes in value recognized in provisions for expected losses. Any remaining amounts are recognized in profit or loss. Changes in the value of the hedged item attributable to the hedged risk that are recognized during the term of the hedging relationship are reversed ratably over the remaining term of the underlying.

Postbank recognizes hedges between assets and liabilities as hedged items and interest rate swaps as hedging instruments. In the past fiscal year, the carrying amounts of hedged assets were €9,164 million and hedged liabilities were €13,059 million. At the reporting date, the changes in value attributable to the hedged risk of the hedged assets amounted to €539 million and the changes in value attributable to the hedged risk of the hedged liabilities amounted to €–771 million. These contrasted with changes in the value of the hedging instruments of €–540 million for assets and €771 million for liabilities. Changes in the value of the hedged items and hedged instruments almost completely offset each other as of the reporting date. Future interest rate-related changes in the value of the hedged items are hedged using hedging instruments with matching maturities until the hedged items mature.

Trading portfolio
Postbank allocates individual financial instruments to the trading portfolio on the basis of internal guidelines and processes. Postbank's criteria for including transactions in the trading book in accordance with Article 102ff. of the Capital Requirements Regulation (CRR) and the provisions of section 340e of the HGB are applied here. The criteria used to allocate financial instruments to the trading portfolio have not changed.

Trading portfolios are presented in the "trading portfolio" balance sheet item under assets or liabilities, as appropriate. Postbank primarily presents derivatives in the trading portfolio under this balance sheet item.

Receivables and liabilities with matching maturities and currencies and the same depositories and counterparties are offset in the area of collateralized money market trading provided the conditions for offset are met. The net amount after offsetting is reported in the balance sheet.

Derivative netting has been used since fiscal year 2014 when settling derivative transactions via a central counterparty. The positive and negative fair values are offset against the variation margin payment.

Interest income and expense from non-derivative financial instruments in the trading portfolio are reported in net interest income.

If there is an active market for a financial instrument carried in the trading portfolio, fair value is determined by reference to the market or quoted exchange price at the balance sheet date. If there is no active market, fair value is determined using recognized valuation techniques.

Observable market data is used to the greatest possible extent when determining fair values using valuation techniques. In most cases, Postbank utilizes discounted cash flow analysis, which mainly uses yield and spread curves (credit spreads, basis spreads) as inputs. In addition, CDS spreads and hazard rates are used to value credit derivatives. Option pricing models also use share prices, index prices, and volatilities as inputs.

Credit/debt value adjustments are used to measure the fair value of financial instruments, in addition to yield curves. The above inputs significantly influence fair value. Please refer to the tables in section XI ("Forward contracts") for information on the nature, volume, and maturities of the trading portfolio.

Any resulting measurement gains or losses are recognized in income at fair value.

As part of risk-adjusted marking-to-market as of December 31, 2014, a risk discount of €1.3 million (previous year: €2.1 million) was determined for Postbank's trading portfolio and offset against the net expense from the trading portfolio. Value at risk (ten-day holding period, 99 % confidence level, one-year historical analysis period) including the correlations between risk factors and portfolios is used as the calculation method. In addition, credit/debt value adjustments to trading derivatives (€5.1 million) were offset against the net income from the trading portfolio.

The amount to be added separately to the fund for general banking risks in a single fiscal year must be at least 10 % of net income from the trading portfolio (after the risk discount) and may not be higher than total net income from the trading portfolio in the fiscal year. Additions are made until the special reserve reaches 50 % of the average net income from the trading portfolio for the last five years (after the risk discount).

The special reserve may only be released to offset a net expense from the trading portfolio or if it exceeds the 50 % limit.

Derivatives in the non-trading portfolio
If derivatives (in particular interest rate swaps, interest rate futures, forward rate agreements, and equity and index derivatives) are not allocated to the trading portfolio, they are treated as executory contracts in accordance with the applicable principles.

Depending on the purpose of the derivative, gains or losses on derivatives in the non-trading portfolio are recognized in "write-downs and adjustments to loans and advances and certain securities, and additions to provisions for credit risks" or in net interest income.

If negative changes in value are established in the course of subsequent measurement, derivatives are accounted for in the balance sheet in accordance with the established accounting convention at banks (banking book measured at net realizable value).

Postbank compares the carrying amount under German GAAP with the present value according to the interest rate book when it measures net realizable value as of December 31 every year. When doing so, it includes interest rate derivatives entered into for interest rate risk management in the banking book. A provision is recognized if the present value is lower than the carrying amount.

Options for which Postbank is the beneficiary are initially measured in the amount of the option premium paid. They are reported in "other assets" or in "equities and other non-fixed-income securities" if they are warrants. They are subsequently measured in accordance with the general measurement rules for current assets under section 340e(1) sentence 2 of the HGB.

Paid initial margins are included in "other assets." If securities are pledged to hedge derivatives, they continue to be reported by Postbank as the legal and beneficial owner.

Securities repurchase agreements
Genuine securities repurchase agreements are mainly entered into for liquidity management purposes. Securities purchased under repurchase agreements are not reported in the balance sheet. As of December 31, 2014, securities with a carrying amount of €6,344 million (previous year: €6,952 million) were transferred as collateral.

Fixed assets
In accordance with section 340e(1) of the HGB in conjunction with section 253(3) sentence 3 of the HGB, securities recognized as fixed assets are measured using the less strict principle of lower of cost or market value. The differences between cost and settlement amount (premiums/discounts) are amortized ratably. The assets are carried in accounts separate from the accounts for securities classified as current assets.

In accordance with section 340e(1) sentence 1 of the HGB, equity investments including investments in affiliated companies as well as operating and office equipment are measured using the rules applicable to fixed assets.

Shares in PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen (PB Spezialinvest) are reported under investments in affiliated companies and measured as current assets to ensure continuity and consistency of measurement.

Intangible assets
Purchased intangible assets are recognized at cost less amortization in accordance with the actual useful life of the assets. Writedowns are recognized where required.

A useful life of 15 years is applied for goodwill. Useful life is based on estimates of expected use.

Property and equipment
Property and equipment is carried at cost and reduced by depreciation over the standard useful life of the asset. Writedowns are recognized where required.

Ongoing maintenance and acquisition costs of up to €150 are expensed in full as incurred. Replacement part costs for property and equipment are capitalized.

Low-value assets up to €410 are immediately recognized as an expense in the year of acquisition.

Prepaid expenses and deferred income
Postbank recognizes prepaid expenses and deferred income in accordance with section 250 of the HGB. These items are reversed in line with income or expense for the reporting period.

Deferred taxes
Postbank exercises the recognition and offsetting option under section 274(1) sentences 2 and 3 of the HGB.

Since Postbank is a member of Deutsche Bank AG's consolidated tax group, deferred taxes are only recognized for foreign branches. No tax allocation agreement has been entered into with the tax group parent.

Liabilities
Liabilities are carried at their settlement amount. Premiums/discounts are amortized ratably. Zero bonds issued are recognized at their issue amount plus proportionate interest up to the balance sheet date. The pro rata interest on zero bonds added to the carrying amount is amortized using the effective interest method.

Provisions
The settlement amount of the pension obligations was €789 million as of December 31, 2014.

Provisions for pensions and other employee benefits are calculated in accordance with actuarial principles. The actuarial method used by Postbank for calculation is the projected unit credit method.

The calculation is based on the following actuarial assumptions:

	Dec. 31, 2014	Dec. 31, 2013
Discount rate	4.54 %	4.89 %
Salary growth	2.10 %	2.50 %
Pension growth	1.60 %	2.00 %
Fluctuation	4.0 % p.a.	4.0 % p.a.
Pensionable age	60 – 63 years	60 – 63 years
Mortality, disability, etc.	Heubeck tables 2005G	Heubeck tables 2005G

When discounting, Postbank exercises the option to use the average market interest rate calculated and published by the Deutsche Bundesbank for an assumed remaining maturity of 15 years (section 253(2) sentence 2 of the HGB).

The interest rate used for discounting is based on the projection onto the balance sheet date of the discount rate published by the Bundesbank as of November 30, 2014.

Since fiscal year 2013, Postbank has fully funded its pension obligations by way of a contractual trust arrangement (CTA).

As of January 1, 2010, the measurement requirements for pension provisions that entered into force under the *Bilanzrechtsmodernisierungsgesetz* (BilMoG – German Accounting Law Modernization Act) on May 29, 2009, led to a difference of €66.6 million at Postbank compared with the legal requirements at the time; minimum appropriations of at least one-fifteenth of this amount must be made annually to the pension provisions in the period up to 2024. The total difference (€66.6 million) had been added as of December 31, 2014, including €14.5 million in fiscal year 2014. The amounts appropriated annually are expensed and reported in the income statement under "extraordinary expenses."

Pension obligations primarily reflect direct pension commitments. The nature and amount of the pension payments of those employees entitled to pension benefits are governed by the applicable pension rules (including pension guidelines and pension fund rules), which depend largely on the duration of the employment. Postbank has assumed a direct occupational pension commitment for pensioners and employees admitted to the Bank's occupational pension plan who were previously insured with Versorgungsanstalt der Deutschen Bundespost (VAP – Postal Service Institution for Supplementary Retirement Pensions).

In the reporting period, the Bank determined that a provision relating to a purchase obligation entered into should have been recognized in 2012; this was corrected in the current account for 2014.

As a result, a provision of €56.4 million was recognized in profit or loss in fiscal year 2014. This prior-period amount is presented under other operating expenses in the income statement. Furthermore, a provision of €15.7 million recognized in connection with the securities portfolio was utilized directly in equity in fiscal year 2014.

Provisions for taxes and other provisions are recognized at the settlement amount in accordance with section 253(1) sentence 2 of the HGB. Other provisions with a remaining maturity of more than one year are measured using the yield curve made available by the Deutsche Bundesbank in accordance with the *Rückstellungsabzinsungsverordnung* (German Discounting of Provisions Regulation). The time value of money resulting from interest cost is recognized as interest expense for banking provisions and as other operating expenses for non-banking provisions.

Contingent liabilities

Liabilities from guarantees and indemnity agreements are reported under contingent liabilities at the amounts to be disclosed at the balance sheet date.

Currency translation

In accordance with section 256a of the HGB, assets and liabilities denominated in foreign currency are translated into euros at the middle spot rate prevailing at the reporting date. Forward contracts still open at the balance sheet date were measured at the forward rate prevailing at the balance sheet date. In the case of foreign currency transactions in the banking book, the forward rate was split into its constituent components and the swap points were accrued.

Gains and losses on the translation of hedged balance sheet items and corresponding executory contracts are offset by recognizing adjustment items.

Balance sheet items and executory contracts denominated in foreign currency are classified and measured as separately covered in each currency because they are managed in the aggregate by Treasury and because strategic currency positions are not used (section 340h in conjunction with section 256a of the HGB). As a result, all gains and losses from currency translation were recognized in the income statement under net income or net expense from the trading portfolio. There was no requirement to eliminate any of the income because the items existing at the balance sheet date had been established recently due to the high turnover rate.

III. Information on investors and investees

On December 31, 2014, Deutsche Bank AG, Frankfurt am Main, directly and indirectly held approximately 94.1 % of Postbank's shares, primarily through DB Finanz-Holding GmbH.

As a result, the free float tradable on stock exchanges amounts to around 5.9 % of Postbank's share capital. Postbank is consolidated in Deutsche Bank AG's consolidated financial statements. The consolidated financial statements of Deutsche Bank AG are filed with the electronic *Bundesanzeiger*.

As a publicly listed German stock corporation, Postbank has prepared its annual financial statements for the fiscal year ended December 31, 2014, in accordance with the HGB in conjunction with RechKredV requirements, as well as the relevant requirements of the AktG.

There is a control and profit and loss transfer agreement between Postbank, as the dependent company, and DB Finanz-Holding GmbH, Frankfurt am Main (a wholly-owned subsidiary of Deutsche Bank AG), as the controlling company.

In accordance with sections 21(1) and 24 of the WpHG, Deutsche Bank AG, Frankfurt am Main, informed the Company on May 29, 2013, that DB Valoren S.à.r.I., a Deutsche Bank subsidiary, and DB Equity S.à.r.I. no longer held any interest in the share capital of Deutsche Postbank AG as of May 27, 2013.

In accordance with sections 20(1) and 24 of the WpHG, Deutsche Bank AG, Frankfurt am Main, informed the Company on May 29, 2013, that Deutsche Bank AG has held over three-quarters of the share capital of, and a majority interest in, Deutsche Postbank via its group company DB Finanz-Holding GmbH since May 27, 2013.

All of the notifications were published in the electronic *Bundesanzeiger*.

IV. Regulatory capital ratios

Postbank prepares the relevant individual institution notifications and fulfills its other notification requirements under the CRR/CRD IV.

On the basis of the most recent audited annual financial statements (December 31, 2013), the regular phased-in Common Equity Tier 1 capital ratio amounted to 9.7 % as of year-end 2014. The fully phased-in Common Equity Tier 1 capital ratio was 9.2 % as of December 31, 2014. The regular phased-in total capital ratio amounted to 15.0 % as of the end of 2014; the fully phased-in total capital ratio as of year-end 2014 was 14.8 %.

Based on the current capital position as of December 31, 2014, the regular phased-in Common Equity Tier 1 capital ratio was 10.4 %[1]. The fully phased-in Common Equity Tier 1 capital ratio amounted to 9.6 % as of year-end 2014. The regular phased-in total capital ratio amounted to 15.9 %[1] as of the end of 2014; the fully phased-in total capital ratio as of year-end 2014 was 15.3 %[1].

[1]Subject to the adoption of the annual financial statements

B. BALANCE SHEET AND INCOME STATEMENT DISCLOSURES

I. Assets

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Affiliated companies		
The following items include loans and advances to affiliated companies:		
Loans and advances to other banks	16,929	15,888
Loans and advances to customers	2,909	1,620
Bonds and other fixed-income securities	3,657	4,120
Other assets	347	246
Other long-term investees and investors		
The following items include loans and advances to other long-term investees and investors:		
Loans and advances to other banks	3	3
Loans and advances to customers	28	41
Bonds and other fixed-income securities	0	0
Subordinated loans and advances		
Subordinated loans and advances are reported in the following items:		
Bonds and other fixed-income securities	0	0

The increase in loans and advances to other banks relating to affiliated companies was mainly due to term deposits and securities repurchase agreements with BHW Bausparkasse AG.

The increase in loans and advances to customers relating to affiliated companies is mainly attributable to loans granted to PB Factoring GmbH.

The reduction in bonds and other fixed-income securities relating to affiliated companies is due to the agreed repayment of several bonds with a nominal volume of €734 million and reinvestment in new bonds from BHW Bausparkasse AG with a nominal volume of €260 million in the year under review.

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Loans and advances to other banks		
Used as cover, with an agreed maturity or withdrawal notice	20	20
of which: four years or more	20	20

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Loans and advances to customers		
Used as cover, with an agreed maturity or withdrawal notice	13,434	16,209
of which: up to four years	31	203
of which: four years or more	13,403	16,006
Secured by mortgage charges	21,736	23,503
of which: used as cover	11,222	12,855
Public-sector loans	3,114	3,408
of which: used as cover	3,114	3,408

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Bonds and other fixed-income securities		
This item includes negotiable securities totaling:	28,734	25,686
Money market securities of public-sector issuers		
listed money market securities	0	0
unlisted money market securities	0	0
Other issuers		
listed money market securities	0	0
unlisted money market securities	0	0
Bonds of public-sector issuers		
listed bonds	15,792	14,016
unlisted bonds	0	0
Other issuers		
listed bonds	12,466	11,030
unlisted bonds	476	640
Own bonds		
listed own bonds	0	0
unlisted own bonds	0	0
Securities not measured at the lower of cost or market	1,174	2,712

Fixed assets include 15 securities with a carrying amount of €1,174 million (previous year: €2,712 million), for which writedowns amounting to €23 million (previous year: €223 million) would have been recognized if they had been measured at their quoted market prices at the balance sheet date. These securities include nine bank bonds (carrying amount €812 million, fair value €800 million), three government bonds (carrying amount €270 million, fair value €259 million), and a bond from a service provider (carrying amount €10.5 million, fair value €10.3 million) issued in the European Union.

The Bank also holds two bank bonds (carrying amount: €81.9 million; fair value: €81.8 million) that were issued in North America.

The changes in the value of the fixed-income securities are due to interest rate and credit spreads and are not expected to be permanent.

The "Equities and other non-fixed-income securities" item does not include any negotiable securities.

Postbank's trading activities cover trading in derivative financial instruments. The trading portfolio is measured at fair value. A discount amounting to the ten-day VaR is charged on these portfolios and is reported separately together with credit/debt value adjustments to derivatives.

Trading portfolio	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Positive fair values of derivative financial instruments (trading portfolio)	705	5,390
Money market receivables	0	298
Bonds and other fixed-income securities	1	1
Equities and other non-fixed-income securities	0	0
Risk discount	–7	–4

The decline in the volume of derivative financial instruments on the balance sheet is largely due to the netting of interest rate derivatives contracts entered into with a central counterparty for the first time in the fiscal year (€6,208 million).

There were no money market trading receivables from reverse repos as of the reporting date (previous year: €295 million). Interest of €0.5 million (previous year: €10 million) arising from reverse repos falling due in the fiscal year was recognized as interest income.

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Equity investments		
This item includes negotiable investments totaling:	6	6
thereof: listed	6	6
thereof: unlisted	0	0
Investments in affiliated companies		
This item includes negotiable investments totaling:	1,664	2,976
thereof: listed	0	0
thereof: unlisted	1,664	2,976

Statement of changes in fixed assets

	Historical cost	Additions	Disposals	Changes in exchange rates/ deferred interest	Cumulative depreciation, amortization, and write-downs	Cumulative reversals of write-downs	Residual value	Depreciation, amortization, and write-downs in fiscal year	Reversals of write-downs in fiscal year
	Jan. 1, 2014 €m	€m	€m	€m	€m	€m	Dec. 31, 2014 €m	2014 €m	2014 €m
Bonds and other fixed-income securities	7,240	4,233	–2,162	23	–15	0	9,319	–9	0
Equity investments	51	14	–4	0	–43	2	20	–15	0
Investments in affiliated companies	7,439	711	–775	0	–2,115	391	5,651	–582	1
Property and equipment	857	19	–75	0	–430	2	373	–18	2
Intangible assets	97	7	0	0	–77	0	27	–21	0
Total	15,684	4,984	–3,016	23	–2,680	395	15,390	–645	3

Additions of bonds and other fixed-income securities mainly relate to bonds of the newly founded Postbank branch in Luxembourg (€3.7 billion). In addition, two bonds with a nominal volume of €260 million were acquired from an affiliated company. Credit/debt value adjustments in the amount of €280 million were recognized for current and terminated hedges in the fiscal year as a result of the application of the gross hedge presentation method.

Disposals mainly relate to bullet bonds with a nominal volume of €778 million, as well as ten bonds with a nominal volume of €1,315 million that were sold before maturity.

Premiums of €–60 million were reversed to income and derecognized in the fiscal year.

Investments in closed-end funds in the amount of €14 million were acquired in the fiscal year.

Disposals mainly relate to the planned disposal of MFG Flughafen GVG mbH & Co. Beta KG, Munich (€3 million). The disposal resulted in a book gain of €1 million.

Investments in closed-end funds had to be written down by a total of €6 million in fiscal year 2014.

Additions to and disposals of investments in affiliated companies mainly relate to the following:

As part of the pooling of the service companies within the Deutsche Bank Group, Postbank transferred its shares in four service companies – Betriebs-Center für Banken AG, Postbank Direkt GmbH, Postbank Service GmbH, and VÖB-ZVD Processing GmbH – to PBC Banking Services GmbH as a non-cash contribution as of April 1, 2014. In return, Postbank received shares of PBC Banking Services GmbH (€411 million).

Other additions to investments in affiliated companies include the Teilgesellschaftsvermögen PB 26 subpools of assets that was established in the fiscal year and that has a notional volume of €300 million.

Disposals relate to the shares of Betriebs-Center für Banken AG (€237 million), VÖB-ZVD Processing GmbH (€26 million), Postbank Direkt GmbH (€16 million), and Postbank Service GmbH (€0.1 million) that were contributed to PBC Banking Services GmbH in the course of the non-cash contribution.

Disposals also relate to the capital reduction (€810 million) by PB International S.A., Schuttrange (Munsbach), Luxembourg. In this connection, the carrying amount of the company was reduced from €548 million to €55 million. Postbank generated a book gain of €318 million.

The reduction in the share premium of Postbank P.O.S. Transact GmbH (€2 million) and the quarterly repayment of the limited partner shares of DSL Portfolio GmbH & Co. KG (€1 million) led to further disposals.

The €582 million writedown relates solely to Postbank Filialvertrieb AG.

The €1 million reversal of writedowns relates solely to PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen.

Property and equipment largely comprises land and buildings used in Postbank's own operations (€345 million) and operating and office equipment (€20 million). The Hallesches Ufer property in Berlin, which had a carrying amount of €41 million, was sold in the fiscal year. In addition, a writedown of €2 million on the Oststrasse property in Düsseldorf was reversed.

Amortization and writedowns of intangible assets include an impairment loss of €14 million on the fund business acquired from the former BHW Bank AG, Hameln.

The additions of €7 million were attributable to the Luxembourg branch.

Investment funds

	Carrying amount	Fair value	Difference between fair value/ carrying amount	Distri- bution	Daily redemp- tion possible	Write- downs not recog- nized
	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m	2014 €m		Dec. 31, 2014 €m
PB Spezialinvest						
TGV PB 02	468	504	36	0	Yes	0
TGV PB 08	475	549	74	0	Yes	0
TGV PB 09	529	581	52	0	Yes	0
TGV PB 11	609	667	58	0	Yes	0
TGV PB 13	333	360	27	0	Yes	0
TGV PB 14	333	361	28	0	Yes	0
TGV PB 21	193	222	29	0	Yes	0
TGV PB 26	300	301	1	0	Yes	0
Other funds						
Bond funds	0	0	0	0	Yes	0

The investment objective of the subpools of assets is to purchase corporate bonds (investment grade). The portfolios also include securities that are held to maturity.

The subpools of assets did not make any distributions in 2014. All subpools of assets permit daily redemption. No writedowns were recognized. The shares in PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen are reported as investments in affiliated companies. The subpools of assets are measured as current assets to ensure continuity and consistency of measurement.

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Other assets		
This item primarily includes the following:		
Derivative hedging instruments	1,313	666
Receivables arising from non-bank business	350	248
Claims to tax reimbursement	109	77
Claims to reimbursement against PB Lebensversicherung AG (Talanx)	68	73
Adjustment item from currency translation	0	11

In connection with hedge accounting using the gross hedge presentation method, the effective positive changes in the value of the hedging instrument are reported under other assets.

Other assets include receivables from profit transfers totaling €242 million. These relate primarily to Postbank Filialvertrieb AG (€82 million), BHW Holding AG (€49 million), PB Factoring GmbH (€41 million), Postbank Beteiligungen GmbH (€36 million), and Postbank Systems AG (€31 million).

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Prepaid expenses		
This item includes:		
Prepaid premiums on loans and advances	60	32
Prepaid issue costs/discounts	39	46
Investment allowances	4	12

Excess of plan assets over post-employment benefit liability

The excess of plan assets over post-employment benefit liability of €327 million is due to the offsetting of plan assets against the provisions recognized to meet post-employment liabilities required under section 246(2) sentence 2 of the HGB.

The fair value of the plan assets is calculated on the basis of the fair values of the fund units held by Treuinvest e.V., Frankfurt am Main, and amounted to €1,116 million as of December 31, 2014. The cost of the plan assets amounted to €868 million. The settlement value of the pension obligations was €789 million. The interest cost added back to pension provisions (unwinding) of €35 million (previous year: €36 million) and the effects of the change in the discount rate in the amount of €36 million were offset against income from plan assets of €257 million (previous year: expenses of €6 million).

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Remaining maturities		
Other loans and advances to other banks	25,794	31,257
less than 3 months	9,454	15,535
3 months to 1 year	11,017	8,684
1 to 5 years	4,862	6,511
more than 5 years	461	527
Loans and advances to customers	66,483	64,724
less than 3 months	5,599	5,925
3 months to 1 year	6,576	6,891
1 to 5 years	23,193	22,687
more than 5 years	28,984	26,741
without fixed maturity	2,131	2,480

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Bonds and other fixed-income securities		
Amounts due in the following year	3,951	2,300

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Foreign currency assets		
Total amount of assets denominated in foreign currency	3,313	2,487

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Trust assets	508	630
This item includes:		
Loans and advances to customers	507	619
Loans and advances to other banks	1	11

The traditional focus of trust activities is on financing measures aimed at enhancing infrastructure in rural areas, and specifically on promoting full-time and part-time agricultural enterprises. In eastern Germany, Postbank provides finance within the framework of government subsidy programs for the re-establishment and restructuring of agricultural enterprises by granting loans and subsidies as well as subsidized interest rates and guarantees.

Deferred tax assets

No deferred tax assets in respect of domestic business have been recognized since fiscal year 2012 as Postbank is now a member of Deutsche Bank AG's consolidated tax group. The figure for the foreign branches was €20 million. This comprises an offsettable loss at the London branch (tax rate: 26.5 %) and measurement differences relating to bonds and other fixed-income securities at the Luxembourg branch (tax rate: 29.22 %).

II. Equity and liabilities

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Affiliated companies		
The following items include amounts due to affiliated companies in unsecuritized form:		
Deposits from other banks	7,924	7,152
Due to customers	751	247
Other liabilities	76	278
The following items include amounts due to affiliated companies in securitized form:		
Subordinated debt	1,600	1,600
Profit participation certificates outstanding	0	0
The following items include liabilities to other long-term investees and investors:		
Due to customers	3	3

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Other liabilities		
This item is primarily composed of:		
Derivative hedging instrument	837	532
Liabilities arising from non-bank business	103	228
Tax liabilities	27	46
Adjustment item from currency translation	56	0

In connection with hedge accounting using the gross hedge presentation method, the effective negative changes in the value of the hedging instruments are reported under other liabilities.

Liabilities arising from non-bank business mainly relate to liabilities from commissions in the amount of €34 million arising from the service framework agreement with PB Firmenkunden AG, as well as a liability of €15 million to DB Finanz-Holding GmbH in connection with the control and profit and loss transfer agreement.

This item also includes VAT liabilities to Deutsche Bank AG in the amount of €11 million.

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Deferred income		
This item includes:		
Discounts from hedged securities	14	10
Discount accruals arising on loans and advances	10	17
Issue costs/premium accruals on bonds issued	3	3

Trading portfolio	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Negative fair values of derivative financial instruments (trading portfolio)	195	5,478
Money market liabilities	0	36

The trading portfolio on the liabilities side includes the negative fair values of derivative financial instruments and trading portfolio liabilities. All trading portfolios are measured at fair value.

The decline in the volume of derivative financial instruments in the balance sheet is largely due to the netting of interest rate derivatives contracts entered into with a central counterparty for the first time in the fiscal year (€6,792 million).

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Provisions		
Other provisions include:		
Employee-related provisions	259	298
Provisions for anticipated losses on derivatives	59	9

Subordinated debt

Subordinated debt mainly comprises four issues of subordinated bonds with a nominal volume of €1,600 million. This subordinated debt is not repayable before the end of a minimum term of five years.

Information on all borrowings that exceed 10 % of total subordinated debt:

ISIN	Currency	Amount	Interest rate	Due
XF0002431657	€	300,027,000	variable	Dec. 2, 2034
XF0002431707	€	500,027,000	variable	Dec. 23, 2034
XF0002431756	€	300,027,000	variable	June 7, 2035
XF0002432002	€	500,076,000	5.991 %	June 29, 2037

The terms and conditions of the subordinated debt do not comply in full with the requirements of Article 63 of the CRR due to the short maturities; an extraordinary right of termination has not been granted to the creditor.

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Expenses (including proportionate interest and premiums) incurred by subordinated debt amounted to:	116	124

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Remaining maturities		
Deposits from other banks with an agreed maturity or withdrawal notice	15,231	8,112
up to 3 months	7,158	383
3 months to 1 year	479	429
1 to 5 years	3,893	3,549
more than 5 years	3,701	3,751

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Savings deposits with an agreed withdrawal notice of more than 3 months	123	134
up to 1 year	40	43
1 to 5 years	83	91
more than 5 years	0	0
Other amounts due to customers with an agreed maturity or withdrawal notice	16,275	16,648
up to 3 months	1,047	1,024
3 months to 1 year	1,121	1,525
1 to 5 years	6,262	5,113
more than 5 years	7,845	8,986

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Debt securities in issue		
Bonds issued		
Amounts due in following year	1,066	2,633
Other debt securities in issue with an agreed maturity or withdrawal notice	0	0
up to 3 months	0	0
more than 3 months to 1 year	0	0

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Foreign currency liabilities		
Total amount of liabilities denominated in foreign currency	3,300	2,471

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Trust liabilities	508	630
This item includes:		
Due to customers	508	630

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Profit participation certificates outstanding	1,052	1,152
This item includes:		
Bearer profit participation certificates outstanding	560	560
Registered profit participation certificates outstanding	492	592

The decrease in profit participation certificates is due to certificates reaching maturity.

Fund for general banking risks

Fund for general banking risks	€m
As of January 1, 2014	2,023
Additions in acc. with section 340g HGB	244
Additions in acc. with section 340e(4) HGB	3
As of December 31, 2014	2,270

Equity

Postbank's issued capital amounts to €547 million and is composed of 218,800,000 no-par value registered shares.

The Management Board is authorized, with the consent of the Supervisory Board, to increase the Bank's share capital on one or more occasions in whole or in part by up to a total of €218.8 million up to May 27, 2018, by issuing new no-par value registered shares against cash and non-cash contributions, including mixed non-cash contributions (Authorized Capital I). The shareholders must generally be granted preemptive rights. The Management Board is authorized, with the consent of the Supervisory Board, to determine the additional details of the capital increase and its implementation.

The Management Board is further authorized, with the consent of the Supervisory Board, to increase the Bank's share capital on one or more occasions in whole or in part by up to a total of €54.7 million up to May 27, 2018, by issuing new no-par value registered shares against cash contributions (Authorized Capital II). The shareholders are generally granted preemptive rights. The resolution also provides the opportunity for simplified disapplication of preemptive rights in accordance with section 186(3) sentence 4 of the AktG. The Management Board is authorized, with the consent of the Supervisory Board, to determine the additional details of the capital increase and its implementation.

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

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

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

In addition, the Company was authorized by way of a resolution by the Annual General Meeting on April 29, 2010, to purchase own shares for the purposes of securities trading in accordance with section 71(1) no. 7 of the AktG up to a total of 5 % of the relevant share capital, or for other purposes in accordance with section 71(1) no. 8 of the AktG up to a total of 10 % of the share capital. In accordance with the legal provisions, the aggregate number of own shares held may not account for more than 10 % of the share capital. The authorizations are valid until April 28, 2015.

The authorization to purchase own shares was not exercised in the reporting period. Postbank held no treasury shares as of the balance sheet date.

Changes in equity	€m	€m
Balance at Jan. 1, 2014		2,740
Issued capital		547
Contributions by typical silent partners		20
Share premium		1,090
Other retained earnings		
Retained earnings, balance at Jan. 1, 2014	1,083	
Addition to retained earnings	0	1,083
Net profit for 2014		0
Balance at Dec. 31, 2014		2,740

Postbank reduced its net profit to zero in fiscal year 2014 after transferring a profit of €15 million to DB Finanz-Holding GmbH.

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Contributions by typical silent partners	20	20

Based on the principal amount of their capital contributions, the typical silent partners receive a share of profits for every fiscal year in the amount of the percentage that Postbank uses to calculate the dividend payment on its share capital, including disclosed reserves. The percentage is limited in each case by minimum and maximum rates.

III. Contingent liabilities

As in the previous year, Postbank reported a guarantee of €12 million issued to BHW Bausparkasse AG, Luxembourg, under contingent liabilities. This assumes the first-loss piece of a retail credit portfolio held by BHW's Luxembourg branch.

PB Capital Corporation (PB Capital) terminated its lease for office space in fiscal year 2014. The guarantee furnished by Postbank on behalf of PB Capital has thus lapsed (previous year: €5 million). The assets and liabilities of PB International S.A., Luxembourg, were transferred to the newly formed Deutsche Postbank branch in Luxembourg as of July 1, 2014, by way of a sale. Postbank therefore reported a guarantee of €0 million (previous year: €473 million) issued to PB International S.A., Luxembourg.

Liabilities to third parties from indemnity agreements entered into in favor of affiliated companies were not recognized because the underlying liabilities are expected to be settled by the affiliated companies and therefore no utilization is anticipated.

A guarantee in favor of KfW as protection buyer under a senior guarantee furnished as part of a securitization deal expired in the course of the fiscal year and has thus lapsed (previous year: €278 million).

IV. Other commitments

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Other obligations		
This item includes:		
Irrevocable loan commitments	5,551	6,428
thereof: building loans provided	2,346	2,162

As of the balance sheet date of December 31, 2014, Postbank had credit lines amounting to €13,463 million (previous year: €12,353 million) that can be called immediately.

There were no placement or underwriting obligations as of the balance sheet date.

The method to be disclosed in accordance with section 34(2) no. 4 of the RechKredV for assessing and quantifying the reported liability or credit risk contractually entered into but not likely to be realized, as well as the obligations from transactions for which Postbank has entered into an (irrevocable) agreement and will therefore be exposed to credit or liquidity risk in the future, is described in the "Monitoring and managing credit risk" section of the risk report in Postbank's management report.

V. Income statement

Writedowns and adjustments to loans and advances and certain securities, and additions to provisions for credit risks comprise net measurement losses in the lending business of €266 million (previous year: €179 million) and risk provisions for securities of €23 million (previous year: €22 million). The sale of securities generated price gains of €12 million and price losses of €4 million. Reversals of writedowns of securities amounted to €37 million and writedowns amounted to €21 million.

Other operating expenses mainly comprise:

	Dec. 31, 2014 €m	Dec. 31, 20013 €m
Expense for services rendered by service companies[1]	−446	–
Expense for legal risk from processing fees for consumer loans	−128	0
Expense for closed-end funds	−113	−35
Provisions for contingent losses from pending transactions	−56	0
Court and litigation costs	−21	−14
Payments made to Bundesanstalt für Post- und Telekommunikation	−9	−8
Interest cost for pension provisions[2]	0	−36

[1] Change to presentation in fiscal year 2014

[2] The interest cost for pension provisions of €35 million (previous year: €36 million) was offset against income from plan assets in fiscal year 2014.

Writedowns and adjustments of equity investments, investments in affiliated companies, and securities treated as fixed assets primarily consist of writedowns on the carrying amount of Postbank Filialvertrieb AG (€582 million), which was written down since impairment is expected to be permanent.

Income from reversals of writedowns and adjustments of equity investments, investments in affiliated companies, and securities treated as fixed assets mainly comprise book gains of €318 million from the capital reduction by PB International S.A. and gains of €182 million generated in connection with the contribution of the shares in the service companies to PBC Banking Services GmbH.

Other operating income primarily includes reimbursements of civil servants' salaries from affiliated companies amounting to €261 million (previous year: €266 million), rental income of €71 million (previous year: €63 million), and income of €77 million from the reversal of provisions (previous year: €37 million). The measurement of plan assets for post-employment liabilities (after offsetting in accordance with section 246(2) sentence 2 of the HGB) and the effects of the change in the discount rate resulted in income of €186 million being reported in other operating income.

Atypical interest rates (negative interest) may arise as a result of the ongoing low interest rate environment. This affects isolated money market transactions and repurchase agreements within Postbank. Exceptionally, Postbank reports negative interest on loans and accruals as interest income and negative interest on liabilities as interest expenses. More detailed disclosures are not made due to the immateriality of the amounts.

Due to the initial application of the BilMoG, Postbank recognized the difference of €–15 million (previous year: €–15 million) arising from the determination of the pension provisions in its extraordinary result in accordance with Article 67(7) of the *Einführungsgesetz zum Handelsgesetzbuch* (EGHGB – Introductory Law of the German Commercial Code).

The "Taxes on income" item comprises an income tax expense of €102 million (previous year: income tax income of €67 million). The income tax expense in 2014 is attributable to the taxes that Postbank is legally required to pay under the control and profit and loss transfer agreement for the current year (including the branches in the UK and Luxembourg) as well as prior-period taxes.

Income by geographical area

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Germany	3,034	2,849
Others	38	30
thereof: Europe	38	30
Total	3,072	2,879

The total includes the following line items reported on the face of the income statement: net interest income (including current income from equities and other non-fixed-income securities, equity investments and investments in affiliated companies, and income from profit pooling, profit and loss transfer agreements, or partial profit and loss transfer agreements), net fee and commission income, and net expense or net income from the trading portfolio.

C. OTHER DISCLOSURES

I. Other financial obligations

In accordance with section 16 of the *Postpersonalrechtsgesetz* (Deutsche Bundespost Former Employees Act), Postbank pays an annual contribution for civil servant pensions to the relevant pension fund, Bundes-Pensions-Service für Post und Telekommunikation e.V. (BPS-PT), in the amount of 33 % of the gross compensation of its active civil servants and of the notional gross compensation of its civil servants on leave of absence who are eligible for pensions. Postbank has no further obligations for benefits paid by the pension fund.

Postbank uses leases as an alternative means of financing to a limited extent. The main advantages for the Bank are that leases preserve liquidity. These advantages are partially offset by the risk that the lease assets may not be required over the entire term of the lease concerned.

The present value of lease obligations amounts to €90 million.

Letters of comfort

The letters of comfort issued in favor of subsidiaries and creditors of subsidiaries of Postbank primarily lead to benefits for the subsidiaries in the form of improved terms and conditions for business and finance. Postbank profits from these benefits since they have a positive impact on the enterprise value of the subsidiary concerned. These benefits are matched by the possibility of the creditors having recourse against Postbank.

Postbank ensures that, with the exception of political risk, its PB Factoring GmbH (Bonn), and BHW Bausparkasse AG (Hameln) subsidiaries will be able to meet their obligations.

The comfort letter in favor of Deutsche Postbank International S.A. (now: PB International S.A.), Luxembourg, became ineffective as of July 1, 2014, and was therefore terminated in respect of new obligations from that date, after Deutsche Postbank AG, Luxembourg branch, took over the business operations of Deutsche Postbank International S.A., Luxembourg, by acquiring the assets and liabilities of Deutsche Postbank International S.A., Luxembourg, as of July 1, 2014.

Postbank has issued subordinated letters of comfort in connection with the issuance of subordinated bonds by Deutsche Postbank Funding LLC I, Deutsche Postbank Funding LLC II, Deutsche Postbank Funding LLC III, and Deutsche Postbank Funding LLC IV, all of which are domiciled in Wilmington, Delaware, U.S.A.

Additional funding obligation

The existing additional funding obligations derive from statutory provisions, articles of association, and other arrangements.

Postbank is liable pro rata for the fulfillment of the additional funding obligations of other shareholders belonging to the Bundesverband deutscher Banken e.V. (Berlin) (Association of German Banks).

There are also additional funding obligations in respect of the deposit protection fund of the Bundesverband deutscher Banken e.V. in the amount laid down in its statutes, as well as in respect of the Entschadigungseinrichtung deutscher Banken – the mandatory compensation scheme for all deposit-taking institutions in Germany – on the basis of the provisions of the *Einlagensicherungs- und Anlegerentschädigungsgesetz* (German Deposit Protection and Investor Compensation Act).

In all the above cases, there is a risk that the Bank has to meet the obligations concerned but this is offset by the opportunity to participate in the stabilization and development of confidence in the private commercial banking sector in Germany.

Administration and brokerage services

The Bank provides brokerage services in connection with insurance, home savings contracts, and investment fund units under cooperation agreements with HUK Coburg, the Talanx Group, and the DWS Group as well as with BHW Bausparkasse AG.

II. Restriction on distribution

The amounts subject to a restriction on distribution at Postbank are as follows:

Total of amounts subject to restriction on distribution in accordance with section 268(8) of the HGB (section 285 no. 28 of the HGB)	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Measurement of the plan assets at fair value	249	0
Internally generated intangible fixed assets	0	0
Deferred tax assets	20	0
Total	269	0

The restrictions on distribution do not apply to fiscal year 2014 due to the current capital resources.

III. Employees (average headcount)

	Total 2014	Total 2013
Employees		
Full-time	2,437	2,317
Part-time	406	376
Civil servants full-time	1,695	893
Civil servants part-time	496	167
	5,034	3,753
Trainees		
Vocational trainees	171	186
Management trainees	0	0
AIS students	0	30
	171	216
Total employees	5,205	3,969

IV. Equity investments and investments in affiliated companies

Name and domicile of the company	Equity interest %	Equity € thousand	Profit/loss for the period[1] € thousand
Companies in which an equity interest of at least 20 % is held			
BHW Bausparkasse Aktiengesellschaft, Hameln	100.0	896,412	11,737
BHW Financial Srl in liquidazione, Verona, Italy	100.0	766	12
BHW Gesellschaft für Vorsorge mbH, Hameln	100.0	242,370	0[2]
BHW - Gesellschaft für Wohnungswirtschaft mbH, Hameln	100.0	918,946	0[2]
BHW Holding AG, Hameln	100.0	727,503	0[2]
BHW Invest, Société à responsabilité limitée, Luxembourg, Luxembourg	100.0	5,513	–98
CREDA Objektanlage- und -verwaltungsgesellschaft mbH, Bonn	100.0	1,000	0[2]
Deutsche Postbank Finance Center Objekt GmbH, Schuttrange (Munsbach), Luxembourg	100.0	1,671	470
DSL Portfolio GmbH & Co. KG, Bonn	100.0	7,128	95
DSL Portfolio Verwaltungs GmbH, Bonn	100.0	56	4
EC EUROPA IMMOBILIEN FONDS NR. 3 GmbH & Co. KG, Hamburg	65.2	– 10,390	– 6,745
Fünfte SAB Treuhand und Verwaltung GmbH & Co. Dresden „Louisenstraße“ KG, Bad Homburg v. d. Höhe	30.6	0	– 34
Fünfte SAB Treuhand und Verwaltung GmbH & Co. „Leipzig-Magdeburg“ KG, Bad Homburg v. d. Höhe	40.7	0	– 60
Fünfte SAB Treuhand und Verwaltung GmbH & Co. Suhl „Rimbachzentrum“ KG, Bad Homburg v. d. Höhe	74.0	0	– 71
giropay GmbH, Frankfurt am Main	33.3	0	2
Nummus Beteiligungs GmbH & Co. KG, Frankfurt am Main	27.8	33,001	– 28
Nummus Financial GmbH, Eppstein	27.8	34,500	–75
PBC Banking Services GmbH, Frankfurt am Main	49.9	122,427	12[2]
PB Factoring GmbH, Bonn	100.0	11,546	0[2]
PB Firmenkunden AG, Bonn	100.0	1,100	0[2]
PB International S.A., Schuttrange (Munsbach), Luxembourg	100.0	930,676	79,565
PB Sechste Beteiligungen GmbH, Bonn	100.0	641	96
PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Bonn	100.0	3,031,013	257,365
Postbank Akademie und Service GmbH, Hameln	100.0	1,153	44
Postbank Beteiligungen GmbH, Bonn	100.0	310,325	0[2]
Postbank Filial GmbH, Bonn	100.0	25	0[2]
Postbank Filialvertrieb AG, Bonn	100.0	71	0[2]
Postbank Finanzberatung AG, Hameln	100.0	48,418	814
Postbank Immobilien GmbH, Hameln	100.0	2,908	0[2]
Postbank Immobilien und Baumanagement GmbH, Bonn	100.0	18,874	0[2]
Postbank Immobilien und Baumanagement GmbH & Co. Objekt Leipzig KG, Bonn	90.0	13,084	2,856
Postbank Leasing GmbH, Bonn	100.0	500	0[2]
Postbank P.O.S. Transact GmbH, Eschborn	100.0	11,875	911
Postbank Systems AG, Bonn	100.0	51,591	0[2]
Postbank Versicherungsvermittlung GmbH, Bonn	100.0	25	0[2]
SAB Real Estate Verwaltungs GmbH, Hameln	100.0	39	4
Starpool Finanz GmbH, Berlin	49.9	310	51
Equity interests in large corporations in which more than 5 % of the voting rights are held			
BSQ Bauspar AG, Nuremberg	14.1	28,768	–3,035
GIMB Gesellschaft für Internet- und mobile Bezahlverfahren mbH, Eschborn	8.3	–	–[3]
HYPOPORT AG, Berlin	9.7	37,117	2,447
Landgesellschaft Mecklenburg-Vorpommern mit beschränkter Haftung, Leezen	11.0	40,141	1,316

[1] The data on equity and profit and loss for the year are based on the most recently adopted annual financial statements of the companies concerned.

[2] Profit and loss transfer agreement

[3] The company was established on June 3, 2014. Annual financial statements are not yet available.

V. Remuneration of the Management Board

Remuneration of the Management Board and the Supervisory Board

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

Responsibility

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

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

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

The core criterion for the design of the remuneration system and the amount of Management Board remuneration is to remunerate Management Board members appropriately in line with the market and competitors and in accordance with all statutory and regulatory requirements, taking into account members' areas of activity and responsibility, Postbank's overall long-term performance, and the collective and individual performance of the members of the Management Board. The appropriateness of the remuneration of the Management Board in both market terms and within the Postbank Group was confirmed by a vertical and horizontal remuneration comparison conducted on the basis of the recommendations of the German Corporate Governance Code.

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

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

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

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

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

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

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

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

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

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

Equity upfront award

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

Restricted equity award

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

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

Following the above vesting periods, there is a six-month holding period for all members of the Management Board before the share-based remuneration elements are granted in the form of Deutsche Bank shares. Special performance, deferral, and forfeiture provisions apply during the vesting period and, where applicable, the holding period. This means that, taking into account the performance, deferral, and forfeiture provisions, members of the Management Board who are part of the Senior Management Group cannot realize the value of the REA granted for 2014 until 2020 at the earliest (i.e., five years after it was granted). For the remaining members of the Management Board, the value of the final tranche of the REA can be realized in 2018 at the earliest (i.e., 3.5 years after the REA was granted).

Restricted incentive award

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

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

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

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

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

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

Performance, deferral, and forfeiture provisions

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

Granting and payment of variable remuneration until the end of 2013

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

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

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

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

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

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

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

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

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

Other provisions

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

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

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

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

Remuneration of members of the Management Board

The Supervisory Board resolutions establishing the variable remuneration for the members of the Management Board were discussed in depth at the end of January 2015 by the Compensation Control Committee, which prepared these for the full Supervisory Board. The Supervisory Board established the variable remuneration for the members of the Management Board for fiscal year 2014 on the basis of the recommendation made by the Compensation Control Committee.

The total remuneration granted to the seven members of the Management Board for their work on the Management Board in 2014 amounted to €6,177.0 thousand (previous year: €6,209.4 thousand) excluding incidental benefits and the pension expense. Of this figure, €3,301.3 thousand (previous year: €3,138.0 thousand) related to fixed (non-performance-related) remuneration and €2,875.7 thousand (previous year: €3,071.4 thousand) to performance-related components. Of the performance-related remuneration, €1,101.6 thousand (€550.8 thousand in cash and €550.8 thousand in share-based payments) relates to upfront performance-related components (previous year: €1,228.6 thousand; of which €614.3 thousand in cash and €614.3 thousand in share-based payments), and €1,774.1 thousand to deferred performance-related components (previous year: €1,842.8 thousand).

The remuneration disclosed in the following covers all activities performed by members of the Management Board within the Postbank Group.

Postbank does not currently have a separate share-based remuneration program.

Benefits in accordance with the German Corporate Governance Code

The following tables present the benefits granted to each individual member of the Management Board for the fiscal year, as well as the benefits received in/for the fiscal year and the pension expense in/for the year under review in accordance with the recommendations contained in section 4.2.5(3) of the German Corporate Governance Code.

The following table shows the benefits granted for fiscal year 2014:

Benefits granted	Frank Strauss						Marc Hess[6]					
	2014				2013		2014				2013	
	granted	target	min	max	granted	target	granted	target	min	max	granted	target
	€ thousand						€ thousand					
Fixed remuneration	750.0	750.0	750.0	750.0	750.0	750.0	528.0	528.0	528.0	528.0	528.0	528.0
Incidental benefits	39.0	39.0	39.0	39.0	22.7	22.7	35.1	35.1	35.1	35.1	27.0	27.0
Total (fixed remuneration components)	789.0	789.0	789.0	789.0	772.7	772.7	563.1	563.1	563.1	563.1	555.0	555.0
One-year variable remuneration	225.0	225.0	0	225.0	300.0	260.0	184.8	184.8	0	225.0	212.0	184.8
thereof paid out immediately	112.5	112.5	0	112.5	150.0	130.0	92.4	92.4	0	112.5	106.0	92.4
thereof short-term component II					150.0	130.0					106.0	92.4
thereof equity upfront awards	112.5	112.5	0	112.5			92.4	92.4	0	112.5		
Multi-year variable remuneration[1]	429.3	425.0	0	750.0	450.0	390.0	280.0	277.2	0	468.0	318.0	277.2
thereof long-term component I for 2013 (until 2017)					225.0	195.0					159.0	138.6
thereof long-term component II for 2013 (until 2018)					225.0	195.0					159.0	138.6
thereof restricted incentive awards for 2014 (until 2018)[2]	216.8	212.5	0	375.0			141.4	138.6	0	234.0		
thereof restricted equity awards for 2014 (until 2018)[3]/ until 2020 for Senior Management Group	212.5	212.5	0	375.0			138.6	138.6	0	234.0		
Total (variable remuneration components)	654.3	650.0	0	975.0	750.0	650.0	464.8	462.0	0	693.0	530.0	462.0
Total (variable and fixed remuneration components)	1,443.3	1,439.0	789.0	1,764.0	1,522.7	1,422.7	1,027.9	1,025.1	563.1	1,256.1	1,085.0	1,017.0
Pension expense[4]	379.4	379.4	379.4	379.4	290.8	290.8	352.4	352.4	352.4	352.4	347.4	347.4
Total remuneration (German Corporate Governance Code)	1,822.7	1,818.4	1,168.4	2,143.4	1,813.5	1,713.5	1,380.3	1,377.5	915.5	1,608.5	1,432.4	1,364.4
Total remuneration[5]	1,404.3	1,400.0	750.0	1,725.0	1,500.0	1,400.0	992.8	990.0	528.0	1,221.0	1,058.0	990.0

Figures have been rounded to the nearest hundred; this may result in minimal deviations to the amounts actually received or contractually agreed, in particular in the totals provided.

[1] The ends of the terms for each remuneration component are given in parentheses.

[2] The amount granted includes a one-time premium of 2 %.

[3] The amount granted includes a one-time premium of 5 % for members of the Management Board who are not part of the Senior Management Group (Ralph Müller, Hans-Peter Schmid, Ralf Stemmer).

[4] The pension expense presented for Susanne Klöss-Braekler and Ralph Müller is the cost for the full fiscal year including the period prior to their appointment to the Management Board. In view of their planned appointment as members of the Bank's Management Board, they had already been granted benefits for their positions as Executive Managers in accordance with the award structure for Postbank's Management Board. These benefits were continued on their appointment to the Management Board.

[5] Excluding incidental benefits and pension expense

[6] Due to Marc Hess' position as Chief Financial Officer (CFO) for the entire Private and Business Clients (PBC) corporate division in the Deutsche Bank Group, his fixed and variable remuneration was reduced by 20 % with effect from July 1, 2012.

Benefits granted	Susanne Klöss-Braekler[6]						Ralph Müller[7]					
	2014				2013		2014				2013	
	granted	target	min	max	granted	target	granted	target	min	max	granted	target
	€ thousand						€ thousand					
Fixed remuneration	80.0	80.0	80.0	80.0			83.3	83.3	83.3	83.3		
Incidental benefits	2.8	2.8	2.8	2.8			2.1	2.1	2.1	2.1		
Total (fixed remuneration components)	82.8	82.8	82.8	82.8			85.4	85.4	85.4	85.4		
One-year variable remuneration	29.4	29.4	0	37.6			33.4	33.4	0	37.6		
thereof paid out immediately	14.7	14.7	0	18.8			16.7	16.7	0	18.8		
thereof short-term component II												
thereof equity upfront awards	14.7	14.7	0	18.8			16.7	16.7	0	18.8		
Multi-year variable remuneration[1]	44.4	44.0	0	72.6			51.8	50.0	0	87.6		
thereof long-term component I for 2013 (until 2017)												
thereof long-term component II for 2013 (until 2018)												
thereof restricted incentive awards for 2014 (until 2018)[2]	22.4	22.0	0	36.3			25.5	25.0	0	43.8		
thereof restricted equity awards for 2014 (until 2018)[3]/ until 2020 for Senior Management Group	22.0	22.0	0	36.3			26.3	25.0	0	43.8		
Total (variable remuneration components)	73.8	73.4	0	110.2			85.2	83.4	0	125.2		
Total (variable and fixed remuneration components)	156.6	156.2	82.8	193.0			170.6	168.8	85.4	210.6		
Pension expense[4]	180.2	180.2	180.2	180.2			162.5	162.5	162.5	162.5		
Total remuneration (German Corporate Governance Code)	336.8	336.4	263.0	373.2			333.1	331.3	247.9	373.1		
Total remuneration[5]	153.8	153.4	80.0	190.2			168.5	166.7	83.3	208.5		

Figures have been rounded to the nearest hundred; this may result in minimal deviations to the amounts actually received or contractually agreed, in particular in the totals provided.

[1] The ends of the terms for each remuneration component are given in parentheses.

[2] The amount granted includes a one-time premium of 2 %.

[3] The amount granted includes a one-time premium of 5 % for members of the Management Board who are not part of the Senior Management Group (Ralph Müller, Hans-Peter Schmid, Ralf Stemmer).

[4] The pension expense presented for Susanne Klöss-Braekler and Ralph Müller is the cost for the full fiscal year including the period prior to their appointment to the Management Board. In view of their planned appointment as members of the Bank's Management Board, they had already been granted benefits for their positions as Executive Managers in accordance with the award structure for Postbank's Management Board. These benefits were continued on their appointment to the Management Board.

[5] Excluding incidental benefits and pension expense

[6] Member of the Management Board since November 1, 2014. Remuneration (fixed remuneration, target variable remuneration) takes into account another appointment at Deutsche Bank AG, which is remunerated separately.

[7] Member of the Management Board since November 1, 2014.

Benefits granted	Hans-Peter Schmid						Ralf Stemmer					
	2014				2013		2014				2013	
	granted	target	min	max	granted	target	granted	target	min	max	granted	target
	€ thousand						€ thousand					
Fixed remuneration	600.0	600.0	600.0	600.0	600.0	600.0	660.0	660.0	660.0	660.0	660.0	660.0
Incidental benefits	21.5	21.5	21.5	21.5	22.2	22.2	24.6	24.6	24.6	24.6	15.6	15.6
Total (fixed remuneration components)	621.5	621.5	621.5	621.5	622.2	622.2	684.6	684.6	684.6	684.6	675.6	675.6
One-year variable remuneration	199.6	210.0	0	225.0	220.6	210.0	219.4	225.0	0	225.0	254.0	231.0
thereof paid out immediately	99.8	105.0	0	112.5	110.3	105.0	109.7	112.5	0	112.5	127.0	115.5
thereof short-term component II					110.3	105.0					127.0	115.5
thereof equity upfront awards	99.8	105.0	0	112.5			109.7	112.5	0	112.5		
Multi-year variable remuneration[1]	309.7	315.0	0	562.6	330.8	315.0	340.7	352.6	0	641.2	381.0	346.6
thereof long-term component I for 2013 (until 2017)					165.4	157.5					190.5	173.3
thereof long-term component II for 2013 (until 2018)					165.4	157.5					190.5	173.3
thereof restricted incentive awards for 2014 (until 2018)[2]	152.6	157.5	0	281.3			167.9	176.3	0	320.6		
thereof restricted equity awards for 2014 (until 2018)[3]/ until 2020 for Senior Management Group	157.1	157.5	0	281.3			172.8	176.3	0	320.6		
Total (variable remuneration components)	509.3	525.0	0	787.6	551.4	525.0	560.1	577.6	0	866.2	635.0	577.6
Total (variable and fixed remuneration components)	1,130.8	1,146.5	621.5	1,409.1	1,173.6	1,147.2	1,244.7	1,262.2	684.6	1,550.8	1,310.6	1,253.2
Pension expense[4]	341.5	341.5	341.5	341.5	349.6	349.6	125.4	125.4	125.4	125.4	126.7	126.7
Total remuneration (German Corporate Governance Code)	1,472.3	1,488.0	963.0	1,750.6	1,523.2	1,496.8	1,370.1	1,387.6	810.0	1,676.2	1,437.3	1,379.9
Total remuneration[5]	1,109.3	1,125.5	600.0	1,387.6	1,151.4	1,125.0	1,220.1	1,237.6	660.0	1,526.2	1,295.0	1,237.6

Figures have been rounded to the nearest hundred; this may result in minimal deviations to the amounts actually received or contractually agreed, in particular in the totals provided.

[1] The ends of the terms for each remuneration component are given in parentheses.

[2] The amount granted includes a one-time premium of 2 %.

[3] The amount granted includes a one-time premium of 5 % for members of the Management Board who are not part of the Senior Management Group (Ralph Müller, Hans-Peter Schmid, Ralf Stemmer).

[4] The pension expense presented for Susanne Klöss-Braekler and Ralph Müller is the cost for the full fiscal year including the period prior to their appointment to the Management Board. In view of their planned appointment as members of the Bank's Management Board, they had already been granted benefits for their positions as Executive Managers in accordance with the award structure for Postbank's Management Board. These benefits were continued on their appointment to the Management Board.

[5] Excluding incidental benefits and pension expense

Benefits granted	Hanns-Peter Storr					
	2014				2013	
	granted	target	min	max	granted	target
	€ thousand					
Fixed remuneration	600.0	600.0	600.0	600.0	600.0	600.0
Incidental benefits	19.6	19.6	19.6	19.6	21.6	21.6
Total (fixed remuneration components)	619.6	619.6	619.6	619.6	621.6	621.6
One-year variable remuneration	210.0	210.0	0	225.0	242.0	210.0
thereof paid out immediately	105.0	105.0	0	112.5	121.0	105.0
thereof short-term component II					121.0	105.0
thereof equity upfront awards	105.0	105.0	0	112.5		
Multi-year variable remuneration[1]	318.2	315.0	0	562.6	363.0	315.0
thereof long-term component I for 2013 (until 2017)					181.5	157.5
thereof long-term component II for 2013 (until 2018)					181.5	157.5
thereof restricted incentive awards for 2014 (until 2018)[2]	160.7	157.5	0	281.3		
thereof restricted equity awards for 2014 (until 2018)[3]/ until 2020 for Senior Management Group	157.5	157.5	0	281.3		
Total (variable remuneration components)	528.2	525.0	0	787.6	605.0	525.0
Total (variable and fixed remuneration components)	1,147.8	1,144.6	619.6	1,407.2	1,226.6	1,146.6
Pension expense[4]	241.5	241.5	241.5	241.5	239.9	239.9
Total remuneration (German Corporate Governance Code)	1,389.3	1,386.1	861.1	1,648.7	1,466.5	1,386.5
Total remuneration[5]	1,128.2	1,125.0	600.0	1,387.6	1,205.0	1,125.0

Figures have been rounded to the nearest hundred; this may result in minimal deviations to the amounts actually received or contractually agreed, in particular in the totals provided.

[1] The ends of the terms for each remuneration component are given in parentheses.

[2] The amount granted includes a one-time premium of 2 %.

[3] The amount granted includes a one-time premium of 5 % for members of the Management Board who are not part of the Senior Management Group (Ralph Müller, Hans-Peter Schmid, Ralf Stemmer).

[4] The pension expense presented for Susanne Klöss-Braekler and Ralph Müller is the cost for the full fiscal year including the period prior to their appointment to the Management Board. In view of their planned appointment as members of the Bank's Management Board, they had already been granted benefits for their positions as Executive Managers in accordance with the award structure for Postbank's Management Board. These benefits were continued on their appointment to the Management Board.

[5] Excluding incidental benefits and pension expense

The following table shows the benefits received in/for fiscal year 2014:

Benefits received	Frank Strauss		Marc Hess[5]		Susanne Klöss-Braekler[6]		Ralph Müller[7]		Hans-Peter Schmid		Ralf Stemmer		Hanns-Peter Storr	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	€ thousand													
Fixed remuneration	750.0	750.0	528.0	528.0	80.0		83.3		600.0	600.0	660.0	660.0	600.0	600.0
Incidental benefits	39.0	22.7	35.1	27.0	2.8		2.1		21.5	22.2	24.6	15.6	19.6	21.6
Total (fixed remuneration components)	789.0	772.7	563.1	555.0	82.8		85.4		621.5	622.2	684.6	675.6	619.6	621.6
One-year variable remuneration	233.4	209.4	194.3	227.0	14.7		16.7		197.5	216.7	217.2	239.0	207.9	214.4
thereof paid out immediately[1]	112.5	150.0	92.4	106.0	14.7		16.7		99.8	110.3	109.7	127.0	105.0	121.0
thereof short-term component II[2]	120.9	59.4	101.9	121.0					97.7	106.4	107.5	112.0	102.9	93.4
Multi-year variable remuneration[3]	114.2	26.5	297.5	207.0					282.5	200.5	292.5	203.0	135.1	41.7
thereof long-term component I														
long-term component I for 2010 (until 2014), (Tranche 2 in 2013 and Tranche 3 in 2014)			70.0	70.0					70.0	70.0	70.0	70.0		
long-term component I for 2011 (until 2015), (Tranche 1 in 2013 and Tranche 2 in 2014)	26.5	26.5	54.0	54.0					47.5	47.5	50.0	50.0	41.7	41.7
long-term component I for 2012 (until 2016), Tranche 1	61.7		52.0						49.9		54.9		52.5	
thereof long-term component II														
long-term component II for 2010 (until 2015), (Tranche 1 in 2013 and Tranche 2 in 2014)			68.6	83.0					68.6	83.0	68.6	83.0		
long-term component II for 2011 (until 2016), Tranche 1	26.0		52.9						46.5		49.0		40.9	
Total (variable remuneration components)	347.6	235.9	491.8	434.0	14.7		16.7		480.0	417.2	509.7	442.0	343.0	256.1
Total (variable and fixed remuneration components)	1,136.5	1,008.6	1,054.9	989.0	97.5		102.1		1,101.5	1,039.4	1,194.3	1,117.6	962.6	877.7
Pension expense[4]	379.4	290.8	352.4	347.4	180.2		162.5		341.5	349.6	125.4	126.7	241.5	239.9
Total remuneration (German Corporate Governance Code (DCGK)	1,516.0	1,299.4	1,407.3	1,336.4	277.7	0.0	264.6	0.0	1,443.0	1,389.0	1,319.7	1,244.3	1,204.1	1,117.6

Figures have been rounded to the nearest hundred; this may result in minimal deviations to the amounts actually granted or received, in particular in the totals provided.

[1] The amount comprises the cash component of the variable remuneration for 2013/2014 that is paid out immediately.

[2] The amount comprises the amounts received in each case under this component for the years 2011 and 2012.

[3] The ends of the terms for each remuneration component are given in parentheses.

[4] The pension expense presented for Susanne Klöss-Braekler and Ralph Müller is the cost for the full fiscal year including the period prior to their appointment to the Management Board. In view of their planned appointment as members of the Bank's Management Board, they had already been granted benefits for their positions as Executive Managers in accordance with the award structure for Postbank's Management Board. These benefits were continued on their appointment to the Management Board.

[5] Due to Marc Hess' position as Chief Financial Officer (CFO) for the entire Private and Business Clients (PBC) corporate division in the Deutsche Bank Group, his fixed and variable remuneration was reduced by 20 % with effect from July 1, 2012.

[6] Member of the Management Board since November 1, 2014. Remuneration (fixed remuneration, target variable remuneration) takes into account another appointment at Deutsche Bank AG, which is remunerated separately.

[7] Member of the Management Board since November 1, 2014.

Benefits in accordance with the requirements of German Accounting Standard 17 (GAS 17)

Based on the requirements of German Accounting Standard 17, the benefits granted to the members of the Management Board in fiscal year 2014 for their work on the Management Board amounted to a total of €6,135.1 thousand excluding the pension service cost (previous year: €5,826.8 thousand). Of this amount, €3,301.3 thousand related to fixed remuneration (previous year: €3,138.0 thousand), €144.7 thousand to incidental benefits (previous year: €109.1 thousand), €2,138.3 thousand to performance-related components with a long-term incentive effect (previous year: €1,965.4 thousand), and €550.8 thousand to performance-related components without a long-term incentive effect (previous year: €614.3 thousand).

The long-term component I and the restricted incentive awards are deferred, non-share-based remuneration and are subject to certain (forfeiture) provisions. In accordance with GAS 17, these are only included in the total benefits in the fiscal year in which they are paid out (i.e., the fiscal year in which unconditional payment is made), and not in the fiscal year in which the commitment was originally granted. Accordingly, the individual members of the Management Board received the following benefits for/in the years 2014 and 2013 for their work on the Management Board, including incidental benefits and pension service cost.

GAS 17	Frank Strauss		Marc Hess[4]		Susanne Klöss-Braekler[5]		Ralph Müller[6]		Hans-Peter Schmid		Ralf Stemmer		Hanns-Peter Storr		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	€ thousand															
Remuneration																
Performance-related components																
Without long-term incentive effect																
paid out immediately	112.5	150.0	92.4	106.0	14.7		16.7		99.8	110.3	109.7	127.0	105.0	121.0	550.8	614.3
With long-term incentive effect																
Cash																
long-term component I[1]	88.2	26.5	176.0	124.0					167.4	117.5	174.9	120.0	94.2	41.7	700.7	429.7
Share-based																
short-term-component II		150.0		106.0						110.3		127.0		121.0		614.3
long-term component II		225.0		159.0						165.4		190.5		181.5		921.4
equity upfront award(s)	112.5		92.4		14.7		16.7		99.8		109.7		105.0		550.8	
restricted equity award(s)[2]	212.5		138.6		22.0		26.3		157.1		172.8		157.5		886.8	
Total of performance-related components	525.7	551.5	499.4	495.0	51.4		59.7		524.1	503.5	567.1	564.5	461.7	465.2	2,689.1	2,579.7
Non-performance related components																
Fixed remuneration	750.0	750.0	528.0	528.0	80.0		83.3		600.0	600.0	660.0	660.0	600.0	600.0	3,301.3	3,138.0
Incidental benefits	39.0	22.7	35.1	27.0	2.8		2.1		21.5	22.2	24.6	15.6	19.6	21.6	144.7	109.1
Pension service cost[3]	379.4	290.8	352.4	347.4	180.2		162.5		341.5	349.6	125.4	126.7	241.5	239.9	1,782.9	1,354.4
Total (without service cost)	1,314.7	1,324.2	1,062.5	1,050.0	134.2		145.1		1,145.6	1,125.7	1,251.7	1,240.1	1,081.3	1,086.8	6,135.1	5,826.8
Total (including service cost)	1,694.1	1,615.0	1,414.9	1,397.4	314.4		307.6		1,487.1	1,475.3	1,377.1	1,366.8	1,322.8	1,326.7	7,918.0	7,181.2

Figures have been rounded to the nearest hundred; this may result in minimal deviations to the amounts actually granted or received, in particular in the totals provided.

[1]Benefit received from the long-term component I granted in the previous years.

[2]The amount granted includes a one-time premium of 5 % for members of the Management Board who are not part of the Senior Management Group (Ralph Müller, Hans-Peter Schmid, Ralf Stemmer).

[3]The pension expense presented for Susanne Klöss-Braekler and Ralph Müller is the cost for the full fiscal year including the period prior to their appointment to the Management Board. In view of their planned appointment as members of the Bank's Management Board, they had already been granted benefits for their positions as Executive Managers in accordance with the award structure for Postbank's Management Board. These benefits were continued on their appointment to the Management Board.

[4]Due to Marc Hess' position as Chief Financial Officer (CFO) for the entire Private and Business Clients (PBC) corporate division in the Deutsche Bank Group, his fixed and variable remuneration was reduced by 20 % with effect from July 1, 2012.

[5]Member of the Management Board since November 1, 2014. Remuneration (fixed remuneration, target variable remuneration) takes into account another appointment at Deutsche Bank AG, which is remunerated separately.

[6]Member of the Management Board since November 1, 2014.

Retirement benefits

The members of the Management Board have individually agreed direct retirement benefits. Because each Board member has a different career history, the precise arrangements differ.

Benefits are paid if the member of the Management Board leaves the Company's service as a result of disability, death, or old age. As a rule, old-age pensions are paid from the age of 62.

Under the standard retirement benefits valid until February 28, 2007, pension rights generally accrue after at least five years of service. Exceptions to this minimum waiting period requirement exist in some cases for disability.

The size of the pension depends on the length of service and the amount of the pensionable benefits. Only the fixed income component (base pay) is pensionable. A cap on the pensionable base pay has been specified in the cases of Management Board members Hans-Peter Schmid and Ralf Stemmer. The basic rule is that pension benefits of 50 % of their final salary accrue to members of the Management Board after five years of service. Benefits regularly accrue at a rate of 2 % for each eligible year of service. The maximum level of pension benefits (60 % of the final salary) is generally reached after ten years of service.

In addition, the retirement benefits include rules governing the payment of a transitional allowance for Management Board members who leave the Company upon reaching the age limit or for reasons of disability. The benefit period is two years.

Should the Management Board contracts of Hans-Peter Schmid and Ralf Stemmer be terminated by Postbank prior to the expiration of their regular contract terms, their pensions are calculated as if their contracts had been fulfilled until their regular expiration. This does not apply if Postbank terminates the employment relationship for good cause.

Future pension payments will be adjusted in line with the percentage growth in the highest pay group of the collective agreement for the Verband öffentlicher Banken (Association of German Public Sector Banks). Otherwise, payments are adjusted in line with Germany's consumer price index.

In May 2007, the Executive Committee of Postbank's Supervisory Board resolved to restructure the pension arrangements for members of the Management Board appointed for the first time after March 31, 2007, and to replace the previous final salary-based pension system by a defined contribution plan. The retirement benefits for the members of the Management Board newly appointed after that date – Marc Hess, Hanns-Peter Storr, Frank Strauss, Susanne Klöss-Braekler, and Ralph Müller – are therefore based on the following basic system: A benefit contribution in the amount of 25 % of the pensionable base pay is granted for each eligible year of service. The benefit contributions are credited to a virtual pension account that bears annual interest at the interest rate used in the assessment for tax purposes of direct retirement benefits from the time of the grant until the insured event. When the insured event occurs, the amount of the pension is determined by distributing the pension assets accumulated in the pension account across the expected benefit period of the pension in accordance with actuarial principles. There is no waiting period and the entitlements from retirement benefits vest immediately. The pensions have a 1% p.a. adjustment rate.

These retirement benefits provide for a right to choose between regular pension payments and a lump-sum capital payment.

Retirement benefits for individual members of the Management Board

Occupational pension plan	Frank Strauss		Marc Hess[1]		Susanne Klöss-Braekler[2]		Ralph Müller[2]		Hanns-Peter Storr	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	€	€	€	€	€	€	€	€	€	€
Pension component	187.500	187.500	165.000	165.000	101.250		81.250		150.000	150.000
Interest	38.495	25.703	116.436	100.505	13.054		10.475		37.501	26.888
Pension capital at end of fiscal year	680.083	454.088	2,057.031	1,775.595	230.618		185.063		662.514	475.013
Service cost for pension obligation	379.440	290.771	352.423	347.404	180.235		162.502		241.501	239.935

[1]Deutsche Bank AG covers 20 % of the financial cost for Marc Hess.
[2]The figures for Susanne Klöss-Braekler and Ralph Müller relate to the full fiscal year including for the period prior to their appointment to the Management Board. In view of their planned appointment as members of the Bank's Management Board, they had already been granted benefits for their positions as Executive Managers in accordance with the award structure for Postbank's Management Board. These benefits were continued on their appointment to the Management Board.

Occupational pension plan	Hans-Peter Schmid		Ralf Stemmer	
	2014 €	2013 €	2014 €	2013 €
Pension benefit at end of fiscal year	58.00 %	56.00 %	60.00 %	58.00 %
Maximum level of pension benefits	60.00 %	60.00 %	60.00 %	60.00 %
Serivce cost for pension obligation	341.535	349.623	125.351	126.740

The benefits paid to former members of the Management Board and their surviving dependents amounted to €4.86 million (previous year: €6.79 million). The benefits comprise the retirement benefits and remuneration components accrued in the year concerned, as well as remuneration components, termination benefits, and incidental benefits from active Management Board appointments.

The defined benefit obligation (DBO) for current pensions and entitlements attributable to former members of the Management Board calculated in accordance with the International Financial Reporting Standards amounted to €85.74 million (previous year: €73.01 million).

VI. Remuneration of the Supervisory Board

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

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

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

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

Under the remuneration rules valid until December 31, 2013, members of the Supervisory Board are still entitled to performance-related annual remuneration with a long-term incentive effect amounting to €300 for each 1 % by which the consolidated net profit per share for the second fiscal year following the fiscal year under review (base year) exceeds the consolidated net profit per share of the fiscal year preceding the fiscal year under review. The Chairman of the Supervisory Board receives double the remuneration of a full member of the Supervisory Board, while the Deputy Chairman receives one-and-a-half times the remuneration. The chairmanship of a Supervisory Board committee is remunerated by an additional sum in the amount of the remuneration, while members of the Supervisory Board committees additionally receive half this amount for each such position held. This does not apply to membership of the Mediation Committee and the Nomination Committee. The amount of the Supervisory Board's variable remuneration is capped in two ways: It may not exceed the amount of the fixed annual remuneration and remuneration of committee members may not exceed twice the remuneration of the Supervisory Board member concerned.

The members of the Supervisory Board are entitled to claim out-of-pocket expenses and any value added tax expenses incurred in the exercise of their office. In addition, each member of the Supervisory Board attending a meeting of the full Supervisory Board or of one of the committees receives an attendance allowance of €500 per meeting.

The members of the Supervisory Board receive the base pay and the attendance allowance after the Annual General Meeting to which the consolidated financial statements for the fiscal year concerned are submitted, or that decides on their approval. The variable remuneration component with a long-term incentive effect is paid out after the Annual General Meeting to which the consolidated financial statements for the base year are submitted, or that decides on their approval.

Persons who are members of the Supervisory Board and/or its committees for only part of a fiscal year receive the corresponding pro rata amount of remuneration. Base pay is rounded up or down to full months. Pro rata remuneration for committee positions requires the committee concerned to have met during the corresponding period of time in order to perform its duties.

In line with Deutsche Bank AG's internal policies, Deutsche Bank Group employees do not receive any remuneration for supervisory board positions held at Group companies. The remuneration of employee representatives for their work on the supervisory boards of Deutsche Bank Group companies remains unaffected by this.

The total remuneration paid to members of the Supervisory Board for fiscal year 2014 amounted to €1,578.8 thousand including attendance allowances (previous year: €728.4 thousand). As a result of Postbank's sustainable performance improvement, the Supervisory Board members will receive performance-related remuneration with a long-term incentive effect for fiscal year 2012.

The total remuneration paid to the individual members of the Supervisory Board in fiscal year 2014 was as follows:

Members of the Supervisory Board	Fiscal year 2014			Fiscal year 2013		
	Fixed remuneration	Variable remuneration[1]	Total	Fixed remuneration	Variable remuneration[1]	Total
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Rainer Neske[2]	–	–	–	–	–	–
Frank Bsirske	160.0	58.0	218.0	45.0	48.0	93.0
Wilfried Anhäuser	–	3.2	3.2	–	10.7	10.7
Marietta Auer	–	3.2	3.2	–	10.7	10.7
Rolf Bauermeister	40.0	18.0	58.0	15.0	16.5	31.5
Susanne Bleidt	60.0	16.4	76.4	22.5	1.8	24.3
Wilfried Boysen	20.0	13.6	33.6	15.0	16.3	31.3
Edgar Ernst	100.0	39.5	139.5	30.0	33.3	63.3
Annette Harms	–	2.1	2.1	–	7.1	7.1
Stefanie Heberling[2]	–	–	–	–	–	–
Timo Heider	70.0	25.8	95.8	22.5	18.0	40.5
Tessen von Heydebreck	120.0	38.1	158.1	30.0	30.6	60.6
Peter Hoch	50.0	28.2	78.2	30.0	33.0	63.0
Elmar Kallfelz	–	4.3	4.3	–	14.3	14.3
Ralf Krüger	–	3.2	3.2	–	10.7	10.7
Hans-Jürgen Kummetat	40.0	11.1	51.1	15.0	1.3	16.3
Katja Langenbucher	20.0	1.5	21.5	–	–	–
Hans-Dieter Petram	–	–	–	–	2.0	2.0
Christian Ricken[2]	–	–	–	–	–	–
Karl von Rohr[2]	–	–	–	–	–	–
Bernd Rose	100.0	26.7	126.7	30.0	4.3	34.3
Lawrence A. Rosen	40.0	16.5	56.5	15.0	16.5	31.5
Christian Sewing[2]	–	–	–	–	–	–
Eric Stadler	100.0	34.5	134.5	22.5	25.5	48.0
Werner Steinmüller[2]	–	–	–	–	–	–
Gerd Tausendfreund	70.0	29.0	99.0	22.5	25.3	47.8
Renate Treis	90.0	37.0	127.0	30.0	32.0	62.0
Wolfgang Zimny	70.0	18.9	88.9	22.5	3.0	25.5
Total	1,150.0	428.8	1,578.8	367.5	360.9	728.4

[1]The reported variable remuneration comprises the long-term remuneration and the attendance allowance to be paid to the Supervisory Board member for the relevant fiscal year.

[2]Remuneration not paid because of Deutsche Bank AG's internal Group policies.

Peter Hoch received remuneration of €2.4 thousand for his Supervisory Board work at BHW Holding AG and BHW Bausparkasse AG, and Timo Heider received €14.3 thousand.

The employee representatives received remuneration in the amount of €628.4 thousand in fiscal year 2014 as set out in their respective employment contracts.

No further remuneration or benefits were granted to members of the Supervisory Board in return for services provided individually in addition to their Supervisory Board activities, especially consulting and brokerage services. This does not apply to the remuneration of employee representatives as set out in their respective employment contracts.

Shareholdings of the members of the Supervisory Board
In fiscal year 2014, the aggregate shareholdings of all members of the Management Board and Supervisory Board amounted to less than 1% of the shares issued by the Company.

As of the balance sheet date, loans of €462.6 thousand (previous year: €501.8 thousand) had been granted to members of the Management Board and €67.4 thousand (previous year: €48.7) to members of the Supervisory Board. No other contingent liabilities were entered into.

D&O insurance
The members of the Management Board and the members of the Supervisory Board are covered by D&O insurance in line with international standards. In accordance with the requirements of the German Corporate Governance Code, the individual Management Board and Supervisory Board members are required to pay a deductible if a claim is brought.

VII. Forward contracts

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

The volume of unsettled derivatives subject to settlement risk, and currency, interest, and/or market risk from open and (in the case of counterparty credit risk) from closed positions, amounted to €197 billion as of December 31, 2014 (previous year: €193 billion).

The current derivatives contracts broken down by their risk structure are listed on the following page (Table 1). The notional amounts are reported, in line with normal international practice. The notional amount is a reference value for determining reciprocally agreed settlement payments; it does not represent recognizable receivables or liabilities.

Tables 2, 3, and 4 on the following pages break down this information further in line with various criteria. In addition to providing information on maturity classes by risk category, they offer a breakdown by counterparty. Transactions entered into for trading purposes have been presented separately.

The notional amounts represent the gross volume of all sales and purchases. The fair values of the individual contracts were calculated using recognized valuation techniques and do not reflect any netting agreements. The relevant quoted market price is used for exchange-traded derivatives.

The derivative transactions in Postbank's trading portfolio (Table 4) are measured and recognized at fair value including credit/debt value adjustments. Credit/debt value adjustments are also taken into account for banking book derivatives.

A rise in the market interest rate by one basis point would lead to an increase in the fair value of interest-based derivative financial instruments of approximately €0.37 million (previous year: decrease of €–0.2 million).

Table 1	Derivatives – broken down by volume					
	Notional amounts		Positive fair values		Negative fair values	
	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Interest rate risk						
OTC products						
Interest rate swaps	189,883	187,658	4,201	7,526	–3,790	–7,639
FRAs	0	0	0	0	0	0
Interest rate options	0	0	3	3	–29	–10
Swaptions (long)	73	0	0	0	0	0
Swaptions (short)	63	20	0	0	–1	0
Caps, floors	1,223	1,265	4	7	–3	–6
Other interest rate forwards	0	0	0	0	0	0
Exchange-traded products						
Interest rate futures (Bund, Bobl, Schatz)	0	0	0	0	0	0
Interest rate options (Bund, Bobl, Schatz)	0	0	0	0	0	0
Subtotal	191,242	188,943	4,208	7,536	–3,823	–7,655
Currency risk						
OTC products						
Currency forwards/swaps	3,346	2,435	96	18	–95	–8
Cross-currency swaps	1,622	930	69	33	–84	–14
Currency options (long)[1]	123	582	9	1	–6	–2
Currency options (short)[1]	1,094	80	6	0	–9	–1
Other currency forwards	0	0	0	0	0	0
Exchange-traded products						
Currency futures	0	0	0	0	0	0
Currency options	0	0	0	0	0	0
Subtotal	6,185	4,027	180	52	–194	–25
Equity and other price risk						
OTC products						
Equity forwards	0	0	0	0	0	0
Equity/index options (long)	18	0	0	0	0	0
Equity/index options (short)	0	0	0	0	0	0
Other equity/index contracts	0	0	0	0	0	0
Exchange-traded products						
Equity/index futures	0	0	0	0	0	0
Equity/index options	0	46	0	1	0	0
Subtotal	18	46	0	1	0	0
Credit derivatives						
Calls	0	0	0	0	0	0
Puts	50	0	0	0	–1	0
Subtotal	50	0	0	0	–1	0
Total	197,495	193,016	4,388	7,589	–4,018	–7,680

[1] Including gold options, which are recognized under currency risk.

Table 2	Derivatives – broken down by residual maturities							
Notional amounts	Interest rate risk		Currency risk[1]		Equity and other price risk		Credit derivatives	
	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Remaining maturities								
up to 3 months	23,548	20,223	1,942	2,143	18	46	0	0
3 months to 1 year	26,971	23,362	2,420	1,075	0	0	0	0
1 year to 5 years	91,034	72,637	1,111	631	0	0	50	0
more than 5 years	49,689	72,721	712	178	0	0	0	0
Total	191,242	188,943	6,185	4,027	18	46	50	0

[1]Including gold options, which are recognized under currency risk.

Table 3	Derivatives – broken down by counterparties					
	Notional amounts		Positive fair values		Negative fair values	
	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Counterparties						
Banks in OECD countries	192,514	191,699	4,095	7,542	–3,920	–7,675
Banks outside OECD countries	0	0	0	0	0	0
Other counterparties	4,981	1,317	293	47	–98	–5
Total	197,495	193,016	4,388	7,589	–4,018	–7,680

Table 4	Derivatives – held for trading					
	Notional amounts		Positive fair values		Negative fair values	
	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Interest rate contracts	98,335	111,814	700	5,388	–195	–5,475
Currency contracts	0	1,117	0	2	0	–3
Equity contracts	0	0	0	0	0	0
Credit derivate contracts	0	0	0	0	0	0
Total	98,335	112,931	700	5,390	–195	–5,478

VIII. Cover for bonds outstanding

- Register A and B: closed registers for old issues under the *Gesetz über die Pfandbriefe und verwandten Schuldverschreibungen offentlich-rechtlicher Kreditanstalten* (OPG – German Act on Pfandbriefe and Related Debt Instruments Issued by Public-Sector Credit Institutions)
- Register C: issues under the *Gesetz über die Umwandlung der Deutschen Siedlungs- und Landesrentenbank in eine Aktiengesellschaft* (DSLBUmwG – German Act on the Reorganization of Deutsche Siedlungs- und Landesrentenbank as a Stock Corporation)
- Register D and E: issues under the *Pfandbriefgesetz* (PfandBG – German Pfandbrief Act)

	Cover assets	*Pfandbriefe* outstanding	Excess cover
	Dec. 31, 2014 €m	Dec. 31, 2014 €m	Dec. 31, 2014 €m
Mortgage *Pfandbriefe* Register A			
Principal amount	7	1	6
Present value	8	1	7
Public-sector *Pfandbriefe* Register B			
Principal amount	157	53	104
Present value	178	63	115
Bonds Register C (mixed cover)			
Principal amount	13,646	11,320	2,326
Present value	15,315	14,028	1,287
Mortgage *Pfandbriefe* Register D			
Principal amount	7,381	4,753	2,628
Present value	8,856	5,738	3,118
Public-sector *Pfandbriefe* Register E			
Principal amount	302	215	87
Present value	331	274	57

	Cover assets	*Pfandbriefe* outstanding	Excess cover
	Dec. 31, 2013 €m	Dec. 31, 2013 €m	Dec. 31, 2013 €m
Mortgage *Pfandbriefe* Register A			
Principal amount	12	1	11
Present value	13	1	12
Public-sector *Pfandbriefe* Register B			
Principal amount	404	263	141
Present value	439	284	155
Bonds Register C (mixed cover)			
Principal amount	14,738	11,964	2,773
Present value	16,197	14,197	2,000
Mortgage *Pfandbriefe* Register D			
Principal amount	7,374	5,764	1,610
Present value	8,556	6,493	2,063
Public-sector *Pfandbriefe* Register E			
Principal amount	1,921	1,715	206
Present value	2,034	1,794	240

IX. Disclosures in accordance with section 28 of the PfandBG

Section 28(1) nos. 1–3 of the PfandBG

Mortgage *Pfandbrief* issues outstanding and associated cover assets:

	Nominal amount	Nominal amount	Present value	Present value	Present value of risk[1]	Present value of risk[1]
	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Cover assets[2]	7,381.4	7,373.7	8,855.9	8,556.4	8,427.5	8,135.6
thereof: derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Mortgage *Pfandbriefe*	4,753.5	5,763.5	5,738.0	6,493.1	5,432.7	6,165.7
Excess cover in %	55.3	27.9	54.3	31.8	55.1	32.0

[1] Dynamic method
[2] Including additional cover assets in accordance with section 19(1) of the PfandBG

Public-sector *Pfandbrief* issues outstanding and associated cover assets:

	Nominal amount	Nominal amount	Present value	Present value	Present value of risk[1]	Present value of risk[1]
	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Cover assets[2]	301.5	1,921.4	331.2	2,034.2	334.7	1,988.3
thereof: derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Public-sector *Pfandbriefe*	215.0	1,715.0	273.8	1,793.9	291.9	1,765.9
Excess cover in %	40.2	12.0	20.9	13.4	14.7	12.6

[1] Dynamic method
[2] Including additional cover assets in accordance with section 20(2) of the PfandBG

Maturity structure of mortgage *Pfandbrief* issues outstanding as well as fixed-interest periods of the associated cover assets:

	Cover assets[1]	Cover assets[1]	Mortgage *Pfandbriefe*	Mortgage *Pfandbriefe*
	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m
up to 6 months	466.6	425.9	1,000.0	1,010.0
from 6 to 12 months	234.7		0.0	
from 12 to 18 months	602.6	592.9	40.0	1,000.0
from 18 months to 2 years	188.0		0.0	
from 2 to 3 years	659.6	677.7	0.0	40.0
from 3 to 4 years	628.8	873.6	15.0	0.0
from 4 to 5 years	810.5	793.9	301.0	15.0
from 5 to 10 years	2,812.7	3,038.5	2,492.5	2,604.0
more than 10 years	977.9	971.2	905.0	1,094.5
Total	7,381.4	7,373.7	4,753.5	5,763.5

[1] Including additional cover assets in accordance with section 19(1) of the PfandBG

Maturity structure of public-sector *Pfandbrief* issues outstanding as well as fixed-interest periods of the associated cover assets:

	Cover assets[1]	Cover assets[1]	Public-sector *Pfandbriefe*	Public-sector *Pfandbriefe*
	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m
up to 6 months	15.0	402.7	0.0	1,500.0
from 6 to 12 months	31.5		0.0	
from 12 to 18 months	0.0	324.9	0.0	0.0
from 18 months to 2 years	35.0		10.0	
from 2 to 3 years	95.0	360.7	0.0	10.0
from 3 to 4 years	25.0	514.6	35.0	0.0
from 4 to 5 years	0.0	72.8	0.0	35.0
from 5 to 10 years	100.0	243.2	60.0	60.0
more than 10 years	0.0	2.5	110.0	110.0
Total	301.5	1,921.4	215.0	1,715.0

[1] Including additional cover assets in accordance with section 20(2) of the PfandBG

Section 28(1) nos. 4–6 of the PfandBG
Additional cover assets (nominal amount) for mortgage *Pfandbriefe* by country/country of registration:

	Dec. 31, 2014 €m	Dec. 31, 2013[1] €m
Germany		
Equalization claims in acc. with section 19(1) no. 1 of the PfandBG	0.0	–
Money claims in acc. with section 19(1) no. 2 of the PfandBG	1,275.0	–
of which covered bonds in acc. with article 129 of EU Regulation No. 575/2013	0.0	–
Money claims in acc. with section 19(1) no. 3 of the PfandBG	0.0	–
Total Germany	1,275.0	–
Total	1,275.0	–
of which statutory overcollateralization in acc. with section 4(1) PfandBG	200.0	–

[1] Amounts published for the first time as of December 31, 2014, in accordance with section 53 of the PfandBG

Additional cover assets (nominal amount) for public-sector *Pfandbriefe* by country/country of registration:

	Dec. 31, 2014 €m	Dec. 31, 2013[1] €m
Germany		
Equalization claims in acc. with section 20(2) no. 1 of the PfandBG	0.0	–
Money claims in acc. with section 20(2) no. 2 of the PfandBG	0.0	–
of which covered bonds in acc. with article 129 of EU Regulation No. 575/2013	0.0	–
Total Germany	0.0	–
Total	0.0	–

[1] Amounts published for the first time as of December 31, 2014, in accordance with section 53 of the PfandBG

Section 28(1) nos. 7–11 of the PfandBG and section 2 no. 3 of the PfandBG

Indicators for outstanding *Pfandbriefe* and the associated cover assets:

	Dec. 31, 2014	Dec. 31, 2013[1]
Interest rate structure in acc. with section 28(1) no. 9 of the PfandBG		
Percentage of fixed-income *Pfandbriefe*	97.2 %	–
Percentage of fixed-income cover assets	96.5 %	–
Exceedance in acc. with section 28(1) no. 8 of the PfandBG		
Total of the claims used for coverage exceeding the limits in acc. with section 19(1) no. 2 of the PfandBG in €m	599.7	–
Total of the claims used for coverage exceeding the limits in acc. with section 19(1) no. 3 of the PfandBG in €m	124.3	–
Further ratios		
Total of the claims which exceed the limits in acc. with section 13(1) of the PfandBG in €m (section 28(1) no. 7 of the PfandBG)	0.0	–
Net present value in acc. with section 6 of the Pfandbrief present value regulation for each foreign currency in €m (section 28(1) no.10 of the PfandBG)	–	–
Volume-weighted average of the maturity of the claims (seasoning) in years (section 28(1) no. 11 of the PfandBG)	5.7	–
Average, weighted loan-to-value ratio (section 28(2) no. 3 of the PfandBG)	47.6 %	–

[1] Amounts published for the first time as of December 31, 2014, in accordance with section 53 of the PfandBG

Section 28(1) nos. 8–10 of the PfandBG

Indicators for outstanding *Pfandbriefe* and the associated cover assets:

	Dec. 31, 2014	Dec. 31, 2013[1]
Interest rate structure in acc. with section 28(1) no. 9 of the PfandBG		
Percentage of fixed-income *Pfandbriefe*	100.0 %	–
Percentage of fixed-income cover assets	100.0 %	–
Exceedance in acc. with section 28(1) no. 8 of the PfandBG		
Total of the claims used for coverage exceeding the limits in acc. with section 20(2) no. 2 of the PfandBG in €m	0.0	–
Further ratios		
Net present value in acc. with section 6 of the *Pfandbrief* Present Value Regulataion for each foreign currency in €m (section 28(1) no. 10 of the PfandBG)	–	–

[1] Amounts published for the first time as of December 31, 2014, in accordance with section 53 of the PfandBG

Section 28(2) no. 1a of the PfandBG
Receivables used to cover mortgage *Pfandbrief* issues, by size category:

	Mortgage cover assets	Mortgage cover assets
	Dec. 31, 2014 €m	Dec. 31, 2013[1] €m
up and including €300,000	6,039.6	–
€300,000 to €1 million	64.6	–
€1 million to €10 million	2.2	–
more than €10 million	0.0	–
Total	6,106.4	–

[1] Amounts published for the first time as of December 31, 2014, in accordance with section 53 of the PfandBG

Section 28(2) nos. 1b and c of the PfandBG
Receivables used to cover mortgage *Pfandbrief* issues (nominal amount), by country in which the mortgaged properties are located, type of property, and type of use:

Mortgage cover assets				
	Residential properties	Residential properties	Commercial properties	Commercial properties
	Dec. 31, 2014 €m	Dec. 31, 2013[1] €m	Dec. 31, 2014 €m	Dec. 31, 2013[1] €m
Total	6,106,4	–	0,0	–

Mortgage cover assets				
	Residential properties	Residential properties	Commercial properties	Commercial properties
	Dec. 31, 2014 €m	Dec. 31, 2013[1] €m	Dec. 31, 2014 €m	Dec. 31, 2013[1] €m
Germany				
Condominiums	1,009.7	–	0.0	–
One- and two-family houses	4,858.5	–	0.0	–
Multi-family houses	238.2	–	0.0	–
Office buildings	0.0	–	0.0	–
Trade buildings	0.0	–	0.0	–
Industrial buildings	0.0	–	0.0	–
Other commercial buildings	0.0	–	0.0	–
Buildings under construction	0.0	–	0.0	–
Construction sites	0.0	–	0.0	–
Total Germany	6,106.4	–	0.0	–

[1] Amounts published for the first time as of December 31, 2014, in accordance with section 53 of the PfandBG

Section 28(2) no. 2 of the PfandBG

Total amount of payment arrears on mortgage receivables, past due at least 90 days (nominal amount):

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Germany	0.0	0.0
Total	0.0	0.0

Total amount of payment arrears, insofar as the amount due in each case is at least 5 % of the mortgage receivable (nominal amount):

	Dec. 31, 2014 €m	Dec. 31, 2013[1] €m
Germany	0.0	–
Total	0.0	–

[1] Amounts published for the first time as of December 31, 2014, in accordance with section 53 of the PfandBG

Section 28(2) no. 4a, b, and c of the PfandBG

Receivables used to cover mortgage *Pfandbrief* issues, by number of foreclosures and compulsory administration proceedings and foreclosed property acquisitions, as well as the total amount of late interest owed by mortgagees:

Mortgage cover assets	Residential properties		Commercial properties	
	Dec. 31, 2014 Number	Dec. 31, 2013 Number	Dec. 31, 2014 Number	Dec. 31, 2013 Number
Number of foreclosures pending at the balance sheet date	2	1	0	0
Number of compulsory administration proceedings pending at the balance sheet date	0	0	0	0
Number of foreclosures carried out during the fiscal year	0	0	0	0
Number of properties taken over during the fiscal year to prevent losses	0	0	0	0
	Dec. 31, 2014 €m	Dec. 31, 2013 €m	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Total amount of outstanding interest	0.0	0.0	0.0	0.0

Section 28(3) no. 1 of the PfandBG
Receivables used to cover public-sector *Pfandbrief* issues, by type of debtor/guaranteeing unit and its registered office (country):

Public-sector cover assets	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Germany		
State	0.0	0.0
Regional authorities	165.0	971.0
Local authorities	0.0	0.0
Other debtors	25.0	682.1
Total Germany	190.0	1,653.1
EU institutions		
State	0.0	0.0
Regional authorities	0.0	0.0
Local authorities	35.0	43.3
Other debtors	76.5	45.0
Total EU institutions	111.5	88.3
Luxembourg		
State	0.0	0.0
Regional authorities	0.0	0.0
Local authorities	0.0	0.0
Other debtors	0.0	155.0
Total Luxembourg	0.0	155.0
Austria		
State	0.0	25.0
Regional authorities	0.0	0.0
Local authorities	0.0	0.0
Other debtors	0.0	0.0
Total Austria	0.0	25.0
Total	301.5	1,921.4

Section 28(3) no. 2 of the PfandBG
Total amount of payment arrears on public-sector receivables, past due at least 90 days (nominal amount):

	Dec. 31, 2014 €m	Dec. 31, 2013 €m
Germany		
State	0.0	0.0
Regional authorities	0.0	0.0
Local authorities	0.0	0.0
Other debtors	0.0	0.0
Total Germany	0.0	0.0
Total	0.0	0.0

Total amount of payment arrears, insofar as the amount due in each case is at least 5% of the public-sector receivable (nominal amount):

	Dec. 31, 2014 €m	Dec. 31, 2013[1] €m
Germany		
State	0.0	–
Regional authorities	0.0	–
Local authorities	0.0	–
Other debtors	0.0	–
Total Germany	0.0	–
Total	0.0	–

[1] Amounts published for the first time as of December 31, 2014, in accordance with section 53 of the PfandBG

X. Other disclosures

In accordance with section 2(4) of the *Postumwandlungsgesetz* (PostUmwG – German Postal Service Transformation Act), the German federal government guarantees settlement of all liabilities existing at the time of Deutsche Postbank AG's registration in the commercial register.

The government guarantee for savings deposits expired five years after the date of the entry in the commercial register.

Postbank is a member of the deposit protection fund of the Bundesverband deutscher Banken e.V. and the Entschädigungseinrichtung deutscher Banken GmbH investor compensation scheme.

Please refer to the notes to the consolidated financial statements for information on auditors' fees in accordance with section 285 no. 17 of the HGB.

XI. Declaration of Conformity

On December 17, 2014, the Management Board and the Supervisory Board of Postbank together published the Declaration of Conformity with the German Corporate Governance Code for fiscal year 2014 required by section 161 of the AktG. The full wording of the Declaration of Conformity can be accessed on the Internet on our homepage at www.postbank.com.

D. MEMBERS OF EXECUTIVE BODIES

Management Board

The members of the Management Board of Deutsche Postbank AG are:	
Frank Strauss, Bad Nauheim (Chairman)	
Marc Hess, Bonn	
Susanne Klöss-Braekler, Munich	since November 1, 2014
Ralph Müller, Königstein/Taunus	since November 1, 2014
Hans-Peter Schmid, Baldham	
Ralf Stemmer, Königswinter	
Hanns-Peter Storr, Bonn	

Offices held by members of the Management Board of Postbank on supervisory boards or other supervisory bodies:

Frank Strauss	Chairman of the Management Board
Function	**Company**
Chairman of the Supervisory Board	BHW Bausparkasse Aktiengesellschaft, Hameln
Chairman of the Supervisory Board	BHW Holding AG, Hameln
Chairman of the Supervisory Board	PB Firmenkunden AG, Bonn
Chairman of the Supervisory Board	Postbank Filialvertrieb AG, Bonn
Chairman of the Supervisory Board	Postbank Finanzberatung AG, Hameln
Chairman of the Supervisory Board	Deutsche Bank Bauspar-Aktiengesellschaft, Frankfurt am Main
Chairman of the Supervisory Board	norisbank GmbH, Berlin
Member of the Advisory Board	CORPUS SIREO Holding GmbH & Co. KG, Cologne
Member of the Advisory Board	Talanx Deutschland Bancassurance, Hilden

Marc Hess	
Function	**Company**
Member of the Supervisory Board	BHW Bausparkasse Aktiengesellschaft, Hameln

Susanne Klöss-Braekler	Member of the Management Board since November 1, 2014
Function	**Company**
Member of the Supervisory Board	BHW Bausparkasse Aktiengesellschaft, Hameln
Member of the Supervisory Board (until November 6, 2014)	BHW Holding AG, Hameln
Member of the Supervisory Board	Postbank Filialvertrieb AG, Bonn
Member of the Supervisory Board	Deutsche Bank Bauspar-Aktiengesellschaft, Frankfurt am Main
Member of the Supervisory Board	Eurex Frankfurt AG, Frankfurt am Main
Member of the Board of Directors	Eurex Zürich AG, Zurich

Ralph Müller	Member of the Management Board since November 1, 2014
Function	**Company**
Deputy Chairman of the Supervisory Board	Postbank Systems AG, Bonn
Member of the Supervisory Board	Postbank Filialvertrieb AG, Bonn
Member of the Supervisory Board (since July 25, 2014) Chairman of the Supervisory Board (since July 25, 2014)	Betriebs-Center für Banken AG, Frankfurt am Main
Member and Chairman of the Supervisory Board (until September 11, 2014)	BHW Kreditservice GmbH, Hameln
Member of the Administrative Board	MyMoneyPark AG, Zurich
Member of the Advisory Board (since September 3, 2014)	PBC Banking Services GmbH, Frankfurt am Main

Hans-Peter Schmid	
Function	**Company**
Chairman of the Supervisory Board	Bayerische Börse AG, Munich
Deputy Chairman of the Supervisory Board	Postbank Akademie und Service GmbH, Hameln
Member of the Supervisory Board	PB Lebensversicherung AG, Hilden
Member of the Supervisory Board	PB Versicherung AG, Hilden
Member of the Advisory Board	Talanx Deutschland Bancassurance, Hilden
Member of the Exchange Council	Bayerische Börse AG, Munich
Member of the Economic Advisory Board	HUK-Coburg Versicherungsgruppe, Coburg

Ralf Stemmer	
Function	**Company**
Chairman of the Supervisory Board	Postbank Akademie und Service GmbH, Hameln
Chairman of the Board of Directors	PB International S.A., Luxembourg
Deputy Chairman of the Supervisory Board	Postbank Direkt GmbH, Bonn
Deputy Chairman of the Supervisory Board	Postbank Finanzberatung AG, Hameln
Deputy Chairman of the Supervisory Board	PB Pensionsfonds AG, Hilden
Member of the Supervisory Board	Betriebs-Center für Banken AG, Frankfurt am Main
Member of the Supervisory Board	BHW Bausparkasse Aktiengesellschaft, Hameln
Member of the Supervisory Board (until November 6, 2014)	BHW Holding AG, Hameln
Member of the Supervisory Board	PB Firmenkunden AG, Bonn
Member of the Supervisory Board	Postbank Filialvertrieb AG, Bonn
Member of the Supervisory Board	Postbank Systems AG, Bonn
Member of the Administrative Board	Bundesanstalt für Post und Telekommunikation Deutsche Bundespost, Bonn
Member of the Advisory Board (since September 3, 2014)	PBC Banking Services GmbH, Frankfurt am Main
Member of the Advisory Board	Verband der Sparda Banken e.V., Frankfurt am Main

Hanns-Peter Storr	
Function	**Company**
Member of the Supervisory Board	BHW Bausparkasse Aktiengesellschaft, Hameln
Member of the Supervisory Board (until November 6, 2014)	BHW Holding AG, Hameln
Member of the Supervisory Board	norisbank GmbH, Berlin

The members of the Supervisory Board of Postbank are:

1. Shareholder representatives	
Rainer Neske Member of the Management Board of Deutsche Bank AG, Bad Soden (Chairman)	
Wilfried Boysen Businessman, Hamburg	until July 9, 2014
Edgar Ernst President of the Financial Reporting Enforcement Panel, DPR e.V., Bonn	
Stefanie Heberling Cologne/Bonn/Aachen Regional Management Deutsche Bank Privat- und Geschäftskunden AG, Wuppertal	
Tessen von Heydebreck Chairman of the Board of Trustees of Deutsche Bank Foundation, Berlin	
Peter Hoch Munich	until July 9, 2014
Katja Langenbucher Professorship for Private Law, Corporate and Financial Law, Goethe University Frankfurt am Main, Frankfurt am Main	since July 9, 2014
Christian Ricken Member of the Group Executive Committee, Chief Operating Officer PBC, Deutsche Bank AG, Bad Homburg v. d. Höhe	
Karl von Rohr Global Chief Operating Officer, Regional Management, Deutsche Bank AG, Oberursel	since July 9, 2014
Lawrence A. Rosen Member of the Board of Management of Deutsche Post AG, Bonn	
Christian Sewing Member of the Management Board of Deutsche Bank AG, Osnabrück	
Werner Steinmüller Member of the Group Executive Committee, Head of Global Transaction Banking, Deutsche Bank AG, Dreieich	

2. Employee representatives
Frank Bsirske, Chairman of the ver.di Trade Union, Berlin (Deputy Chairman)
Rolf Bauermeister Head of National Postal Services Group, at ver.di Trade Union (national administration), Berlin
Susanne Bleidt Member of the Postbank Filialvertrieb AG's General Works Council, Bell
Timo Heider Chairman of the General Works Council of BHW Bausparkasse Aktiengesellschaft and Postbank Finanzberatung AG, Emmerthal
Hans-Jürgen Kummetat Civil servant, Cologne
Bernd Rose Chairman of Postbank Filialvertrieb AG/ Postbank Filial GmbH's General Works Council, Menden (Sauerland)
Eric Stadler Chairman of Betriebs-Center für Banken AG's Works Council, Markt Schwaben
Gerd Tausendfreund Trade union secretary of the ver.di Trade Union, Nidderau
Renate Treis Deputy Chair of Deutsche Postbank AG's General Works Council, Brühl
Wolfgang Zimny, Banking lawyer, Head of Department, Deutsche Postbank AG, Head Office, Bornheim

Offices held by members of the Supervisory Board of Postbank as of December 31, 2014, on supervisory boards or other supervisory bodies:

Shareholder representatives

Rainer Neske	Chairman of the Supervisory Board
Function	Company
Chairman of the Supervisory Board	Deutsche Bank Privat- und Geschäftskunden AG, Frankfurt am Main

Wilfried Boysen	Member of the Supervisory Board until July 9, 2014
Function	Company
Chairman of the Supervisory Board	Hanse Marine-Versicherung AG, Hamburg
Member of the Supervisory Board	ASKLEPIOS Kliniken Hamburg GmbH, Hamburg

Edgar Ernst	
Function	Company
Member of the Supervisory Board	Deutsche Annington Immobilien SE, Düsseldorf
Member of the Supervisory Board	DMG MORI SEIKI AG (previously Gildemeister AG, Bielefeld)
Member of the Supervisory Board	TUI AG, Berlin
Member of the Supervisory Board	Wincor Nixdorf AG, Paderborn

Tessen von Heydebreck	
Function	Company
Chairman of the Advisory Board	IFA Rotorion Holding GmbH, Haldensleben
Member of the Board of Trustees	Dussmann Stiftung & Co. KGaA, Berlin
Member of the Supervisory Board	Vattenfall GmbH, Berlin
Member of the Supervisory Board	Kommanditgesellschaft CURA Vermögensverwaltung GmbH & Co KG, Hamburg
Member of the Advisory Board	DECM Deutsche Einkaufs-Center-Gesellschaft G.m.b.H., Hamburg

Christian Ricken	
Function	Company
Chairman of the Advisory Board (since September 3, 2014)	PBC Banking Services GmbH, Frankfurt am Main
Deputy Chairman of the Supervisory Board	norisbank GmbH, Berlin
Member of the Supervisory Board	Deutsche Bank Europe GmbH, Rotterdam
Member of the Supervisory Board	Deutsche Bank Privat- und Geschäftskunden AG, Frankfurt am Main
Member of the Board of Directors	HuaXia Bank Co., Ltd., Beijing

Karl von Rohr	Member of the Supervisory Board since July 9, 2014
Function	Company
Chairman of the Advisory Board (until December 31, 2014)	Manpower Group GmbH & Co. KG, Eschborn
Member of the Board of Directors (since January 1, 2014)	Deutsche Bank Luxembourg S.A., Luxembourg

Lawrence A. Rosen	
Function	Company
Member of the Supervisory Board	Qiagen GmbH, Hilden

Werner Steinmüller	
Function	Company
Chairman of the Supervisory Board	Deutsche Bank Nederland N.V., Amsterdam
Member of the Advisory Board	True Sale International GmbH, Frankfurt am Main

Employee representatives

Frank Bsirske	Deputy Chairman of the Supervisory Board
Function	Company
Deputy Chairman of the Supervisory Board	RWE AG, Essen
Member of the Supervisory Board	Deutsche Bank AG, Frankfurt am Main
Member of the Supervisory Board	IBM Central Holding GmbH, Ehningen
Member of the Board of Supervisory Directors	Kreditanstalt für Wiederaufbau, Frankfurt am Main

Rolf Bauermeister	
Function	Company
Member of the Supervisory Board	Deutsche Post AG, Bonn

Susanne Bleidt	
Function	Company
Member of the Supervisory Board	Postbank Filialvertrieb AG, Bonn
Member of the General Assembly of Members	Erholungswerk Post, Postbank, Telekom e.V., Stuttgart

Timo Heider	
Function	Company
Deputy Chairman of the Supervisory Board	BHW Bausparkasse Aktiengesellschaft, Hameln
Deputy Chairman of the Supervisory Board (until November 6, 2014)	BHW Holding AG, Hameln
Deputy Chairman of the Supervisory Board	Pension fund of BHW Bausparkasse VVaG, Hameln
Member of the Supervisory Board	Deutsche Bank AG, Frankfurt am Main
Member of the Advisory Board (since September 3, 2014)	PBC Banking Services GmbH, Frankfurt am Main

Bernd Rose	
Function	Company
Deputy Chairman of the Supervisory Board	ver.di Vermögensverwaltungsgesellschaft mbH, Berlin
Member of the Supervisory Board	Deutsche Bank AG, Frankfurt am Main
Chairman of the Supervisory Board	Postbank Filialvertrieb AG, Bonn

Eric Stadler	
Function	Company
Deputy Chairman of the Advisory Board (since October 2, 2014) Member of the Advisory Board (since September 3, 2014)	PBC Banking Services GmbH, Frankfurt am Main

Gerd Tausendfreund	
Function	Company
Member of the Supervisory Board	Betriebs-Center für Banken AG, Frankfurt am Main

Renate Treis	
Function	Company
Member of the General Assembly of Members	Erholungswerk Post, Postbank, Telekom e.V., Stuttgart

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of Deutsche Postbank AG, and the management report of the Company includes a fair review of the development and performance of the business and the position of the Company, together with a description of the material opportunities and risks associated with the expected development of the Company.

Bonn, February 25, 2015

Deutsche Postbank Aktiengesellschaft

The Management Board

Frank Strauss

Marc Hess

Susanne Klöss-Braekler

Ralph Müller

Hans-Peter Schmid

Ralf Stemmer

Hanns-Peter Storr

AUDITOR'S REPORT

Auditor's Report
We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Deutsche Postbank AG, Bonn, for the business year from January 1 to December 31, 2014. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Düsseldorf, February 26, 2015

PricewaterhouseCoopers
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

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

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Design and layout
EGGERT GROUP, Düsseldorf

Coordination/editing
Postbank
Investor Relations

Translation
Deutsche Post Corporate Language
Services et al.

This 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 Deutsche Postbank AG. 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 Report are expressly cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this Report. Deutsche Postbank AG does not intend and does not undertake any obligation to revise these forward-looking statements.

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