DB Privat- und Firmenkundenbank AG

Group Interim Report as of June 30, 2019

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Group Interim Management Report

Our Organization

Corporate profile and business model

DB Privat- und Firmenkundenbank AG, Frankfurt am Main ("DB PFK AG" in the following) is a wholly-owned subsidiary of Deutsche Bank AG and included, together with its subsidiaries, in the consolidated financial statements of Deutsche Bank AG. As a capital-market oriented stock corporation, DB PFK AG ("DB PFK" in the following) has prepared its interim consolidated financial statements for the reporting period in accordance with the International Financial Reporting Standards (IFRSs), as adopted in the European Union (EU). As a subordinate entity of Deutsche Bank AG, DB PFK AG exercises the option in Section 2a of the *Kreditwesengesetz* (KWG – German Banking Act) in conjunction with Article 7(1) of the EU Capital Requirements Regulation (CRR) (subsidiary waiver) under which it is not required to apply certain prudential requirements to the determination of own funds and capital requirements, large exposures, exposures to transferred credit risk, leverage, and disclosures on and certain requirements for risk management at the single institution level. This Interim Report includes the constituent parts of a semi-annual financial report as described in Section 115 of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act). These condensed consolidated financial statements were prepared in accordance with the requirements of IAS 34 and thus do not contain all of the information included in complete consolidated financial statements.

DB PFK has a dual presence on the German banking market consisting of two established brands – Deutsche Bank and Postbank. With its 20+ million customers, DB PFK is now the clear number one provider on the retail banking market in Germany.

Whereas the Deutsche Bank brand serves chiefly as a risk manager and point of contact providing in-depth advisory services to customers with individual and complex requirements, the Postbank brand covers the need for standardized daily banking services while offering more complex products for commercial clients. "Two brands – one bank" is their common dictum. Last year's merger of Deutsche Postbank AG and Deutsche Privat- und Geschäftskunden AG also opened up growth prospects in select areas of the retail banking & commercial business such as asset management, lending, and digital banking.

The service and product range for both brands is managed centrally from a single source to concentrate responsibility for the overall process in a single function – from client contact to financial reporting as well as for new business and the portfolio process. As of December 1, 2018, the Bank's expertise has been bundled in five "principal establishments," each under one management and able to call upon the sales organizations of both brands, without losing sight of customer-specific needs. Each establishment is assigned to a target location. Establishment managers and their teams collaborate across all brands and sales channels.

Key locations

DB PFK AG is domiciled in Frankfurt am Main. The following branches each have business addresses registered in Bonn (Friedrich-Ebert-Allee):

- Postbank – a branch of DB Privat- und Firmenkundenbank AG
- DSL Bank – a branch of DB Privat- und Firmenkundenbank AG

The Luxembourg branch of DB PFK AG conducts its business under the name "Postbank Luxembourg – a branch of DB Privat- und Firmenkundenbank AG."

BHW Bausparkasse AG is a key subsidiary of DB PFK AG and remains domiciled in Hameln.

Sales markets and competitive position

In the area of retail banking, DB PFK conducts its business almost exclusively in Germany and is one of the major financial services providers in the country. DB PFK intends to position itself as a fair and reliable partner that utilizes differentiated approaches in client coverage to address a broad spectrum of clients.

DB PFK's important competitors in the retail banking business in Germany primarily are providers from the sector of savings banks and cooperative banks as well as several major domestic and foreign banks.

In addition to its business with retail banking clients, DB PFK is involved in the commercial banking business. Here it offers complex advisory solutions in cooperation with the Private & Commercial Bank division of the parent company. In the areas of payment services and factoring, DB PFK is one of the leading providers in Germany. DB PFK also serves as a partner for commercial mortgage lending with a European orientation for its commercial clients.

Providers from the sector of savings banks and cooperative banks as well as several major banks are the most significant competitors in this business segment as well.

Management Structure

In accordance with the provisions of the *Aktiengesetz* (AktG – German Stock Corporation Act), the Management Board is responsible for the executive management of DB Privat- und Firmenkundenbank AG. Its members are appointed and dismissed by the Supervisory Board. The responsibilities of the Management Board include strategic management, corporate governance, financial accounting and reporting, resource allocation, as well as control and risk management. Functional committees provide assistance with these duties.

The Management Board and the Supervisory Board work closely together for the collective good of the Company. The Management Board performs corporate management duties in keeping with its responsibilities outlined in stock corporation law. The Supervisory Board fulfills supervisory, monitoring and advisory duties. The composition of the two corporate bodies has undergone the following changes:

Management Board

Philipp Gossow was appointed Management Board member responsible for Deutsche Bank Private Clients effective January 1, 2019. Hanns-Peter Storr stepped down from the Management Board as of March 31, 2019, and Kay Wolf was appointed Senior Director for the Chief Risk Office as of April 1, 2019.

At his own request Frank Strauß resigned from the DB PFK Management Board as of July 31, 2019. Following approval of supervisory agencies, Manfred Knof will become a Management Board member effective August 1, 2019.

Supervisory Board

The terms of office for three employee representatives – Alexander Diffenhard, Wolfgang Ermann, and Joachim Kotthoff – ended upon conclusion of the assembly of delegates on June 13, 2019. Christopher Justin, Frank Schulze and Andreas Timmann were newly elected as employee representatives on the Supervisory Board.

Christian Sewing stepped down from the Supervisory Board effective August 1, 2019. Karl von Rohr was elected to the Supervisory Board by the Annual General Meeting of July 25, 2019.

Group management

The corporate bodies and committees obtain the information required for the performance of duties primarily from reporting on current business developments differentiated according to the contributions of the Deutsche Bank and Postbank brands. Within this structure they allocate resources and assign managerial responsibility at the levels below the Group Management Board. This structure has been adapted to the different management systems of the Die Bank für Deutschland (DBfD) corporate division within the Private & Commercial Bank (PCB) segment of the parent company. The management systems are also differentiated by brand. DB PFK AG and its subsidiaries and equity investments to be included in consolidation make a key contribution to PCB.

Financial and non-financial key performance indicators

The financial and non-financial key performance indicators and their definitions have not changed since the end of 2018. For information on the financial and non-financial key performance indicators, please refer to DB PFK's published Annual Report for the year ending December 31, 2018. The results for the non-financial key performance indicators in the employee and customer surveys have not been updated in the course of this year nor have these indicators changed since the end of the prior year.

Corporate Overview

Products and services

As a company with two brands – Deutsche Bank and Postbank – we pursue a differentiated, customer-focused approach in our advisory services and product range.

The Deutsche Bank brand offers retail banking clients a comprehensive range of banking and financial products and services that include special and individual solutions primarily in the area of investment advice. In its positioning as the "principal banking connection" for small and medium-sized clients, Deutsche Bank offers solutions for all banking transactions in cooperation with experts from the Corporate & Investment Bank of our parent company – including complex products such as international financing and capital market products.

The Postbank brand offers its retail banking clients standardized banking solutions for everyday needs, focusing on payment transactions, loans, and cash withdrawal. Postal and parcel products and services are also available in the Postbank brand branches thanks to a cooperation agreement with Deutsche Post AG, Bonn. This relationship increases the number of customers who visit the branches every day and thus multiplies sales opportunities. In the area of commercial and corporate clients, the Postbank brand concentrates on standardized payment transactions and financing solutions as well as on select core products such as factoring, commercial mortgage lending, and domestic transaction banking, to ensure a broad range of products and suitable advisory expertise for this client segment.

Distribution channels and marketing

To optimize accessibility and availability of services for our clients, both brands follow an omni-channel approach – each with its own clearly recognizable and independent brand identity. Here the expansion of our digital presence remains a high priority in all our business segments. Our clients, both existing and prospective, have the following contact options:

- Branches: In our branches, we generally offer the entire range of products and advisory services through our Deutsche Bank and Postbank brands. The branch portfolio is supplemented with customer call centers and self-service terminals. Additionally, the Postbank brand has service points in around 3,500 Deutsche Post AG partner retail outlets where customers can utilize select Postbank brand financial services. In Germany, we offer cash services at more than 10,000 ATM cash points.

- Advisory centers: The advisory centers of the Deutsche Bank brand function as a link between the branches and our digital offers to ensure comprehensive support and advice for our retail banking customers and commercial clients both during and outside of normal branch business hours.

- Online and mobile banking/digital platform: Both brands have websites offering clients a broad variety of product information and services including interactive tools, online tutorials, access to certain media content, and options for purchasing products and/or finalizing the corresponding contracts. We also provide a powerful transaction platform for banking, brokerage, and self-services, and combine these offers with our highly popular app solutions for smartphones and tablets. Moreover, we invest in additional improvements to client-friendly end-to-end processes.

- Financial advisors/sales and cooperation partners: Both brands utilize self-employed financial advisors and sales and cooperation partners to provide additional channels of access to banking products and financial services.

Corporate divisions

DB PFK structures its business into three corporate divisions. This structure is also used consistently in segment information. With regard to the valuation techniques, there are no differences between the segments.

In addition to the results in the income statement of the business units allocated to the corporate divisions, imputation procedures are applied to ensure correct allocation of the segment profit/loss to their originators. In this process of allocating segment profit/loss to their originators, there are no differences in the accounting and measurement policies that are used in accordance with IFRSs.

Pursuant to IFRS 8.23, we report net interest income (net interest revenue) instead of interest income and interest expense. The allocation of net interest income from customer products to the segments uses the market rate method, under which the customer interest rate is compared with imputed money and capital market rates for matching terms. The administrative expenses and other expenses of the units included in the segment results are primarily based on the results of cost center accounting. Income taxes are not calculated at the segment level.

Reversals of impairment losses and impairment losses relate to intangible assets and property and equipment. Both amortization/ depreciation and impairments are taken into account.

Equity is allocated to the segments according to their risk capital requirements. Risk capital requirements are derived from DB PFK AG's risk cover amount and define the extent of the permitted exposures to market risk, credit risk, operational risk, business risk, investment and real estate risk, and collective risk. The average IFRS equity is allocated to the segments according to their respective responsibility for the risk capital positions within the individual risk types.

During the reporting period, as part of changes to segment reporting, the allocation of earnings contributions to the segments have been modified as follows:

The infrastructure functions of the Postbank brand segment were separated from the sales units and reported together with the infrastructure functions of the Deutsche Bank brand in the "Other" segment as part of the integration process. Next, the infrastructure costs were correctly allocated to their originators in the Deutsche Bank and Postbank brand segments. In addition, income from the Financial Markets unit of the Postbank brand, income from asset-liability management/treasury of the Deutsche Bank brand and remaining income not attributable to the products (retail banking customers and commercial clients) of both brands are allocated from now on to the "Other" segment.

The resulting adjustments made retrospectively can be found in the section "Segment Results of Operations".

Pursuant to our brand differentiation, we define the three corporate divisions henceforth as follows:

Deutsche Bank brand

The results generated in this corporate division in the retail & commercial business in Germany are disclosed in the Deutsche Bank brand segment. This brand is positioned with a broad range of financial services and advisory offers that include complex solutions for our retail banking clients. In addition, the Deutsche Bank brand offers an integrated advisory concept for small and medium-sized enterprises in cooperation with experts from the Corporate & Investment Bank of our parent company. We make these services available to our customers on the basis of an omni-channel strategy; customers can access daily banking services and qualified advisory options through any of our channels, whether mobile or branch-based. Those contact options that are the unique province of the Deutsche Bank brand include our branch network, online banking and online brokerage, self-service terminals, mobile sales, advisory centers, and DB Direkt as our customer service hotline.

The product range offered by the brand runs from transaction banking services, the current accounts and savings business, pension and investment advice including wealth advisory solutions, through mortgage lending, consumer credit financing, the home savings business, commercial lending including export financing and factoring, to cash, interest rate and currency management solutions. We also aim at becoming the recognizable trendsetter with our innovations, offering our customers new products as well as traditional banking and financial services.

For integrated earnings management purposes, we disclose net income from this business and the associated loan loss allowance as well as the direct costs of the corresponding sales organizations for the Deutsche Bank brand. Other items reported under this brand are the costs of the operating platforms and infrastructure units that can be directly assigned to this business as well as the related invoicing for corresponding services obtained from the parent company.

Postbank brand

The results generated by the Postbank brand business are disclosed in this section. With our Postbank brand offer we target retail banking customers and commercial clients in Germany. In the retail banking business, our focus is on standardized, reasonably priced banking and financial services designed to meet typical needs. The product and service range encompasses current account and savings products, credit and debit cards, mortgage lending, installment loans, home savings, securities and securities accounts, and the sale of investment funds. The Postbank brand offers commercial and corporate clients services for payment transactions and corporate loans, commercial mortgage lending with a European orientation as well as factoring and leasing. Cash investments and solutions in the area of interest rate and currency management complete the portfolio. These products and services are offered through a Germany-wide branch network of finance, advisory and sales centers, as well as through mobile sales, call centers, and direct banking via online sales channels with their own independent brand identity.

Other items assigned to the Postbank brand are net income, the associated loan loss allowance, and the costs for those units through which sales under this brand are made. Other items reported under this brand are the costs of the operating platforms and infrastructure units that can be directly assigned to this business as well as the related invoicing for corresponding services obtained from the parent company.

“Other” segment

The “Other” segment primarily shows the restructuring and investment costs related to the integration of Postbank and Deutsche Bank, investments and results in the context of the new digital offer, costs and associated cost allocations of the infrastructural areas supporting the Deutsche Bank and the Postbank brand, and earnings effects from transactions with the parent company. Income and expenses from the largely independent money and capital market activities of the Postbank brand are also allocated to this corporate division, activities that primarily serve the management of the interest and liquidity position as well as the optimized use of resources for the businesses of this brand. In addition, income from asset-liability managment/treasury of the Deutsche Bank brand and the remaining income not attributable to the products (retail banking customers and commercial clients) of both brands are allocated from now on to the “Other” segment.

Strategy

In March 2017, Deutsche Bank AG announced its intention to integrate Deutsche Postbank AG and its subsidiaries – which had been separated as far as possible from Deutsche Bank Group – fully into the parent company. A new program, "Die Bank für Deutschland," was developed for this purpose. Following the internal announcement of the program in October 2017, the first major milestone in its implementation was reached in May 2018 with the merger of the two legal entities of Deutsche Postbank AG and Deutsche Bank Privat- und Geschäftskunden AG and the change of the company's name to DB PFK AG. The merger of the business into one company and the joint management of the brands Deutsche Bank and Postbank for the retail & commercial business in Germany within Deutsche Bank Group are fundamental to further integration and the achievement of targeted synergies.

The unique positioning of both brands, the broad customer base and the exploitation of the complementary strengths of both brands and organizations provide a foundation for achieving significant cost and income synergies of a projected €900+ million per annum in Deutsche Bank Group – substantially in DB PFK – and ultimately create in the long term the condition for profitability above the market average. To achieve these goals, the Bank will primarily utilize efficient and standardized operating processes with a joint IT and product platform and joint overall bank management. In the course of this process, Deutsche Bank Bauspar-Aktiengesellschaft, Frankfurt am Main, (in the following "DB Bauspar"), was merged with BHW Bausparkasse, Hameln, in May 2019. The digitization of core products (such as end-to-end digitization for securities, consumer credit financing, and mortgage lending) and a streamlined product offer generate additional synergies.

Both brands will continue to develop their products and services further in line with their own unique brands. Joint management in the future will ensure the greatest possible market success. Initiatives to realize these plans include further optimizing the branch networks of both brands depending on customer needs and further increasing the number of contact points by mutual cooperation.

The digital strategies of both brands will also be aligned with one another to achieve synergies through a shared exploitation of the digital offers. Brand-specific customer interfaces will be preserved and other select digital offers will be made mutually available to clients of both brands.

For information on the strategic reorientation announced on July 7 by the parent company, please refer to the section "Significant Events after the Reporting Date."

Key Events in DB PFK Group in the First Half of 2019

Changes in the Group

DB Bauspar, which was included in the basis of consolidation in the prior year, was merged on May 17, 2019, with BHW Bausparkasse Aktiengesellschaft, Hameln, upon entry in the commercial register, with retroactive effect as of January 1, 2019. The merger did not result in any material effects on recognition and measurement in the consolidated financial statements of DB PFK.

Economic Environment

The global economy

Economic growth (in %)[1]	Jun 30, 2019[2]	Dec 31, 2018[3]	Main drivers
Global economy	**3.3 %[4]**	3.8 %	The weak performance of global trade continued in the first half of 2019, resulting in rather modest growth in industrialized countries and emerging markets. Uncertainty in relation to the restructuring of US trade policies, in particular on-going renegotiations of trade relations with China, put a damper on global trade.
Thereof: Industrialized countries	1.7 %[4]	2.2 %	Although the restructuring of global value chains slowed the worldwide momentum of industrialized countries, domestic demand remained stable.
Emerging markets	4.3 %[4]	4.9 %	Negative carry-over effects from trade disputes had an impact on emerging markets. As a result, growth in the primary regions of emerging markets – excluding Latin America as a whole – surpassed its high point.
Eurozone	**1.0 %**	1.9 %	The eurozone economy grew more slowly due to temporary effects in several of the member states and the strained economic environment outside of Europe. Growth was driven by domestic demand supported by solid increases in income and improved financial conditions.
Thereof: Germany	0.2 %	1.4 %	The manufacturing sector in Germany exhibited rather restrained growth momentum in the first half of 2019. Idiosyncratic risks in a number of sectors and shrinking world trade led to a small dip in industrial manufacturing. In contrast, there was growth on average in both the construction industry and private consumption.

[1] Annual real GDP growth (in % compared with the prior year). Sources: National authorities unless otherwise stated
[2] Source: Deutsche Bank Research
[3] DB quarterly real GDP (in % compared with the prior year) for 2019
[4] No quarterly figures are available for the different countries of these aggregates. Growth forecasts for the full-year are listed here.

Banking industry[1]

Growth year-on-year (in %)	Loans to companies	Household loans	Deposits from companies	Deposits from households	Main drivers
Eurozone[1]	2.0 %	2.8 %	5.4 %	5.4 %	Deposits from households are growing as strongly as they did just before the financial crisis.
Thereof: Germany[1]	6.6 %	4.2 %	3.0 %	5.2 %	Thanks to historically low interest rates, mortgage loans, loans to households and companies are growing as strongly as they did just before the financial crisis.

[1] Source: Deutsche Bank Research forecasts

Consolidated Results of Operations

in €m	Jan – Jun 2019	Jan – Jun 2018	Absolute change	Change in %
Income:				
Thereof:				
Deutsche Bank brand	1,446	1,377	69	5
Postbank brand	1,627	1,642	− 15	− 1
Other	− 51	208	− 259	<− 100
Total income	**3,022**	3,227	− 205	− 6
Loan loss allowance	**− 97**	− 72	− 25	35
Non-interest expenses:				
Compensation and benefits	− 1,161	− 1,170	9	− 1
General and administrative expenses	− 1,241	− 1,329	89	− 7
Total non-interest expenses	**− 2,402**	− 2,499	97	− 4
Net income (loss) before tax	**523**	656	− 134	− 20
Income tax expense (benefit)	− 38	− 68	30	− 44
Net income (loss) after tax	**485**	588	− 103	− 18

Earnings performance in the first half of 2019 compared with the prior-year period

DB PFK AG and its consolidated subsidiaries and investments recorded a €134 million (20%) year-on-year decrease in net income before tax to a total of €523 million in the first six months of fiscal year 2019. Positive growth in our two brands' business was offset in the first half of 2019 by negative growth at the separately managed "Other" segment – largely due to the non-recurrence of positive factors in the prior-year period.

Profit in the reporting period and the prior-year period was impacted in each case by a range of material non-recurring factors. These relate primarily to positive contributions from the realization of a credit exposure in the first six months of 2019 (€59 million) and positive contributions from the sale of a loan portfolio in the prior-year period (€20 million). Without these factors, the contribution of our two brands Deutsche Bank and Postbank to net income before tax was up slightly on the prior-year period. In addition, the prior-year period saw material non-recurring effects, in particular from the optimization of our real estate portfolio (€156 million) and higher investment costs in the early phase of integrating our two brands (prior-year period: €87 million, reporting period: €42 million).

At €3.0 billion, total income decreased by €205 million or 6% year-on-year. The main drivers of this decline were the positive contributions from the optimization of our real estate portfolio in the prior-year period, as noted above. Income from the client business of our two brands was depressed in the reporting period by the effects on deposit products of the persistently low interest rate environment. The negative factors were largely offset by the continued very encouraging growth in lending volumes – in particular in the product portfolio offered under the Postbank brand.

The loan loss allowance in the first six months of 2019 amounted to €97 million and, with an increase of €25 million (35%), was considerably higher than the prior-period figure. This increase is attributable largely to an adjustment to client credit scores in the reporting period.

At €2.4 billion, non-interest expenses in the first half of 2019 were €97 million (4%) lower than in the prior-year period. Compensation and benefits declined by €9 million (1%), principally because of the successful implementation of the integration planning and the efficiency gains achieved. The reversals of provisions in the prior-year period in connection with adjustments to pension arrangements were offsetting factors, as these did not recur in the reporting period. General and administrative expenses and other expenses amounted to €1.2 billion, corresponding to a decrease of €89 million (7%). This was mainly due to the reversal of provisions for operational risk in the first half of 2019 and to the savings resulting from our strict cost discipline.

At €485 million, net income in the first half of 2019 was down on the prior-year period (€588 million). Income tax expense in the reporting period was €38 million, compared with income tax expense of €68 million in the first six months of 2018.

Segment Results of Operations

The following tables show the year-to-date results of operations of the segments/divisions, including the reconciliation to the condensed IFRS consolidated financial statements, in each case for the first half of 2019 and 2018. All of the comparisons in the following disclosures on the segments refer to the retrospectively adjusted amounts for the first six months of 2018.

				Jan–Jun 2019
in €m	Deutsche Bank brand	Postbank brand	Other	Total Group
Net interest income	983	1,188	−299	**1,872**
Loan loss allowance	−42	−55	0	−97
Net interest income after loan loss allowance	941	1,133	−299	**1,775**
Net commissions and fee income	433	439	37	909
Net gains (losses) on financial assets/liabilities at fair value through profit or loss	9	–	3	12
Net gains (losses) on financial assets at fair value through other comprehensive income	–	–	70	70
Other income (loss)	21	−1	139	159
Total non-interest income	463	439	248	**1,150**
Compensation and benefits	−388	−336	−437	−1,161
General and administrative expenses	−744	−813	316	−1,241
Total non-interest expenses	−1,132	−1,149	−121	**−2,402**
Net income (loss) before tax	272	423	−172	**523**

				Jan–Jun 2018
in €m	Deutsche Bank brand	Postbank brand	Other	Total Group
Net interest income	923	1,199	−41	2,081
Loan loss allowance	3	−76	1	−72
Net interest income after loan loss allowance	926	1,123	−40	2,009
Net commissions and fee income	426	442	42	910
Net gains (losses) on financial assets/liabilities at fair value through profit or loss	7	–	−48	−41
Net gains (losses) on financial assets at fair value through other comprehensive income	–	–	79	79
Other income (loss)	21	1	176	198
Total non-interest income	454	443	249	1,146
Compensation and benefits	−404	−342	−424	−1,170
General and administrative expenses	−715	−883	269	−1,329
Total non-interest expenses	−1,119	−1,225	−155	−2,499
Net income (loss) before tax	261	341	54	656

The allocation of earnings contributions to the segments was modified in the reporting period. This relates to a technical, non-business-related change in internal management with the aim of more accurately reflecting management responsibility.

As a result, the infrastructure functions of the Postbank brand segment were separated from the sales units and presented in the "Other" segment as part of their integration with the Deutsche Bank brand's infrastructure functions. In the next step, the infrastructure costs (except for infrastructure costs relating to Financial Markets business) were allocated to the Deutsche Bank and Postbank brands on the basis of origination of those costs. In addition, income from Financial Markets at the Postbank brand, income from asset-liability management/Treasury at the Deutsche Bank brand, and the other income of the two brands that could not be allocated to the products (retail banking customers and commercial clients) was allocated to the "Other" segment.

Divisions

Deutsche Bank brand

Net income (loss) before tax

Net income before tax generated by our Deutsche Bank brand was €272 million in the first six months of 2019, following €261 million in the prior-year period. This corresponds to a slight 4 % increase in earnings, which was achieved in a persistently challenging market environment due in particular to the continued low level of interest rates.

Total income

Despite lower margins in the deposit and lending business due to the persistently low interest rate environment and the resulting high availability of liquidity, total income rose by €70 million or 5 % year-on-year to €1,446 million.

Interest-related income

Net interest income increased by €61 million or 7 % to €983 million. This change was driven by higher internal liquidity remuneration within the Group. Offsetting factors were the impact of the low interest rate environment on the deposit business and margin pressure in the lending business.

Non-interest income

At €463 million, non-interest income was on a level with the previous year.

Loan loss allowance

At €42 million, the loan loss allowance was up considerably on the prior-year period. This was due firstly to the sale of a loan portfolio in the prior-year period and secondly to an adjustment to client credit scores in the reporting period.

Total non-interest expenses

At €1,132 million, these expenses were on a level with the prior-year period. Compensation and benefits declined by €16 million due to reduced payroll costs and the reversal of payroll-related provisions. A €29 million increase in general and administrative expenses was an offsetting factor. Savings due to our strict cost management were offset by a change in the presentation of real estate expenses, which are now reported in the Deutsche Bank brand rather than in the “Other” segment.

Postbank brand

Net income (loss) before tax

Net income before tax from business at our Postbank brand was €423 million in the first six months of 2019, following €341 million in the prior-year period. The drivers of this significant improvement in earnings were primarily lower non-interest expenses as a consequence of our strict cost management and the reversal of various provisions. The sale of a loan portfolio also had a positive effect in the reporting period.

Total income

At €1,627 million, total income was largely on a level with the prior-year period.

Interest-related income

Net interest income decreased by €11 million to €1,188 million. The impact of the Bank’s management response to the effects of the low interest rate environment on margins in the deposit business was almost offset by strong growth in all credit products.

Non-interest income

At €439 million, net commissions and fee income was on a level with the prior-year period. Lower income from the amended postal services agreement was largely, albeit not fully, offset by higher income from commercial real estate finance and investments.

At €–1 million, other income was on a level with the prior-year period.

Loan loss allowance

The loan loss allowance declined by €21 million to €55 million, largely because of the sale of a loan portfolio in the reporting period. The expansion of our lending exposures had an offsetting effect.

Total non-interest expenses

Non-interest expenses decreased by €76 million to €1,149 million in the first six months of 2019 despite a higher volume of business in the lending business. General and administrative expenses declined by €70 million to €813 million in the reporting period thanks to DB PFK’s strict cost management and the reversal of various provisions. Compensation and benefits were held at the prior-year level in the reporting period.

“Other” segment

Net income (loss) before tax

The “Other” segment recorded a loss before tax of €172 million in the first six months of 2019, following a profit of €54 million in the prior-year period. This was attributable to a number of offsetting non-recurring factors. The first of these was lower earnings from Financial Markets (€70 million) in the reporting period. In addition, positive effects from the prior-year period, in particular income from the optimization of our real estate portfolio (€156 million), were not repeated in the reporting period. Offsetting factors included the sale of debt securities in the reporting period (€62 million) and the lower aggregate investment costs and restructuring expenses incurred due to the integration of Postbank and Deutsche Bank.

Total income

The considerable decline in total income is due largely to the effects described above.

Interest-related income

Net interest income declined by €260 million year-on-year. This was due to higher negative effects from Financial Markets (€70 million), the non-recurrence of the positive effects of transactions with our parent company (€103 million), and the payment of a higher liquidity premium with a negative impact on the “Other” segment (€67 million).

Non-interest income

At €248 million, non-interest income was on a level with the previous year. The primary positive factors here were changes in the fair value of hedging instruments in fair value hedges and positive measurement effects relating to equity investments (€50 million), as well as higher other income from funding that is reported in other income (€63 million). Income from the optimization of our real estate portfolio in the prior-year period (€156 million) was an offsetting factor.

Total non-interest expenses

Non-interest expenses declined by €34 million to €121 million in the first half of 2019. This mainly reflected the lower aggregate investment costs and restructuring expenses incurred due to the integration of Postbank and Deutsche Bank.

Financial Position

in €m	Jun 30, 2019	Dec 31, 2018	Absolute change	Change in %
Cash and central bank balances	23,214	20,130	3,084	15
Interbank balances (excluding central banks)	46,156	42,731	3,425	8
Central bank funds sold, securities purchased under resale agreements	400	298	102	34
Financial assets at fair value through profit or loss	6,783	5,005	1,778	36
Trading assets	0	0	0	N/A
Positive fair values from derivative financial instruments	6,194	4,434	1,760	40
Total non-trading financial assets at fair value through profit or loss	589	571	18	3
Total financial assets designated as at fair value through profit or loss	0	0	0	N/A
Loans at amortized cost	191,658	189,748	1,910	1
Brokerage and securities-related receivables	690	278	412	148
Other assets	15,885	17,926	−2,041	−11
Total assets	**284,786**	276,116	8,670	3
Deposits	236,982	225,985	10,997	5
Central bank funds purchased, securities sold under resale agreements	0	1,135	−1,135	−100
Financial liabilities at fair value through profit or loss	5,622	3,689	1,933	52
Non-current liabilities	28,272	29,953	−1,681	−6
Brokerage and securities-related payables	117	88	29	33
Other liabilities	5,680	7,210	−1,530	−21
Total liabilities	**276,673**	268,060	8,613	3
Total equity	**8,113**	8,056	57	1

DB PFK disclosed contingent liabilities of €33.0 billion for the reporting period (previous year: €32.0 billion). These mainly consist of obligations under guarantees and warranties, an irrevocable payment obligation to the deposit protection fund, and cash collateral for the bank levy.

Overall, the deposits entrusted to us by our clients and recognized as liabilities exceed the loans granted to our clients and recognized as assets. We transfer the surplus deposits to our Group parent to the extent required by prudential liquidity management requirements, the risk appetite formulated by DB PFK, and considering economic opportunities. The resulting balance sheet structure allows us to manage our liquidity position appropriately and flexibly at all times. Correspondingly, all payment obligations were fulfilled in compliance with the contractual terms in the first half of the year.

Changes in assets

Total assets as of June 30, 2019, were €284.8 billion, and thus rose by €8.7 billion (or 3.1 %) compared with December 31, 2018.

Cash and central bank balances and interbank balances rose by €3.1 billion and €3.4 billion respectively, in the course of liquidity investments.

Financial assets at fair value increased by €1.8 billion in particular because of changes in the fair value of derivatives, which were offset by a corresponding increase in liabilities.

Loans increased by €1.9 billion, due mainly to strong growth in the client lending business.

In addition, other assets decreased by €2.0 billion, primarily because of maturing fixed-rate securities. These securities are included in the financial position in the "Other assets" item and classified as financial assets at fair value through other comprehensive income.

Changes in liabilities

Total liabilities as of June 30, 2019, rose by €8.6 billion (or 3.2 %) compared with the year-end.

Deposits rose by €11.0 billion, buoyed among other things by an increase in non-interest-bearing demand deposits and an increase in our clients' savings deposits driven by deposit campaigns. Non-current liabilities decreased by €1.7 billion, due largely to maturities of €1.7 billion.

Additionally, financial liabilities at fair value increased by €1.9 billion. This change is related to the increase in financial assets at fair value described above and is attributable to changes in the fair value of derivatives.

Central bank funds purchased, securities sold under resale agreements (repos), and securities loaned declined by €1.1 billion, due in particular to the maturity of a government bond loaned to the parent company.

The €1.5 billion decline in other liabilities is attributable to the payment of the profit transfer to the parent company.

Changes in equity

At €8.1 billion, recognized equity as of June 30, 2019, was at the same level as of December 31, 2018 (€8.1 billion).

Changes in own funds

DB Privat- und Firmenkundenbank AG is not a superordinate entity of a group of institutions within the meaning of Section 10a(1) of the *Kreditwesengesetz* (KWG – German Banking Act) and is not subject to the requirements of the CRR (Capital Requirements Regulation) at subconsolidated level. As a subordinate entity of Deutsche Bank AG, DB PFK AG exercises the option in Section 2a of the KWG in conjunction with Article 7(1) of the CRR (subsidiary waiver) under which it is not required to apply certain prudential requirements to the determination of own funds and capital requirements, large exposures, exposures to transferred credit risk, leverage, and disclosures on and certain requirements for risk management at single institution level. Notwithstanding this waiver, DB PFK AG and its subsidiaries, as part of Deutsche Bank Group's prudential scope of consolidation, are subject to the requirements of the CRR, which means that they are included in Deutsche Bank Group's regulatory reporting. Pursuant to the requirements governing the approval of the subsidiary waiver under Article 7(1)(c) of the CRR, DB PFK and its subsidiaries are also included in Deutsche Bank AG's risk management system.

In order to safeguard capital adequacy at all times despite the waiver, the own funds requirements defined for internal management purposes as well as the available own funds of the DB PFK subgroup continue to be determined largely in accordance with the CRR as part of the risk and capital management in line with the legal and Group-wide requirements, and are used for monitoring and internal management. In this context, thresholds were defined for CET1 and the leverage ratio for internal management purposes. The calculation of these internal thresholds is aligned with the minimum requirements of the CRR, the capital buffer requirements of CRD IV, additional potential capital expectations of supervisory authorities, and management buffers.

The internal management calculation of Tier 1 capital is based on recognized equity, including the net income as of the relevant reporting date (net of the German GAAP net income to be transferred) for the prudential scope of consolidation at the level of the DB PFK subgroup established in compliance with the policies of Deutsche Bank Group. Adjusting Tier 1 capital for the prudential filters and deductions, which are calculated to the greatest possible extent in compliance with the CRR, results in Common Equity Tier 1 capital (CET1). At present, the DB PFK subgroup has not issued any capital instruments that would be classified as additional Tier 1 capital (AT1) under the CRR, so the CET1 used for internal management purposes is currently the same as Tier 1 capital. Transitional arrangements within the meaning of Part 10 Title 1 of the CRR are not applied (fully phased-in).

For DB PFK's operational capital management purposes, receivables from domestic subsidiaries in Deutsche Bank Group are assigned a risk weight of 0% in line with Article 113(6) of the CRR and disregarded from the calculation of the leverage exposure in line with Article 429(7) of the CRR. The other items are mainly accounted for using the same methodologies and models that are used for regulatory reporting at the level of Deutsche Bank Group.

Based on the assumptions described above, the CET1 ratio calculated for the DB PFK subgroup's internal management is 11.9% and the leverage ratio is 3.3%. The internal thresholds for the two capital ratios defined for management purposes, as described above, were exceeded significantly at all times.

Financial and non-financial key performance indicators

At €523 million, net income before tax in the first six months of 2019 was down €134 million year-on-year. Net income in both periods was impacted by a range of material non-recurring factors. Net income was increased in particular by positive contributions from the sale of a non-performing loan (€59 million) and comparatively lower investment costs for the integration of our two brands (comparative period: €87 million; reporting period: €42 million). Net income was depressed above all by positive contributions in the prior-year period from the optimization of our real estate portfolio in the prior-year period (€156 million) and the sale of a portfolio of non-performing loans (€20 million).

At 9.3%, the return on tangible equity (RoTE) after tax for the first six months of 2019 was 4.7% lower than in the prior-year period (14.0%). This is attributable to the relatively stronger capitalization of DB PFK in the first six months of 2018 and the lower net income before tax. Taking usual negative effects within Deutsche Bank Group into account, the Group ratio would be considerably lower.

The cost/income ratio was 79.5% in the reporting period, compared with 77.5% in the prior-year period.

As expected, the CET1 ratio for the DB PFK subgroup, which is determined largely in compliance with the CRR and used for internal management purposes, decreased in the first six months of the reporting period because of higher RWAs. In addition to the business growth, this is a result of regulatory special factors.

Despite the expansion in the volume of business, the leverage ratio used for internal management purposes remained stable, at 3.3%, in the reporting period.

For information about the non-financial key performance indicators, please refer to DB PFK's Annual Report as of December 31, 2018. The results of employee and customer surveys relating to the non-financial key performance indicators were not updated during the year, nor was the substance of the indicators themselves modified compared with the prior year-end.

Significant Events after the Reporting Date

Christian Sewing stepped down from his position as a member of and Chairman of the Supervisory Board of DB Privat- und Firmenkundenbank AG effective August 1, 2019. Karl von Rohr will therefore become Chairman of the Supervisory Board of DB PFK AG effective August 1, 2019.

Frank Strauß is stepping down from the Management Board of DB PFK effective July 31, 2019, at his own request. Subject to the approval of the supervisory authorities, Manfred Knof will become a member of the Management Board effective August 1, 2019.

Our parent company Deutsche Bank AG announced a fundamental strategic realignment on July 7, 2019. Starting with the third quarter of 2019, reporting will be adapted to reflect the strategic realignment. Potential impacts on DB PFK Group are currently being analyzed internally.

Risk Report

Summary Overview of Risk Exposure

The risk profile of DB PFK focuses on the lending and deposit business with retail banking customers and commercial and corporate clients in Germany. Risk management at DB PFK comprises capital and liquidity management for DB PFK Group within the framework of the internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP). The ECB has granted DB PFK AG a capital waiver within the meaning of Article 7(1) of the EU Capital Requirements Regulation (CRR) in conjunction with Section 2a(1) and (2) of the *Kreditwesengesetz* (KWG – German Banking Act) on the basis of its relationship with Deutsche Bank AG. With respect to capital management at DB PFK Group, this Risk Report only deals with the internal control framework.

During the reporting period, DB PFK’s risk management activities were primarily concerned with continuing to implement the operational merger between the former Deutsche Bank Privat- und Geschäftskunden AG and the former Deutsche Postbank AG based on the common system of boards and committees and uniform reporting lines established in 2018 as well as a uniform definition of risk, an overarching risk strategy, and a regular reporting cycle that includes all risk types. An internal restructuring of risk management has been announced and will be implemented in the second half of 2019. Moreover, additional activities to support technical implementation of the merger are planned for the coming years and could lead to changes in risk management.

Taking on risk in order to generate income is a core part of DB PFK’s business activities. All internal control risks are identified, measured, monitored, and limited as part of the internal capital adequacy assessment process (ICAAP). During the period under review, all limits established at Group level were adhered to at all times. Economic capital consumption remained largely stable in the reporting period. DB PFK’s internal capital adequacy was assured at all times. No risks that could impair the performance of DB PFK or its subsidiaries, or especially that could jeopardize their going-concern status, are discernible at present.

Although economic indicators suggest that a downturn is on the horizon in some areas, DB PFK’s risk profile enables the Bank to benefit from an economic climate that is basically solid and which offers additional opportunities for expanding lending to retail banking customers and commercial clients. DB PFK thus further grew its lending business with retail banking customers and commercial and corporate clients during the period under review. Credit risk in the Bank’s existing business continues to be positively impacted by the macroeconomic environment prevailing in Germany. As of the reporting date, the Bank’s provision for credit losses was down significantly on the prior-year level. Non-recurring income from the sale of non-performing loans in the retail banking segment more than compensated for the negative effects of significant individual losses in the corporate segment. Taking those factors into account, risk provisioning continued to benefit from the Bank’s growing customer business – driven especially by the sustained favorable macroeconomic environment in which DB PFK operates – as well as proceeds from collateral realization and systematic risk management.

Market risk at DB PFK is influenced in particular by interest rate and credit spread trends in the European capital markets. During the period under review, EUR interest rates saw a slight decline across all maturity bands. The decline in the EUR yield curve was steeper for the longer maturity bands in particular. Credit risk premiums for European companies dropped slightly on average during the reporting period. Given these market conditions, the risk capital needed to cover market risk (economic capital) was at a moderate level as of the reporting date thanks to the Bank’s widely diversified portfolio.

With respect to operational risk, the main impact on VaR in the recent period came from legal actions and complaints brought by customers in connection with the sale of closed-end funds – the number of which is higher compared with the long-term average – as well as actions and complaints relating to consumer protection rulings. However, the number of proceedings declined considerably on the prior-year level. The focus in the retail lending business was on high frequency/low impact losses, i.e., loss events that, taken separately, are only of minor significance but that occur repeatedly throughout the year. Attacks on automated teller machines (ATM bombings), which resulted in high losses in the previous year, decreased significantly compared with the prior-year period. The loss trend for the reporting period was driven primarily by two major cases of fraud in the commercial clients business. However, the total loss amount was below the prior-year level.

All liquidity risks are identified, measured, monitored, and limited as part of an internal liquidity adequacy assessment process (ILAAP). DB PFK AG has not currently been granted a liquidity waiver. The Bank's stable funding structure comprising retail customer deposits enabled it to maintain adequate liquidity buffers at all times during the reporting period, hence ensuring both solvency and compliance with regulatory requirements. DB PFK's liquidity remains sound thanks to the Bank's currently stable funding base and its extensive portfolio of highly liquid securities.

From a planning perspective, achievement of the 2019 earnings targets will involve increasing the Bank's risk appetite. In addition, the political uncertainty that continues to prevail could result in greater market volatility and thus in corresponding fluctuations in present values.

Based on the composition of its customer portfolio and the analyses conducted, the Bank expects to be only minimally impacted by the anticipated effects of Brexit. Therefore, DB PFK does not see any notable default or liquidity risk in this context. However, political uncertainty could increase volatility, resulting in fluctuations in present values and the associated risks for the Bank's financial position.

Integration into Deutsche Bank Group's Risk Management System/Capital Waiver/Status of Integration

DB PFK is integrated in the risk management system of Deutsche Bank Group subject to the applicable corporate law and prudential banking regulations, the aim being to guarantee uniform, appropriate, and effective risk management at the level of Deutsche Bank Group. DB PFK is therefore included in Deutsche Bank Group's processes for identifying, assessing, measuring, controlling, monitoring, and communicating risk, which deliver an end-to-end overview of the risk situation and the institutional protection scheme as a whole. The integration allows the Group parent to exercise the necessary control. In addition, an established risk governance structure shared with Deutsche Bank AG ensures a common risk culture throughout the Group.

DB PFK is incorporated into the Single Supervisory Mechanism (SSM) via Deutsche Bank Group. As part of Deutsche Bank Group, DB PFK is under the direct supervision of the European Central Bank (ECB), and is also included in inquiries from ECB Banking Supervision to Deutsche Bank. In addition, DB PFK is in regular communication with the German regulator.

As part of overall Group risk management, DB PFK is included in Deutsche Bank Group's risk management system via an established network of boards and committees as well as functional reporting lines between DB PFK and Deutsche Bank Group. DB PFK submits regular risk reports to Deutsche Bank Group in the context of Deutsche Bank's Group-wide risk reporting and control system. A joint reporting system has been established for the main management reports and key performance indicators.

DB PFK AG is exempt from having to adhere to internal capital adequacy requirements based on application of the provisions of Section 2a(2) of the *Kreditwesengesetz* (KWG – German Banking Act) and the resulting exemption from complying with supervisory obligations on an individual basis pursuant to Article 7(1) of the EU Capital Requirements Regulation (CRR) in conjunction with Section 2a(1) and (2) of the KWG (subsidiary waiver).

Deutsche Bank Bauspar-Aktiengesellschaft, Frankfurt am Main (DB Bauspar AG), which was included in the basis of consolidation in the prior year, was merged with BHW Bausparkasse Aktiengesellschaft, Hameln, effective May 17, 2019, upon entry of the transaction in the commercial register, with retroactive effect as of January 1, 2019. The merger did not impact recognition and measurement in the consolidated financial statements of DB PFK. The portfolios of the former Deutsche Bank Bauspar-Aktiengesellschaft have been integrated into DB PFK's Group-wide risk management process. Additional steps to integrate the risk management systems of DB Bauspar AG and BHW Bausparkasse AG will be taken in the second half of 2019 and in the coming years.

DB PFK's risk position, its risk management system, and the measures implemented are described in detail in the following.

Types of Risk

The nature of DB PFK's business operations exposes it to a variety of risks, which are identified in connection with a risk inventory conducted at least once per year.

All identified risks are examined to determine their materiality. When performing the risk inventory, DB PFK uses instruments that, in aggregate, cover all material organizational areas, including the Bank's significant equity investments. The risk types identified as material in the risk register comprise financial risks such as credit risk, market risk, business risk, and liquidity risk, risks to capital/group risk, and non-financial risks such as operational risk and reputational risk. All material risk types are subject to uniform risk management standards, including integration into risk governance and the risk committee structure, definition of the risk appetite for each type of risk, and calculation of the risk capital as part of the internal capital adequacy assessment. Liquidity risk and risks to capital/group risk are not included in the calculation of risk capital. Reputational risk is implicitly included via the other risk categories.

For a detailed description of specific risks, please refer to the relevant section of the 2018 Group Management Report. No significant changes have occurred since issuance of the report.

This Risk Report accordingly provides a general overview of risk management at DB PFK as well as a presentation of market risk, credit risk, operational risk, and liquidity risk. Risk within DB PFK Group is managed by units at the head office and the local units networked with them. Unless otherwise noted, all statements made in the Risk Report specifically refer to the DB PFK subgroup. Subsidiaries of DB PFK are included in risk management in accordance with their materiality for the Group. Compliance with specific supervisory requirements relating to subsidiaries is always assured. Immaterial subsidiaries are monitored in the context of managing investment risk.

The Risk Management Framework

Responsibilities and risk strategy

The Group Management Board of DB PFK is responsible for the Bank's risk and capital profiles, its risk strategy, for establishing a proper risk management organization, and for managing and monitoring the risk associated with all transactions of DB PFK Group. It also ensures capital and liquidity adequacy for DB PFK Group.

The focuses of DB PFK's risk management system have not changed notably from the presentation given in the 2018 Group Management Report, according to which the methods, systems, and processes described (including the "new product process"), and the reporting system building on those methods, systems, and processes, are subject to continuous review and improvement in order to meet market, business and regulatory requirements.

Overarching Risk Management

Internal capital adequacy – economic and normative perspectives

DB PFK is exempt in principle from adhering to internal capital adequacy requirements based on the waiver granted. The Bank nonetheless calculates its internal capital adequacy requirement for internal management purposes at Group level, applying both economic and normative perspectives. Under the economic perspective, risk potential is calculated using a confidence level of 99.9 %; the regulatory capital requirement reflects the calculation of risk potential. The Tier 1 capital calculated for internal monitoring and control purposes under the economic perspective is taken as the risk cover amount in line with the CRR. Under the normative perspective, risk potential is computed using internally defined thresholds. The calculation of these internal thresholds is aligned with the minimum requirements of the CRR, the capital buffer requirements of CRD IV, additional potential capital expectations of supervisory authorities, and management buffers.

The methods and processes for calculating internal capital adequacy under both the economic and normative perspectives as well as the Group's risk reporting in this context are described in detail in the 2018 Group Management Report. No significant changes were made to those methods and processes in the reporting period.

Calculation and management of the risk cover amount (risk capital under the normative perspective)

Based on the assumptions stated in the 2018 Annual Report, a Tier 1 capital ratio of 11.9 % was calculated for the DB PFK subgroup's internal control system (previous period: 12.6 %) in line with the provisions of the CRR. The decrease in the Tier 1 ratio in the reporting period was expected and resulted from an increase in risk-weighted assets (RWAs). In addition to business growth, the higher level of RWAs was due to specific regulatory factors, especially the ECB's targeted review of internal models (TRIM).

The tables below show the composition of Tier 1 capital by risk type.

Tier 1 capital ratio as of June 30, 2019

in €m	Jun 30, 2019	Risk-weighted assets (%)
Credit and counterparty risk (including CVAs)	56,425	85.1
Market risk positions	71	0.1
Operational risk	9,827	14.8
Total risk-weighted assets	**66,323**	**100.0**
Common Equity Tier 1 capital (CET1)	7,864	11.9
Additional Tier 1 capital (AT1)	–	–
Tier 1 capital	**7,864**	**11.9**

Tier 1 capital ratio as of December 31, 2018

in €m	Dec 31, 2018	Risk-weighted assets (%)
Credit and counterparty risk (including CVAs)	52,872	84.9
Market risk positions	89	0.1
Operational risk	9,297	14.9
Total risk-weighted assets	62,258	100.0
Common Equity Tier 1 capital (CET1)	7,826	12.6
Additional Tier 1 capital (AT1)	–	–
Kernkapital (Tier 1)	7,826	12.6

Economic perspective: risk capital and risk limitation

Risk capital allocation is reviewed and, if necessary, adjusted at least once per quarter by the Group Management Board and/or the PFK Risk Committee. Responsibility for further breaking down the risk capital allocated to the specific risk types and for adjusting individual limits where necessary lies with the risk committees.

The allocation of DB PFK's risk cover amount by risk type, after factoring in correlation effects, was as follows as of the reporting date:

Overall risk position – economic capital adequacy (ECA) as of June 30, 2019

in €m			Jun 30, 2019
Risk category	Utilization	Risk capital	ECA ratio
Credit risk	2,401	3,000	80 %
Market risk	1,908	3,800	50 %
Operational risk	940	1,200	78 %
Business risk	0	500	0 %
Subtotal	5,249	8,500	62 %
Diversification effect	665	1,184	
Total	4,584	7,316	63 %
Available risk cover	3,280		
Risk cover amount	**7,864**		
EC adequacy ratio	**172 %**		

Overall risk position – economic capital adequacy (ECA) as of December 31, 2018

in €m			Dec 31, 2018
Risk category	Utilization	Risk capital	ECA ratio
Credit risk	2,379	3,000	79 %
Market risk	1,747	3,000	58 %
Operational risk	1,054	1,200	88 %
Business risk	0	500	0 %
Subtotal	5,180	7,700	67 %
Diversification effect	654	1,097	
Total	4,526	6,603	69 %
Available risk cover	2,077		
Risk cover amount	7,826		
EC adequacy ratio	173 %		

The economic capital (EC) adequacy ratio measures internal capital adequacy and is expressed as the ratio of allocated risk capital to the risk cover amount after diversification. The EC adequacy ratio was 172 % as of the reporting date (previous period: 173 %).

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

As of the reporting date, utilization of the risk capital allocated to market risk was 50 % (previous period: 58 %), utilization of the risk capital allocated to credit risk was 80 % (previous period: 79 %), and utilization of the risk capital allocated to operational risk was 78 % (previous period: 88 %).

These VaR limits are also monitored each quarter.

Normative perspective: risk capital and risk limitation

DB PFK is exempt from calculating and reporting its own funds requirements based on the capital waiver granted. The Bank nonetheless utilizes the IRB approaches applied by Deutsche Bank AG for internal control purposes, i.e., in addition to the IRB approach used for the Postbank brand's retail business, the Advanced IRB approach (A-IRBA) is applied to all Deutsche Bank brand portfolios and to the following Postbank brand portfolios: retail banking – overdraft facilities, corporates, banks, and commercial real estate finance. DB PFK calculates its regulatory capital requirement for operational risk using the standardized approach (SA).

Risk concentrations and stress tests

Concentrations of credit risk, liquidity risk, market risk, and business risk are identified and monitored using sensitivity analyses and stress tests, among other methods, and are limited using risk factor or gap limits (e.g., in the areas of interest rate risk and credit spread risk). Measured on the basis of the economic capital allocated to credit risk, a single-name risk concentration is discernible at present, particularly with respect to sovereign exposures.

The Bank's financial and non-financial integration with Deutsche Bank AG is of particular significance when it comes to managing concentrations of risk.

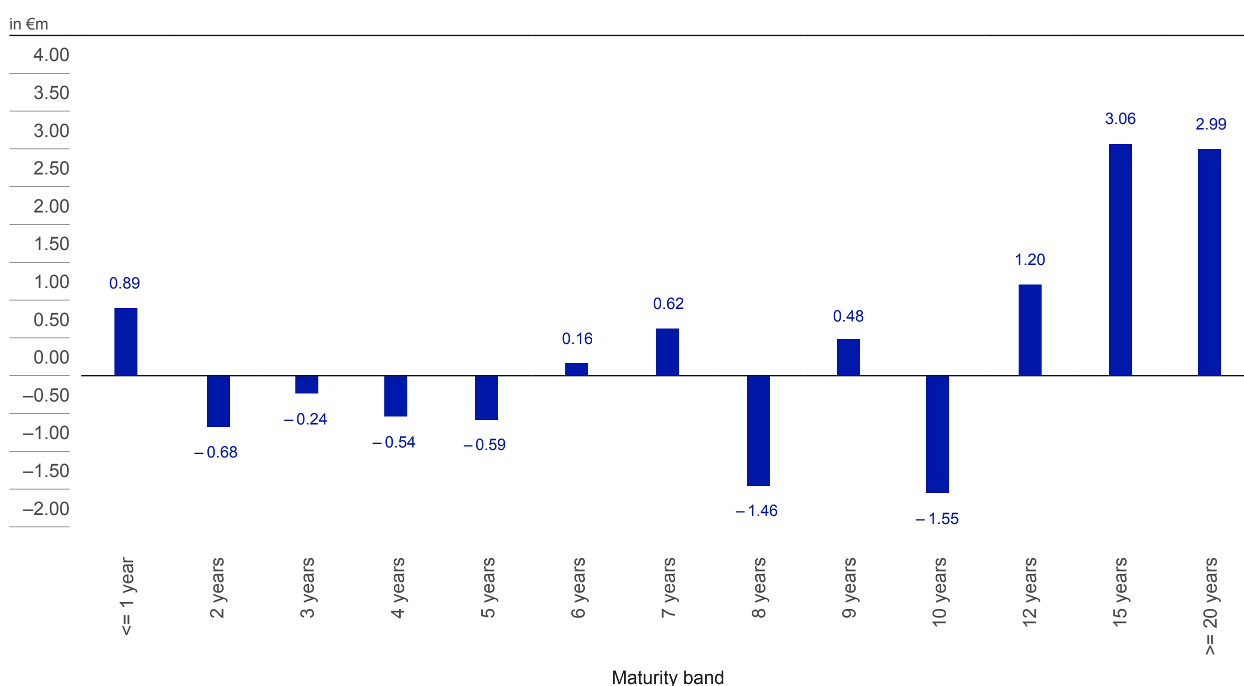
Monitoring and Managing Market Risk

Market risk is managed using a system of risk limits/thresholds. Along with limiting economic capital at Group level, DB PFK manages market risk by means of VaR limits and present value-based loss limits for subportfolios. The Bank also performs stress testing and uses additional indicators such as sensitivity parameters and maturity structures in operational risk management.

For a more detailed description of the methods and processes in place for monitoring and managing market risk, please refer to the 2018 Group Management Report as no significant changes have occurred since the end of the year.

As of the reporting date, the VaR for market risk (confidence level of 99 %, holding period of 10 days) totaled €39 million for all positions in which risk is actively taken (previous period: €48 million). The chart below offers a profile of all of DB PFK's interest rate exposures as of the reporting date in the form of a basis point value (bpv) presentation. Positive interest rate exposures are shown as negative figures and negative interest rate exposures as positive figures.

Interest rate exposures (bpv) of DB Privat- und Firmenkundenbank as of June 30, 2019



The chart shows that positive interest rate exposures predominate in the 2-year to 5-year and 8-year to 10-year maturity bands, whereas negative exposures are in the majority in the other maturity bands. As of the reporting date, the total bpv of those positions was €4.34 million (previous period: €3.75 million).

Interest rate exposure pertaining to defined benefit pension plans and other pension commitments was €6.2 million as of the reporting date (previous period: €4.2 million), and exposure relating to FVOCI positions was €–0.4 million (previous period: €–0.7 million).

CS01 is used as a sensitivity parameter for calculating the impact of credit spreads on the fair value of an asset. As of the reporting date, CS01 exposure for long positions in the banking book was €–9.2 million (previous period: €–9.3 million), €–3.1 million of which related to defined benefit pension plans (previous period: €–2.7 million) and €–3.4 million of which related to FVOCI positions (previous period: €–2.6 million).

Monitoring and Managing Credit Risk

DB PFK uses a target portfolio as a reference for the overall composition of its credit portfolio, which focuses on retail banking customers and corporate clients (including commercial real estate finance), banks, and sovereigns (central and regional governments and local authorities) in addition to the related concentrations of risk. The target portfolio was put together with a view to ensuring a balanced risk/return profile. Each quarter, the current portfolio of exposures is compared with the target portfolio. Individual profitability analyses of the Bank's total lending portfolio are also performed using the ratio of the risk-adjusted net margin to the regulatory capital tied up, especially when extending credit in the large-volume corporate banking business or as otherwise needed. When defining the target portfolio, the retail portfolio is not generally subject to proportionate limits due to the high degree of risk diversification in the retail banking business; instead, retail banking business is managed using the margin ambition less the expected risk. Counterparty credit risk is managed and monitored – and hence the Bank's credit risk strategy implemented – on the basis of individual risks on the one hand and the entire portfolio on the other.

For information on managing and monitoring credit risk, please refer to the relevant section of the 2018 Group Management Report as these processes were largely unchanged in the reporting period.

Economic capital (EC) and the expected loss (EL) are the primary ratios used to describe credit risk at DB PFK. The Bank defines EC as the potential negative change in the present value of the total loan portfolio resulting from actual or potential credit losses and ratings changes that will not be exceeded within one year with a probability of 99.90%. EL represents the expected losses arising from credit risk in the Group portfolio over a one-year period. It is equivalent to the product of the probability of default (PD), the exposure at default (EAD), and the loss given default (LGD), and depends on the counterparty/ transaction rating and the term of the transaction.

The following table shows the economic exposure, the expected loss, and the economic capital as of the reporting date and as of year-end 2018:

Overview of the economic exposure, expected loss, and economic capital[1]

Credit risk in €m	Jun 30, 2019	Dec 31, 2018
Economic exposure	252,307	216,039
Expected loss	613	584
Economic capital[1]	2,401	2,379

[1] The underlying confidence level is 99.90% (December 31, 2018: 99.90%).

The increase in the expected loss and economic capital compared with year-end 2018 was mainly due to increased lending to retail banking customers and corporates. A minor portion of the increase was caused by decreases in credit scores among retail banking customers.

Asset quality

Asset quality refers to the quality of debt instruments subject to impairment, which under IFRS 9 consist of debt instruments measured at amortized cost (AC), financial instruments at fair value through other comprehensive income (FVOCI), and off-balance sheet assets.

Financial instruments measured at amortized cost include cash and central bank balances, interbank balances, loans, and other assets, the majority of which consist of fixed-rate securities under the hold-to-collect model. The line item "Financial assets at fair value through other comprehensive income" exclusively comprises fixed-rate, hold-to-collect-and-sell securities. The off-balance sheet exposures contain financial guarantees as well as loan commitments that are subject to impairment.

The tables below show the carrying amounts of financial assets as of the respective reporting dates – before calculating loan loss allowances or recognizing impairment losses – broken down into the IFRS 9 loss allowance categories.

Overview of financial assets subject to impairment as of June 30, 2019

										Jun 30, 2019
	Gross carrying amount					Loan loss allowance				
in €m	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and central bank balances	23,214	0	0	0	**23,214**	0	0	0	0	**0**
Interbank balances (excluding central banks)	46,155	0	0	0	**46,155**	2	0	0	0	**2**
Central bank funds sold, securities purchased under resale agreements	400	0	0	0	**400**	0	0	0	0	**0**
Loans	176,944	13,528	2,652	0	**193,124**	252	284	930	0	**1,467**
Banks	39	2	0	0	40	0	0	0	0	0
Payable on demand	2,806	672	386	0	3,864	8	22	208	0	238
Term deposits	1,164	0	0	0	1,165	0	0	0	0	0
Consumer mortgage lending	130,760	10,245	1,347	0	142,352	62	131	223	0	416
Commercial loans	25,933	1,423	251	0	27,607	9	11	103	0	123
Public-sector loans	2,423	0	5	0	2,428	0	0	3	0	3
Installment loans	12,206	1,164	663	0	14,033	173	120	394	0	687
Promissory note loans	1,595	23	0	0	1,618	1	0	0	0	1
Other loans	18	0	0	0	18	0	0	0	0	0
Other assets at amortized cost	5,814	0	0	0	**5,814**	1	0	0	0	**1**
Total financial assets at amortized cost	252,527	13,528	2,652	0	**268,708**	256	284	930	0	**1,470**
Financial assets at fair value through other comprehensive income	6,482	0	0	0	**6,482**	1	0	0	0	**1**
Off-balance sheet financial assets	31,067	1,076	115	0	**32,258**	10	9	17	0	**35**
Total	290,076	14,604	2,767	0	**307,447**	267	293	947	0	**1,507**

Overview of financial assets subject to impairment as of December 31, 2018

										Dec 31, 2018
	Gross carrying amount					Loan loss allowance				
in €m	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and central bank balances	20,130	0	0	0	20,130	0	0	0	0	0
Interbank balances (excluding central banks)	42,731	0	0	0	42,731	2	0	0	0	2
Central bank funds sold, securities purchased under resale agreements	298	0	0	0	298	0	0	0	0	0
Loans	176,754	11,959	2,626	0	191,338	236	271	1,084	0	1,591
Banks	11	6	0	0	17	0	0	0	0	0
Payable on demand	3,276	623	248	0	4,147	6	20	189	0	216
Term deposits	1,708	0	0	0	1,708	0	0	0	0	0
Consumer mortgage lending	129,270	8,811	1,341	0	139,422	58	124	239	0	421
Commercial loans	24,981	1,492	260	0	26,733	8	13	127	0	149
Public-sector loans	4,306	0	5	0	4,311	0	0	3	0	3
Installment loans	11,746	1,012	760	0	13,518	162	113	520	0	795
Promissory note loans	1,438	14	11	0	1,463	1	0	5	0	6
Other loans	18	0	0	0	18	0	0	0	0	0
Other assets at amortized cost[1]	6,224	0	0	0	6,224	2	0	0	0	2
Total financial assets at amortized cost	246,136	11,959	2,626	0	260,721	239	271	1,084	0	1,594
Financial assets at fair value through other comprehensive income	8,799	0	0	0	8,799	1	0	0	0	1
Off-balance sheet financial assets	30,739	991	57	0	31,787	9	9	15	0	32
Total	285,674	12,950	2,683	0	301,307	249	280	1,098	0	1,627

[1] Line item adjusted

A comparison of the two reporting dates reveals a total increase of €6.1 billion in financial assets subject to impairment. The increase is the result of a rise of €8.0 billion in assets recognized at amortized cost. Of that figure, €3.4 billion represents an increase in interbank balances and €3.1 billion an increase in central bank balances. Another €1.8 billion relates to loans. The increase offsets a decrease of €2.3 billion in fixed-rate securities, which are measured at fair value through other comprehensive income (FVOCI). Off-balance sheet assets increased by €0.5 billion.

The growth of €1.8 billion in loans is primarily due to an increase of €2.9 billion in consumer mortgage loans, an increase of €0.9 billion in commercial loans, and an increase of €0.5 billion in consumer installment loans. The increase in loans was partially offset by a decrease of €1.9 billion in public-sector loans. The provision for credit losses decreased by €124 million in the same period due to the sale of a portfolio of credit-impaired installment loans and overdraft facilities.

Monitoring and Managing Operational Risk

Since the third quarter of 2018, the economic capital set aside for operational risk has been determined using the dbLORE (db Local OR Engine) OpRisk capital model for both the Bank as a whole and the individual business units. The calculation is based on internal and external loss events in particular. The information on external loss events is obtained from the Operational Riskdata eXchange Association (ORX). The main function of dBLORE is to model the distribution of the total net loss that DB PFK could incur for the year. The distribution is calculated using a Monte Carlo simulation and depicts the operational value-at-risk (OpVaR) at a confidence level of 99.9 %.

The VaR limit for operational risk at overall bank level was €1,200 million as of the reporting date, as in the previous period. In the event of limit overruns, the limit for operational risk is raised at the expense of other risk types or of the unallocated risk cover amount. The Postbank and Deutsche Bank brands have each been allocated specific risk capital amounts. Utilization of the amounts allocated is monitored each quarter to avoid limit breaches.

For a more detailed description of the methods and processes in place for monitoring and managing operational risk and for monitoring and managing business and reputational risk, please refer to the 2018 Group Management Report as no significant changes have occurred since the end of the year.

DB PFK recognized net operational risk losses of approximately €21.5 million in the reporting period (previous period: €14.8 million). Loss trends for both brands were driven primarily by the still-high number of legal actions and complaints brought by customers in connection with purchases of closed-end funds in comparison with the long-term average. Losses arising from cases of external fraud decreased to approximately €28.3 million in the reporting period (previous period: €31.9 million) before accounting for reversals of provisions from previous years. The figure for the period under review includes losses from two major cases of fraud in the commercial clients business. Losses from ATM bombings declined significantly on the prior-year amount.

Monitoring and Managing Liquidity Risk

ILAAP architecture and risk governance

Liquidity risk is monitored and managed centrally in the CRO board department. The primary task of liquidity risk management is to ensure that DB PFK is solvent at all times, including in specific stress situations, and to guarantee a stable funding structure. To achieve this, DB PFK has defined – within its overarching risk strategy – how liquidity risk should be handled at both the level of the AG and the Group as well as for the Group’s two brands, Postbank and Deutsche Bank.

At Group level, DB PFK had a net liquidity of €18.2 billion as of the reporting date (previous period: €13.5 billion for PFK Group excluding DB Bauspar) and a Group LCR ratio of 239 % (previous period: 201 % for PFK Group excluding DB Bauspar). Net liquidity refers to the minimum liquidity buffer within the two-month survival period in a stress scenario.

For a more detailed description of the methods and processes in place for monitoring and managing short-term liquidity risk, stress testing, and structural liquidity risk (funding risk), please refer to the 2018 Group Management Report as no significant changes have occurred since the end of the year.

Liquidity and funding planning

As a part of DB PFK's Group-wide integrated planning process, liquidity planning involves identifying all projected liquidity needs and surpluses over a specific planning horizon. The projections are based on the Bank's business planning, which takes into account both the Group-wide funding strategy of Deutsche Bank Group and the capital planning established on that basis. A variety of liquidity perspectives can be used to identify liquidity needs or surpluses. These include the cash balance and/or net/surplus liquidity on the one hand and the LCR buffer or the available stable funding (ASF) surplus on the other.

The liquidity and funding plan takes a mix of liquidity sources into account as determined by the funding strategy. The planning process therefore includes analyzing and assessing DB PFK's funding potential in view of all economic and regulatory targets and in compliance with the risk strategy established.

Outlook

Consolidated results of operations

Our assessment of DB PFK's expected course of business for the second half of 2019 is presented in the following. Diverging developments in the environment, the materialization of the risks described above, or unforeseen events such as legal decisions or unexpected stricter regulation of the banking industry could have a significant impact on the financial position, net assets, and results of operations that are not taken into account in this outlook.

The business with retail banking customers and commercial and corporate clients remains the foundation of our future earnings performance. Our focus is on continuing pressures from the low interest rate environment, stabilizing long-term income components, strong growth in non-interest-related product fields, leveraging additional income potential from new products, and further reducing our cost base, despite continued investments in integration and digitization.

For the second half of 2019, we expect this differentiated package of measures to produce a slight improvement in net income before tax for DB PFK compared with the reporting period.

Total income will increase slightly compared with the first six months of 2019, with the contribution by the client business continuing its positive growth trajectory. We expect that the further decline in earnings from deposit products in light of the continued low interest rate environment will be more than offset in particular by continued growth in our credit products.

We are anticipating a substantial rise in the loan loss allowance compared with the first half of 2019. This is due primarily to the continued strong growth in our credit portfolio and to the non-recurring effect of the realization of a loan portfolio in the first six months of the year.

We are expecting a slight decline in administrative expenses compared with the first half of 2019. Additional cost savings will be achieved in the second half of 2019 and beyond through both synergies from the integration and the implementation of planned efficiency measures.

We expect a further slight reduction in the CIR in the second half of the year.

The RoTE should be slightly lower in the second half of 2019 than in the first half of the year.

In terms of the key performance indicators used for internal management purposes, we are expecting a significant increase in RWAs and the leverage exposure in the second half of 2019 in the wake of the planned growth in our core business areas. We expect the strongest growth in volume during the second half of the year in consumer mortgage lending and corporate customer loans in particular, and this will have a direct effect on the recognized leverage ratio exposure and an indirect effect on the expected RWAs. In addition, the expected implementation of regulatory add-ons (e.g., from TRIM) in the second half of 2019 will weigh on RWAs. Internally defined CET1 is expected to increase slightly as a consequence of the planned earnings retention, with the result that a moderate decline in the CET1 ratio, but a slight increase in the leverage ratio, are expected for internal management purposes.

Deutsche Bank brand

For the second half of 2019, we expect the business of our Deutsche Bank brand to generate a considerable increase in net income before tax. This growth will be driven primarily by lower administrative expenses in the second half of the year.

We expect total income to keep pace with the level of the prior period, in particular in light of the pressures from the low interest rate environment, although these will be offset by the acquisition of new client volumes and continued lending growth.

The loan loss allowance in the first half of 2019 was marked by the adjustment to client credit scores. We are expecting further risk discipline in the second half of 2019.

We are anticipating a decline in administrative expenses compared with the first half of the year. This expectation is based on additional integration synergies and continued cost-cutting measures.

Postbank brand

Assuming that the positive trends in the lending business and the cost base continue, we expect the Postbank brand to record net income before tax at the prior-year level in the second half of 2019, in particular because of the continuing pressures from the low interest rate environment and an increase in the loan loss allowance.

In the second half of 2019, we expect to see total income from the customer products of this brand at the level of the reporting period. Our assessment is based on continued growth in the lending volume and stronger commission business, including from securities brokerage, which can offset the negative impact of the persistently low level of interest rates on the home savings and deposit business.

We expect the loan loss allowance to increase considerably compared with the reporting period. This is due to a non-recurring special factor in the first half of the year from the sale of a non-performing loan.

Administrative expenses will most likely remain unchanged by and large in the second half of 2019 compared with their levels in the reporting period.

Other

For the second half of 2019, we are anticipating higher net income before tax in the “Other” segment as a result of growing total income and a largely unchanged cost base.

The total income trend for this segment will be dominated mainly by measurement effects from asset-liability management and Financial Markets. As these dominating effects are very volatile and dependent on changes in market inputs, the forecast for this item is particularly uncertain.

We expect non-interest expenses to remain at the level of the prior period. Investments to integrate processes, organizations, and platforms at our two brands will be offset by cost savings due to efficiency measures.

Risks and opportunities

Risks and opportunities that we view as probable are considered in our Outlook. The following section focuses on these future trends and events that could represent risks or opportunities vis-à-vis the expectations expressed in the Outlook.

Risks

Regulatory reforms and supervisory reviews

The regulatory reforms enacted or proposed in response to shortcomings in the financial sector and heightened regulatory scrutiny and discretion will be associated with both the additional regulatory requirements formulated with the granting of the subsidiary waiver and material costs for our business. This could create significant uncertainty for us and adversely affect our business plans and the execution of our strategy. Those changes that require us to maintain increased capital may significantly affect our business model, financial position, and results of operations, as well as the competitive environment in general. Other regulatory reforms may also materially increase our forecasted operating costs. Regulatory reforms that address resolvability or resolution measures may also impact our shareholders and creditors.

Furthermore, implementing enhanced controls may result in higher regulatory compliance costs that could offset or exceed efficiency gains. Regulators may disagree with our interpretation of specific regulatory requirements and/or the conditions of the subsidiary waiver when interpretative matters are discussed as part of our ongoing dialog with regulatory authorities or as part of supervisory inspections. Changes in rule interpretations can have a material impact on regulatory capital determined for internal management purposes as well as a negative impact on our leverage and liquidity ratios.

Legal proceedings and fiscal reviews

We are currently facing a number of legal disputes and are subject to regular tax audits whose outcome is difficult to estimate and which may affect our planned results of operations, financial position, and reputation. If these matters are resolved on terms that are more adverse to us than we expect – whether with regard to their costs or impact on our businesses – or if the perception of our business or prospects should worsen, we may not be able to achieve our strategic objectives or may be required to change them.

Risk management policies, procedures and methods as well as operational risks

DB PFK AG has geared its risk management activities toward early recognition and mitigation of material risks. Here we have employed resources in the context of our integration initiatives to further improve the adequacy of our risk management policies, procedures and methods for market, credit, liquidity and operational risks. Nevertheless these measures may not be sufficient to allow us to forecast and/or recognize every conceivable risk situation in every market environment.

Digitization

Digitization, new technologies, and altered customer expectations have had and continue to have a growing impact on the traditional banking business. These factors also pose new challenges to DB PFK AG and its subsidiaries. In response, we will continue to pursue the digital transformation of our business to make it more digital and efficient and further improve the customer experience.

Competition

In a fragmented market with margins that are already low, retail banks in Germany face both tough competition for profitable business as well as palpable consolidation pressures. New market competitors such as FinTechs, digital banks, and foreign banks mean even tougher competition alongside the corresponding income risks and resultant investment pressure in our domestic market. To ensure our capacity for an immediate response at any time to the latest market changes, we will not only have to conduct continual analyses of the market and the competition but also continually prospect for new partners and cooperative relationships to improve our own market position.

Execution of strategy

Our Outlook is based on the assumption that the effective implementation of the Deutsche Bank and Postbank integration initiatives will make substantial contributions to our business. The initiative-associated implementation risks must be continually monitored and assessed so that suitable countermeasures may be devised against any unfavorable developments that may arise. To ensure that these risks do not materialize, a dedicated project team with experts from both brands works systematically on the implementation of requirements.

Opportunities

Digitization

DB PFK AG finds itself in a good starting position as the digital market leader in Germany, and will continue to exploit this position by setting standards for digital offers, transforming its core business and in the process opening up additional market positions. In addition, some 20 million customers will be offered new services and have their everyday banking activities made simpler.

The transformation of our core business will allow us to achieve great potential for synergies through the shared use of existing digital solutions. Moreover, shared end-to-end digitization of all core products will allow for faster and more efficient implementation.

Competition

Thanks to our high number of customers, DB PFK will have a dynamic impact on the shape of the German banking market. Income synergies in sales will be generated not only from new customer relations but also from greater penetration of existing customers and from pricing measures for retail banking customers and commercial clients coordinated between the two brands. Specific measures include, for example, the mutual provision of existing and complementary products and advisory offers of both brands. In the commercial clients business these products and offers include commercial real estate financing, factoring, corporate finance and capital market solutions that can now be offered reciprocally and thus to a larger range of clients.

Execution of strategy

The successful implementation of our strategy and the integration will open up diverse opportunities for DB PFK. These include financial opportunities arising from synergy effects and increased profitability, opportunities for improved and more focused contact with customers, and joint digital development of both brands. For customers, it will mean the opportunity to benefit from the expertise of both brands simultaneously.

Condensed Consolidated Financial Statements in Accordance with International Financial Reporting Standards as of June 30, 2019

Consolidated Statement of Income

			Jan–Jun
in €m	Note	2019	2018
Interest and similar income[1]		2,442	2,647
Interest expense		−570	−566
Net interest income	4	**1,872**	2,081
Loan loss allowance	15	−97	−72
Net interest income after loan loss allowance		**1,775**	2,009
Net commissions and fee income	5	909	910
Net gains (losses) on financial assets/liabilities at fair value through profit or loss	4	12	−41
Net gains (losses) on financial assets at fair value through other comprehensive income	4	70	79
Other income (loss)	6	159	198
Total non-interest income		**1,150**	1,146
Compensation and benefits	7	−1,161	−1,170
General and administrative expenses	8	−1,241	−1,329
Total non-interest expenses		**−2,402**	−2,499
Net income (loss), before tax		**523**	656
Income tax expense (–)/benefit		−38	−68
Consolidated net income (loss) after tax		**485**	588

[1] Interest and similar income included €2.4 billion (previous year: €2.6 billion) calculated using the effective interest rate method.

Earnings per share were € 1.76 as of June 30, 2019 (June 30, 2018: € 2.14).

Earnings per share are calculated by dividing consolidated net income (loss) by the weighted average number of shares outstanding during the reporting period. The average number of shares outstanding in the reporting period was 275,000,000 as in the prior-year period.

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

Consolidated Statement of Comprehensive Income

in €m	Jan–Jun 2019	Jan–Jun 2018
Net income (loss) recognized in the income statement	**485**	588
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement gains (losses) related to defined benefit plans, before tax	−134	−104
Income tax related to items that will not be reclassified to profit or loss	−2	4
Items that are or may be reclassified to profit or loss		
Financial assets at fair value through other comprehensive income		
Unrealized net gains (losses) for the period, before tax	55	−53
Net (gains) losses for the period reclassified to profit or loss, before tax	−69	−79
Income tax related to items that are or may be reclassified to profit or loss	–	–
Other comprehensive income (loss), net of tax	**−150**	−232
Total comprehensive income (loss), net of tax	**335**	356

Consolidated Balance Sheet

Assets

in €m	Note	Jun 30, 2019	Dec 31, 2018
Cash and central bank balances	9	23,214	20,130
Interbank balances (excluding central banks)	9	46,156	42,731
Central bank funds sold and securities purchased under resale agreements (reverse repos)		400	298
Financial assets at fair value through profit or loss	10	6,783	5,005
Financial assets at fair value through other comprehensive income	11	6,482	8,799
Loans at amortized cost	14, 15	191,658	189,748
Property and equipment	16	1,445	813
Intangible assets	17	305	294
Other assets	18	7,983	7,967
Non-current assets held for sale	24	35	–
Current tax assets		21	12
Deferred tax assets		304	319
Total assets		**284,786**	276,116

Liabilities and equity

in €m	Note	Jun 30, 2019	Dec 31, 2018
Deposits	19	236,982	225,985
Central bank funds purchased and securities sold under resale agreements (repos)		–	1,135
Financial liabilities at fair value through profit or loss	10	5,622	3,689
Other liabilities	18	5,240	6,639
Provisions	20	502	615
Current tax liabilities		42	35
Deferred tax liabilities		13	9
Non-current liabilities	21	28,272	29,953
Total liabilities		**276,673**	268,060
Issued capital		550	550
Additional paid-in capital		7,926	7,923
Retained earnings		−403	−471
Accumulated other comprehensive income (loss), net of tax		40	54
Total equity		**8,113**	8,056
Total liabilities and equity		**284,786**	276,116

Consolidated Statement of Changes in Equity

in €m	Common shares (no par value)	Additional paid-in capital	Retained earnings	Unrealized gains (losses) on financial assets at fair value through other comprehensive income, net of tax and other adjustments	Total equity
Balance as of January 1, 2018	550	4,856	854	277	**6,537**
Consolidated net income (loss) after tax	–	–	588	−132	456
Remeasurement gains (losses) related to defined benefit plans, net of tax	–	–	−100	–	−100
Net change in share awards in the reporting period	–	12	–	–	12
Other	–	–	−114	–	−114
Balance as of June 30, 2018	550	4,868	1,228	145	**6,791**
Balance as of December 31, 2018	550	7,923	−471	54	**8,056**
Consolidated net income (loss) after tax	–	–	485	−14	471
Remeasurement gains (losses) related to defined benefit plans, net of tax	–	–	−136	–	−136
Net change in share awards in the reporting period	–	3	–	–	3
Other	–	–	−281	–	−281
Balance as of June 30, 2019	550	7,926	−403	40	**8,113**

Condensed Consolidated Statement of Cash Flows

		Jan–Jun
in €m	2019	2018
Net income (loss) after tax	**485**	588
Cash flows from operating activities:		
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Loan loss allowance	97	72
Restructuring activities	–30	–25
Gain on sale of financial assets at fair value through other comprehensive income, equity method investments and other	–70	–237
Deferred income taxes, net	17	43
Impairment, depreciation and other amortization, and accretion	151	150
Income (loss), net of tax, adjusted for non-cash charges, credits and other items	**650**	591
Adjustments for net change in operating assets and liabilities:		
Interest-earning time deposits with central banks and banks	2,999	–1,116
Central bank funds sold, securities purchased under resale agreements, securities borrowed	–102	–417
Non-trading financial assets at fair value through profit or loss	–18	–546
Financial assets designated as at fair value through profit or loss	–	588
Loans at amortized cost	–1,920	–1,350
Other assets	–517	–1,365
Deposits	11,002	4,030
Central bank funds purchased, securities sold under resale agreements and securities loaned	–1,135	–1,622
Other short-term borrowings	0	46
Other liabilities	–145	–142
Senior long-term debt	–1,662	–6,369
Trading assets and liabilities, positive and negative fair values from derivative financial instruments, net	30	–724
Other, net	–270	213
Net cash provided by (used in) operating activities	**8,912**	–8,183
Cash flows from investing activities:		
Proceeds from:		
Sale of financial assets at fair value through other comprehensive income	4,002	1,495
Maturities of financial assets at fair value through other comprehensive income	2,354	2,890
Sale of debt securities held to collect	5	2
Maturities of debt securities held to collect	470	519
Sale of property and equipment	5	270
Financial assets at fair value through other comprehensive income	–3,844	–304
Property and equipment	–80	–61
Other, net	–43	–46
Net cash provided by (used in) investing activities	**2,869**	4,765
Cash flows from financing activities:		
Repayments and extinguishments of subordinated long-term debt	–68	–486
Repayment of lease liabilities	–75	N/A
Profit transfer to the parent company	–2,131	–369
Other, net	–	–57
Net cash provided by (used in) financing activities	**–2,274**	–912
Net effect of exchange rate changes on cash and cash equivalents		
Net increase (decrease) in cash and cash equivalents	9,507	–4,330
Cash and cash equivalents at beginning of period	21,956	24,518
Cash and cash equivalents at end of period	**31,463**	20,188
Cash and central bank balances	23,214	13,929
Interbank balances (excluding central banks) (not included: term deposits of €38 million as of June 30, 2019, and €35 million as of June 30, 2018)	8,249	6,259
Total	**31,463**	20,188

Condensed Notes

1 – Basis of Preparation/Effects of Changes in Accounting Policies

Basis of preparation

The accompanying interim report contains the components of a half-yearly financial report within the meaning of section 115 of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act). As a publicly traded stock corporation, DB Privat- und Firmenkundenbank AG (DB PFK AG) has prepared its consolidated financial statements for the reporting period in accordance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU). The accompanying condensed consolidated financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting" and do not therefore include all of the information that would be contained in full-year consolidated financial statements.

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

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

The same accounting policies as applied to the consolidated financial statements as of December 31, 2018, were applied to the condensed interim financial statements as of June 30, 2019. The accounting pronouncements described in the "Accounting pronouncements applied for the first time" chapter are an exception. Reflecting the approach in the 2018 consolidated financial statements, the comparative prior-year period ending June 30, 2018, was adjusted for the acquisition in December 2018 of Deutsche Bank Bauspar-Aktiengesellschaft.

All assumptions, estimates, and assessments required for recognition and measurement in accordance with the IFRSs are in conformity with the respective standards, are regularly reassessed, and are based on past experience as well as other factors, including expectations as to future events that appear reasonable under the given circumstances. The assumptions and estimates refer primarily to the fair value measurement of certain financial instruments, including the assessment of whether an active or inactive market exists, the recognition and measurement of the loan loss allowance, of intangible assets and of provisions, and the ability to realize deferred taxes.

There were no significant events after the reporting date with a material effect on the Bank's net assets, financial position, and results of operations.

Accounting pronouncements applied for the first time

IFRS 16 "Leases"

DB PFK implemented the requirements of IFRS 16 "Leases" effective January 1, 2019. IFRS 16 governs the recognition, measurement, presentation, and disclosure obligations relating to leases, and replaces the former IAS 17 "Leases." IFRS 16 came into force for fiscal year 2019. The standard has been endorsed by the EU.

The new accounting model requires the lessee to recognize all assets and liabilities relating to leasing arrangements. Under this model, the lessee recognizes an asset representing its right to use the underlying leased asset. At the same time, the lessee recognizes a liability that represents its obligation to make the lease payments. This means that the distinction between financing and operating leases (previously the case with IAS 17) no longer applies at all to the lessee.

With regard to the lessor, the regulations of IFRS 16 do not differ significantly from those contained in the former IAS 17 accounting model.

In addition, IFRS 16 requires entities to provide more meaningful and more relevant notes disclosures for the users of financial statements.

DB PFK analyzed the impact on the first-time application of IFRS 16 in a joint Group-wide implementation program at Deutsche Bank. DB PFK's leases that lie within the scope of IFRS 16 relate to land and buildings, as well as company cars.

DB PFK exercises the option not to apply the new recognition requirements to short-term leases and to leases for which the underlying asset is of low value.

DB PFK has decided to apply the modified retrospective approach and not to adjust prior-year figures. Under the modified retrospective approach, DB PFK can decide for each lease whether (i) to measure the right-of-use asset at the same amount as the lease liability or (ii) to measure the right-of-use asset retrospectively, using the incremental borrowing rate at the date of initial application. When approach (ii) is applied, the resulting difference between the right-of-use asset and the lease liability is recognized as of the date of initial application as an adjustment to the opening balance of retained earnings in consolidated equity.

When IFRS 16 is initially applied to leases previously classified as operating leases, DB PFK has, for all leases, opted to measure the right-of-use asset in the amount of the lease liability in accordance with approach (i), using the incremental borrowing rate at the date of initial application. As a result, there is no effect on equity for DB PFK arising from the initial application of IFRS 16.

Lease liabilities were measured at the present value of the outstanding lease payments, discounted using the incremental borrowing rate as of January 1, 2019. The weighted average annual incremental borrowing rate was 1.44 %.

In addition, provisions previously recognized for onerous real estate leases were derecognized in other comprehensive income at the date of initial application, and the value of the right-of-use assets was reduced by the same amount, also in other comprehensive income.

Initial application of IFRS 16 led to the initial recognition of right-of-use assets from leases amounting to €724 million and lease liabilities of €736 million.

The following table presents the reconciliation to recognized lease liabilities under IFRS 16 as of January 1, 2019, based on the future minimum lease payments for operating leases under IAS 17 as of December 31, 2018.

in €m	
Operating lease obligations as of December 31, 2018	**946**
Changes due to new definition of leases	–347
Application relief for short-term leases	–7
Adjustments due to different assessments of extension or termination options	174
Other	15
Gross lease liabilities as of January 1, 2019	**781**
Discounting	–45
Total lease liabilities as of January 1, 2019	**736**

Other changes

The Bank also applied the following standards for the first time in the reporting period, which did not have any material effects on the Bank's net assets, financial position, and results of operations:

IAS 19 “Employee Benefits” – IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments to IAS 19 mean that it is mandatory for the current service cost and the net interest for the rest of the fiscal year to be remeasured if a plan is amended, curtailed, or settled. It also clarifies how a plan amendment, curtailment, or settlement affects the asset ceiling.

IAS 28 “Long-term Interests in Associates and Joint Ventures”

This amendment clarifies that entities apply IFRS 9 to the accounting for long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture, but to which the equity method is not applied.

IFRIC 23 “Uncertainty over Income Tax Treatments”

IFRIC 23 clarifies the accounting of uncertainty over income tax treatments. The interpretation applies to taxable profit (loss), tax bases, unused tax losses, unused tax credits, and tax rates if there is uncertainty about the treatment of income tax under IAS 12.

Annual Improvements 2015–2017

The IASB has implemented clarifications, amendments, and additions to existing standards as part of its Annual Improvements Project.

2 – Basis of Consolidation

In addition to the parent company DB Privat- und Firmenkundenbank AG, Frankfurt am Main, entered in the commercial register of the Local Court in Frankfurt am Main under the number 47141, the consolidated financial statements as of June 30, 2019, include 30 subsidiaries, which are presented in the following overview.

Consolidated companies

Name and domicile	Equity (%) interest direct	Equity (%) interest indirect
Ambidexter GmbH, Frankfurt am Main	100.0	
Betriebs-Center für Banken AG, Frankfurt am Main	100.0	
BHW Holding GmbH, Hameln	100.0	
BHW Kreditservice GmbH, Hameln	100.0	
DB VersicherungsManager GmbH, Frankfurt am Main	100.0	
DSL Portfolio GmbH & Co. KG, Bonn	100.0	
DSL Portfolio Verwaltungs GmbH, Bonn	100.0	
PB International S.A., Munsbach, Luxembourg	100.0	
PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Bonn	100.0	
PBC Banking Services GmbH, Frankfurt am Main	100.0	
Postbank Beteiligungen GmbH, Bonn	100.0	
Postbank Direkt GmbH, Bonn	100.0	
Postbank Filialvertrieb AG, Bonn	100.0	
Postbank Immobilien und Baumanagement GmbH, Bonn	100.0	
Postbank Leasing GmbH, Bonn	100.0	
Postbank Service GmbH, Essen	100.0	
Postbank Systems AG, Bonn	100.0	
BHW Bausparkasse Aktiengesellschaft, Hameln		100.0
BHW - Gesellschaft für Wohnungswirtschaft mbH, Hameln		100.0
DB Direkt GmbH, Frankfurt am Main		100.0
DB Investment Services GmbH, Frankfurt am Main		100.0
Deutsche Postbank Finance Center Objekt GmbH, Munsbach, Luxembourg		100.0
KEBA Gesellschaft für interne Services mbH, Frankfurt am Main		100.0
PB Factoring GmbH, Bonn		100.0
PB Firmenkunden AG, Bonn		100.0
PCC Services GmbH der Deutsche Bank, Essen		100.0
Postbank Immobilien GmbH, Hameln		100.0
Postbank Finanzberatung AG, Hameln	23.3	26.7
Postbank Immobilien und Baumanagement GmbH & Co. Objekt Leipzig KG, Bonn		90.0
VÖB-ZVD Processing GmbH, Bonn	100.0	

Eight subpools of assets and one securitization vehicle are included in the basis of consolidation in accordance with IFRS 10. All of the subpools of assets and securitization vehicles are structured entities in accordance with IFRS 12.

The shares of Postbank Immobilien und Baumanagement GmbH & Co. Objekt Leipzig KG that are not held by DB PFK are classified as minority interests in puttable financial instruments in accordance with IAS 32. These shares, which are therefore classified as debt instruments, are reported in Other liabilities.

Deutsche Bank Bauspar-Aktiengesellschaft, Frankfurt am Main, which was included in the basis of consolidation in the prior-year period, was retrospectively merged with BHW Bausparkasse Aktiengesellschaft, Hameln, effective January 1, 2019, on entry of the merger in the commercial register on May 17, 2019. The merger had no effect on the recognition and measurement of items in DB PFK’s consolidated financial statements.

There were no other changes in the basis of consolidation.

3 – Segment Information

Segment results of operations

The following tables show the year-to-date results of operations of the segments/divisions, including the reconciliation to the condensed IFRS consolidated financial statements, in each case for the first half of 2019 and 2018. All of the comparisons in the following disclosures on the segments refer to the retrospectively adjusted amounts for the first six months of 2018.

				Jan – Jun 2019
in €m	Deutsche Bank brand	Postbank brand	Other	Total Group
Net interest income	983	1,188	−299	**1,872**
Loan loss allowance	−42	−55	0	−97
Net interest income after loan loss allowance	941	1,133	−299	**1,775**
Net commissions and fee income	433	439	37	909
Net gains (losses) on financial assets/liabilities at fair value through profit or loss	9	–	3	12
Net gains (losses) on financial assets at fair value through other comprehensive income	–	–	70	70
Other income (loss)	21	−1	139	159
Total non-interest income	463	439	248	**1,150**
Compensation and benefits	−388	−336	−437	−1,161
General and administrative expenses	−744	−813	316	−1,241
Total non-interest expenses	−1,132	−1,149	−121	**−2,402**
Net income (loss) before tax	272	423	−172	**523**

				Jan – Jun 2018
in €m	Deutsche Bank brand	Postbank brand	Other	Total Group
Net interest income	923	1,199	−41	2,081
Loan loss allowance	3	−76	1	−72
Net interest income after loan loss allowance	926	1,123	−40	2,009
Net commissions and fee income	426	442	42	910
Net gains (losses) on financial assets/liabilities at fair value through profit or loss	7	–	−48	−41
Net gains (losses) on financial assets at fair value through other comprehensive income	–	–	79	79
Other income (loss)	21	1	176	198
Total non-interest income	454	443	249	1,146
Compensation and benefits	−404	−342	−424	−1,170
General and administrative expenses	−715	−883	269	−1,329
Total non-interest expenses	−1,119	−1,225	−155	−2,499
Net income (loss) before tax	261	341	54	656

In addition to the retrospective adjustments of the amounts relating to the acquisition of Deutsche Bank Bauspar-Aktiengesellschaft disclosed in Note 1, there was another adjustment to the segment reporting in the reporting period. The allocation of earnings contributions to the segments was adjusted as described in the following.

The infrastructure functions of the Postbank brand segment were separated from the sales units and presented in the Other segment as part of their integration with the Deutsche Bank brand's infrastructure functions. In the next step, the infrastructure costs were allocated to the Deutsche Bank and Postbank brands on the basis of origination of those costs. In addition, income from Financial Markets at the Postbank brand, income from asset-liability management/treasury at the Deutsche Bank brand, and the other income of the two brands that could not be allocated to the products (retail banking customers and commercial clients) was allocated to the Other segment.

Net income before tax generated by our Deutsche Bank brand was €272 million in the first six months of 2019, following €261 million in the prior-year period. This corresponds to a slight 4 % increase in earnings, which was achieved in a persistently challenging market environment, due in particular to the continued low level of interest rates.

Net income before tax from business at our Postbank brand was €423 million in the first six months of 2019, following €341 million in the prior-year period. The main drivers of this significant improvement in earnings were primarily lower non-interest expenses as a consequence of our strict cost management and the reversal of various provisions. The sale of a loan portfolio also had a positive effect in the reporting period.

The “Other” segment recorded a loss before tax of €172 million in the first six months of 2019, following a profit of €54 million in the prior-year period. This was attributable to a number of offsetting non-recurring factors. The first of these was lower earnings from Financial Markets (€70 million) in the reporting period. In addition, positive effects from the prior-year period, in particular income from the optimization of our real estate portfolio (€156 million), were not repeated in the reporting period. Offsetting factors included the sale of debt securities in the reporting period (€62 million) and the lower aggregate investment costs and restructuring expenses incurred due to the integration of Postbank and Deutsche Bank.

Consolidated Statement of Income Disclosures

4 – Net Interest Income and Net Gains (Losses) on Financial Assets/Liabilities at Fair Value through Profit or Loss

Net interest income

		Jan–Jun
in €m	2019	2018
Interest and similar income from:		
Interest income from cash and central bank balances	0	0
Interbank balances (excluding central banks)	20	17
Central bank funds sold and securities purchased under resale agreements (reverse repos)	1	1
Loans	2,354	2,519
Other interest income	29	37
Total interest and similar income from financial assets at amortized cost	**2,404**	2,574
Interest income on financial assets at fair value through other comprehensive income	34	69
Total interest and similar income from financial assets not measured at fair value through profit or loss[1]	**2,438**	2,643
Interest and similar income from financial assets measured at fair value through profit or loss	4	4
Total interest and similar income	**2,442**	2,647
Interest expenses from:		
Deposits	−342	−332
Central bank funds purchased and securities sold under resale agreements (repos)	−18	−15
Other short-term borrowings	−3	−1
Non-current liabilities	−96	−105
Trust preferred securities	–	−10
Other interest expenses	−111	−103
Total interest expenses from financial liabilities not measured at fair value through profit or loss	**−570**	−566
Interest expenses from financial liabilities at fair value through profit or loss	–	–
Total interest expenses	**−570**	−566
Net interest income	**1,872**	2,081

[1]Net interest income includes interest income of €2.4 billion (previous year: €2.6 billion) calculated using the effective interest method.

Other interest income includes positive interest on financial liabilities amounting to €34 million (previous year: €43 million). Other interest expenses include negative interest on financial assets amounting to €92 million (previous year: €94 million).

Net gains (losses) on financial assets/liabilities at fair value through profit or loss

in €m	Jan–Jun 2019	2018
Net trading income		
Sales & trading	37	29
Hedges	−56	−77
Total net trading income	**−19**	−48
Net gains (losses) on financial assets/liabilities designated as at fair value through profit or loss		
Equity investments	17	8
Other assets at fair value through profit or loss	14	−1
Total net gains (losses) on financial assets/liabilities designated as at fair value through profit or loss	**31**	7
Total net gains (losses) on financial assets/liabilities at fair value through profit or loss	**12**	−41

Net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss

in €m	Jan–Jun 2019	2018
Net interest income[1]	1,872	2,081
Net gains (losses) on financial assets/liabilities at fair value through profit or loss	12	−41
Net interest income and net gains (losses) on financial assets/liabilities at fair value through profit or loss	**1,884**	2,040

[1] Net interest income includes interest income of €2.4 billion (previous year: €2.6 billion) calculated using the effective interest method.

Net gains (losses) on financial assets at fair value through other comprehensive income

Net gains (losses) on financial assets at fair value through other comprehensive income include the disposal gain of €70 million (previous year: €79 million) on fixed-rate securities.

5 – Net Commissions and Fee Income

in €m	Deutsche Bank brand	Postbank brand	Other	Jan–Jun 2019 Total Group
Type of service:				
Commissions for administration	49	1	18	68
Brokerage fees	190	53	0	243
Commissions for local payments	202	241	0	443
Commissions for foreign commercial business	10	43	0	53
Commissions for loan processing and guarantees	80	29	0	109
Intermediary fees	72	120	0	192
Commissions and fees for other customer services	16	80	3	99
Total commissions and fee income	619	567	21	**1,207**
Commissions and fee expenses				**−298**
Net commissions and fee income				**909**

in €m	Deutsche Bank brand	Postbank brand	Other	Jan–Jun 2018 Total Group
Type of service:				
Commissions for administration	47	2	16	65
Brokerage fees	197	52	0	249
Commissions for local payments	192	241	0	433
Commissions for foreign commercial business	11	47	0	58
Commissions for loan processing and guarantees	63	33	0	96
Intermediary fees	81	116	0	197
Commissions and fees for other customer services	18	87	0	105
Total commissions and fee income	609	578	16	1,203
Commissions and fee expenses				−293
Net commissions and fee income				910

6 – Other Income (Loss)

	Jan–Jun	
in €m	2019	2018
Income from liquidity offset	142	79
Gains (losses) on the sale of promissory note loans	23	–
Rental income	2	5
Gains (losses) on the sale of real estate	1	157
Gains on disposal of assets held for sale and liabilities associated with assets held for sale	0	13
Gains (losses) on hedges that meet the criteria for hedge accounting	−42	−83
Other	33	27
Total	**159**	198

7 – Compensation and Benefits

	Jan–Jun	
in €m	2019	2018
Salaries	869	889
Additional benefits	287	251
Other compensation and benefits	5	29
Total	**1,161**	1,170

8 – General and Administrative Expenses

	Jan–Jun	
in €m	2019	2018
Cost of services purchased from Deutsche Bank Group	275	291
Occupancy, furniture, and equipment expenses	278	277
IT costs	263	235
Banking and transaction charges	94	101
Professional service fees	78	101
Deposit guarantee and bank levy expenses	64	61
Marketing expenses	60	63
Travel and representation expenses	20	20
Communication and data services	22	19
Other expenses	87	161
Total	**1,241**	1,329

Consolidated Balance Sheet Disclosures

9 – Cash and Interbank Balances

in €m	Jun 30, 2019	Dec 31, 2018
Cash		
Cash-on-hand	1,695	2,124
Central bank balances	21,519	18,006
Total	**23,214**	20,130
Interbank balances (excluding central banks)		
Non-interest-bearing interbank balances	36	19
Interest-bearing interbank balances	46,120	42,712
Total	**46,156**	42,731

10 – Financial Assets/Liabilities at Fair Value through Profit or Loss

in €m	Jun 30, 2019	Dec 31, 2018
Financial assets classified as held for trading		
Trading assets:		
Trading securities	–	–
Other trading assets	0	0
Positive fair values from derivative financial instruments	6,194	4,434
Total financial assets classified as held for trading	**6,194**	4,434
Non-trading financial assets at fair value through profit or loss:		
Receivables from securities resale agreements (repos)	–	–
Receivables from securities lending	–	–
Loans	211	209
Other financial assets at fair value	378	362
Total non-trading financial assets at fair value through profit or loss	**589**	571
Financial assets designated as at fair value through profit or loss:		
Receivables from securities resale agreements (repos)	–	–
Receivables from securities lending	–	–
Loans	–	–
Other financial assets designated as at fair value	–	–
Total financial assets designated as at fair value through profit or loss	**–**	–
Total financial assets at fair value through profit or loss	**6,783**	5,005

in €m	Jun 30, 2019	Dec 31, 2018
Financial liabilities classified as held for trading:		
Trading liabilities:		
Trading securities	–	–
Other trading liabilities	0	0
Negative fair values from derivative financial instruments	5,622	3,689
Total financial liabilities classified as held for trading	**5,622**	3,689
Financial liabilities designated as at fair value:		
Liabilities from securities resale agreements (repos)	–	–
Loan commitments	–	–
Non-current liabilities	–	–
Other financial liabilities designated as at fair value	–	–
Total financial liabilities at fair value through profit or loss	**5,622**	3,689

11 – Financial Assets at Fair Value through Other Comprehensive Income

in €m	Jun 30, 2019	Dec 31, 2018
Debt securities	6,482	8,799
Total	**6,482**	8,799

“Financial assets at fair value through other comprehensive income” are exclusively fixed-rate securities.

12 – Financial Instruments at Fair Value

Fair value hierarchy

The allocation of financial instruments measured at fair value to the three-level fair value hierarchy in accordance with IFRS 13.72ff. is presented in the following. In line with the Standard, the Bank assigns its portfolios as follows to Levels 1 to 3:

Level 1: Quoted market prices for the identical asset or the identical liability exist for the instruments classified as Level 1. In other words, Level 1 fair value measurement is based solely on quoted market prices in an active market for an identical financial instrument. Level 1 therefore mainly consists of highly liquid securities and exchange-traded derivatives.

Level 2: Level 2 fair values are measured either with the help of quoted prices in active markets for similar instruments or using techniques whose inputs are based solely on directly or indirectly observable market data. This includes non-exchange-traded derivatives (e.g., swaps, caps, and floors) as well as bonds and promissory note loans that are valued using yield and spread curves and/or volatilities.

Level 3: Level 3 fair values are determined using valuation models whose significant inputs are not observable in the market. Such valuation techniques are used in particular to measure structured credit products.

Financial instruments at fair value

				Jun 30, 2019				Dec 31, 2018
in €m	Fair value	Quoted prices in active markets (Level 1)	Valuation technique based on observable inputs (Level 2)	Valuation technique not based on observable inputs (Level 3)	Fair value	Quoted prices in active markets (Level 1)	Valuation technique based on observable inputs (Level 2)	Valuation technique not based on observable inputs (Level 3)
Financial assets at fair value:								
Positive fair values from derivative financial instruments	6,194	–	6,111	83	4,434	–	4,403	31
Non-trading financial assets at fair value through profit or loss	589	–	467	122	571	–	456	115
Financial assets at fair value through other comprehensive income	6,482	2,924	3,542	15	8,799	3,087	5,712	–
Other financial assets at fair value	89	–	89	–	63	–	63	–
Total financial assets at fair value	**13,354**	**2,924**	**10,210**	**220**	13,868	3,087	10,634	146
Financial liabilities at fair value:								
Negative fair values from derivative financial instruments	5,622	–	5,583	39	3,689	–	3,652	37
Other financial liabilities at fair value	1,197	–	1,197	–	1,314	–	1,314	–
Total financial liabilities at fair value	**6,819**	**–**	**6,780**	**39**	5,003	–	4,966	37

The decline in Level 1 and Level 2 instruments compared with the prior-year period is mainly due to maturities and disposals. In addition to maturities, the changes in positive and negative fair values from derivative financial instruments result in particular from market movements.

Measurement policies and controls

The Group measures the fair value of financial instruments quoted in active markets on the basis of quoted prices, provided that those prices constitute the prices used in regular, current transactions.

Valuation techniques are used to determine fair value for which no quoted prices in an active market are available, or for example if a price quotation or another quoted input is available instead of a price. They are generally measured using modeling techniques that are customary in the industry, such as discounted cash flow (DCF) models and commonly used option pricing models. These models are dependent on estimated future cash flows, discount factors, and volatility. To the extent possible, the inputs used in the valuation techniques are based on observable information or are derived from relevant financial instruments traded in active markets. If no observable information is available for the inputs, other market information is taken into account, for example indicative broker quotes. Where no observable information is available, the inputs are based on other relevant sources of information, such as prices for similar transactions and historical data. These are adjusted appropriately to reflect the terms of the financial instrument and current market conditions.

For securities classified as at fair value through other comprehensive income and non-derivative financial assets at fair value through profit or loss, fair values that are directly observable in active markets are used (Level 1). If the observable fair value is not quoted in active, liquid markets, the securities are classified as Level 2. The fair value of structured credit products measured at fair value through profit or loss is determined on the basis of valuation techniques that do not solely involve inputs that are directly observable in the market, with the result that these products are allocated to Level 3.

Unlisted derivative financial instruments are measured using standard models that are customary in the industry (discounted cash flow models, Black models for option components). Interest rate and spread curves (basis spreads) are the key inputs. The standard swap rates are used for the yield curves. The spread curves are also obtained from market data providers. Interest rate volatilities are normal volatilities for caps and swaptions. The inputs used are generally observable in the market, which is why the instruments are allocated to Level 2. However, there is also a small holding of structured derivatives whose inputs are not observable in the market, which is why they are classified as Level 3. In addition, valuation adjustments for counterparty risk (credit valuation adjustments – CVAs) are charged for OTC derivatives, and debit valuation adjustments (DVAs) and funding valuation adjustments are charged for own financial liabilities.

Which valuation technique will be applied depends on the market liquidity of the financial instrument. Instruments, for which no market prices are quoted, such as swaps, are measured using inputs that are observable in the market and allocated to Level 2 in the fair value hierarchy. If the data is not directly observable in the market, other information is used and the financial instrument is allocated to Level 3 in the fair value hierarchy.

As part of the measurement process, the Group has an established system of controls, comprising internal control standards, policies, and methods.

Prices and inputs for individual transactions are provided by external sources. To assess the quality of fair value, the price sources are analyzed and validated, with a stronger weighting being assigned to price sources and parameters with a higher relevance for measurement, resulting in greater measurement reliability.

The prices and inputs, assumptions, and value adjustments used in valuation models are verified using independent sources or examined for appropriateness using suitable methods. The system of controls for measurements is continuously enhanced: On an ongoing basis, the Bank reviews the measurement control methods and techniques and the elaboration and management of measurement policies. The assumptions and techniques used in the model for financial instruments whose fair value is determined using valuation models are validated.

in €m	Valuation model	Fair value as of Jun 30, 2019	Fair value as of Dec 31, 2018
Bonds and equities	Mark-to-market Reuters and Bloomberg prices, otherwise DCF	6,860	9,161
Interest rate derivatives	DCF, Black 76 if they contain options	503	466
Currency	DCF, Garman-Kohlhagen for currency options	7	3
Loans	DCF	172	172
Commodities	Quanto lognormal asset model, Garmann-Kohlhagen	0	0

Analysis of financial instruments with fair value derived from valuation techniques containing significant unobservable inputs (Level 3)

Financial assets and liabilities allocated to Level 3 changed as follows in the reporting period:

Reconciliation of financial instruments classified in the Level 3 category

	Jun 30, 2019								
in €m	Balance at beginning of year	Changes in basis of consolidation	Total gains/ losses[1]	Purchases	Sales	Issuances	Settlements	Reclassified into Level 3	Balance at end of period
Positive fair values from derivative financial instruments	31	–	52	–	–	–	–	–	83
Non-trading financial assets at fair value through profit or loss	115	–	19	1	–	2	–16	–	122
Financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	15	15
Total financial assets at fair value	**146**	**–**	**71**	**1**	**–**	**2**	**–16**	**15**	**220**
Negative fair values from derivative financial instruments	37	–	2	–	–	–	–	–	39
Total financial liabilities at fair value	**37**	**–**	**2**	**–**	**–**	**–**	**–**	**–**	**39**

[1] All gains and losses are recognized in net gains (losses) on financial assets at fair value in the statement of income.

In the reporting period, a security in the “Financial assets at fair value through other comprehensive income” category with a carrying amount of €15 million was transferred out of Level 2 into Level 3 due to changes in the observability of inputs. There were no transfers out of Level 3 into any other Level in the reporting period.

Financial assets and liabilities allocated to Level 3 changed as follows in the prior-year period:

Reconciliation of financial instruments classified in the Level 3 category

									Dec 31, 2018
in €m	Balance at beginning of year	Changes in basis of consolidation	Total gains/ losses[1]	Purchases	Sales	Issuances	Settlements	Reclassified into Level 3	Balance at end of period
Positive fair values from derivative financial instruments	19	–	12	–	–	–	–	–	31
Non-trading financial assets at fair value through profit or loss	84	0	23	12	−2	–	−3	–	115
Financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	–	–
Total financial assets at fair value	103	0	35	12	−2	–	−3	–	146
Negative fair values from derivative financial instruments	37	–	1	–	–	–	–	–	37
Total financial liabilities at fair value	37	–	1	–	–	–	–	–	37

[1] All gains and losses are recognized in net gains (losses) on financial assets at fair value through profit or loss in the statement of income.

Sensitivity analysis of unobservable inputs

Structured credit products within non-trading financial assets at fair value that are allocated to Level 3 are currently measured using available dealer quotes (price range: min. 0 % – max. 102.86 %) or, if these are not available, by an internal valuation technique (DCF model). The internal valuation technique also takes the illiquidity of the markets for structured products into account in addition to the impact of default on expected cash flows. This is done by adding a premium to the risk-free interest rate for the same maturity when discounting the previously calculated cash flows. Assuming a change in arranger/dealer quotes by +/– 500 basis points, the fair value would change by +/–€1.6 million.

Level 3 holdings of non-trading financial assets at fair value include preferred shares of Visa Inc. When measuring fair value, assumptions with respect to the conversion rate (common share conversion ratio) and the liquidity of the shares are taken into account. Any change in the assumptions with respect to the conversion rate by 5 % and the illiquidity discount by 5 % would lead to a positive change in fair value of €4.0 million.

Holdings of closed-end funds and equity investments within non-trading financial assets at fair value are measured using DCF models. Risk-adjusted planning assumptions are taken into account for the closed-end funds. If the planning assumptions for the funds deviate by 5 % from the assumptions made when calculating fair value (price range: min. 0 % – max. 100 %), this would result in a fair value change of +/–€0.2 million. If the planning assumptions for the equity investments deviate by 5 % from the assumptions made when calculating fair value (price range: min. 0 % – max. 100 %), this would result in a fair value change of +/–€1.9 million.

DCF models and option pricing models are used to measure Level 3 structured derivatives within positive fair values from derivative financial instruments. Because of the option components and the long maturities, assumptions have to be made about the interest rate correlations (range: min. 65.3 % – max. 89.8 %) that are not observable in the market in this form. If the assumptions deviate from the assumptions made when calculating the fair value, this would result in a fair value change of +/–€4.1 million. Additionally, assumptions have to be made about expected customer behavior in the case of structured derivatives with negative fair values from derivative financial instruments. The possible scenarios for customer behavior range between 0 % (customer does not trade another product) and 100 % (customer trades product in full). A change in the assumptions by 5 % would result in a fair value change of €1.9 million.

The fair value of loans designated as at fair value within non-trading financial assets at fair value is measured on the basis of an internal valuation technique (DCF model). This involves assumptions about expected cash flows (range: min. €1.5 million – max. €4.8 million). Taking into account a 5 % fluctuation in these assumptions, this results in a fair value change of +/–€0.5 million.

Unrealized gains or losses on Level 3 instruments held at the reporting date

Unrealized gains or losses on financial instruments in this category are based to a limited extent on observable inputs and to a significant extent on unobservable inputs. Changes in the gains and losses are thus based in part on changes in observable inputs that occur over the course of the reporting period. Many of the positions in this level of the hierarchy are economically hedged by instruments that are categorized in other levels of the fair value hierarchy. In accordance with IFRS 13, the following table contains only those gains and losses that result from Level 3 instruments held at the reporting date. The unrealized gains and losses on Level 3 instruments are included in net gains (losses) on financial assets/liabilities at fair value through profit or loss in the consolidated statement of income.

in €m	Jun 30, 2019	Jun 30, 2018
Financial assets at fair value:		
Positive fair values from derivative financial instruments	52	19
Non-trading financial assets at fair value through profit or loss	19	8
Total financial assets at fair value	**71**	27
Financial liabilities at fair value:		
Negative fair values from derivative financial instruments	–2	0
Total financial liabilities at fair value	**–2**	0
Total	**69**	27

Recognition of trade date profit

If any unobservable inputs are used in a valuation technique, the relevant financial instrument is recognized at the transaction price and any trade date profit is deferred. No day 1 profit or loss arose in the reporting period.

13 – Fair Value of Financial Instruments at Amortized Cost

The fair value of financial instruments measured at amortized cost is normally calculated on the basis of discounted cash flow models that are customary in the industry. Besides observable inputs (such as yield curves), inputs that are not observable in the market are used, depending on the product type.

The following table compares the fair values of financial instruments carried at amortized cost or hedge fair value in the balance sheet with their carrying amounts:

Estimated fair value of financial instruments not carried at fair value in the balance sheet

in €m	Jun 30, 2019 Carrying amount	Fair value
Financial assets:		
Cash and central bank balances	23,214	23,214
Interbank balances (excluding central banks)	46,156	46,157
Central bank funds sold and securities purchased under resale agreements (reverse repos)	400	400
Loans	191,658	198,809
Banks	40	68
Overnight deposits	3,626	3,626
Term deposits	1,165	1,165
Consumer mortgage loans	141,936	147,989
Commercial loans	27,484	27,876
Public-sector loans	2,426	2,442
Installment loans	13,346	14,007
Promissory note loans	1,617	1,618
Other loans	18	18
Securities in the “Hold” business model (IFRS 9)	5,039	5,163
Other financial assets	2,351	2,351
Financial liabilities:		
Deposits	236,982	237,274
Central bank funds purchased and securities sold under resale agreements (repos)	–	–
Other short-term borrowings	279	279
Other financial liabilities	1,624	1,624
Non-current liabilities	28,272	29,611

in €m	Dec 31, 2018 Carrying amount	Fair value
Financial assets:		
Cash and central bank balances	20,130	20,130
Interbank balances (excluding central banks)	42,731	42,730
Central bank funds sold and securities purchased under resale agreements (reverse repos)	298	298
Loans	189,748	186,330
Banks	17	32
Overnight deposits	3,931	3,931
Term deposits	1,708	1,708
Consumer mortgage loans	139,001	135,517
Commercial loans	26,584	26,301
Public-sector loans	4,309	4,321
Installment loans	12,723	13,062
Promissory note loans	1,457	1,440
Other loans	18	18
Securities in the “Hold” business model (IFRS 9)	5,470	5,569
Other financial assets	1,982	1,982
Financial liabilities:		
Deposits	225,985	225,810
Central bank funds purchased and securities sold under resale agreements (repos)	1,135	1,135
Other short-term borrowings	278	278
Other financial liabilities	3,589	3,589
Non-current liabilities	29,953	31,213

14 – Loans at Amortized Cost

in €m	Jun 30, 2019	Dec 31, 2018
Banks	40	17
Overnight deposits	3,626	3,931
Term deposits	1,165	1,708
Consumer mortgage loans	141,936	139,001
Commercial loans	27,484	26,584
Public-sector loans	2,426	4,309
Installment loans	13,346	12,723
Promissory note loans	1,617	1,457
Other loans	18	18
Total	**191,658**	189,748

15 – Loan Loss Allowance for Financial Assets at Amortized Cost

Changes in loan loss allowance for financial assets at amortized cost

				Jan–Jun 2019
in €m	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	240	271	1,084	**1,595**
Changes in financial assets including new business	−19	67	45	93
Transfers due to change in credit quality	35	−52	17	0
Derecognition of impaired loans	0	0	−224	−224
Recoveries on loans written off	–	–	16	16
Foreign exchange movements and other changes	–	−1	−8	−9
Balance at end of period	256	285	930	**1,471**

				Jan–Jun 2018
in €m	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	201	308	943	1,452
Changes in financial assets including new business	−58	65	73	80
Transfers due to change in credit quality	81	−84	3	–
Derecognition of impaired loans	–	–	−63	−63
Recoveries on loans written off	–	–	46	46
Foreign exchange movements and other changes	−12	−5	−8	−25
Balance at end of period	212	284	994	1,490

Changes in loan loss allowance for off-balance-sheet exposures

				Jan–Jun 2019
in €m	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	8	9	15	**32**
Changes including new business	1	1	2	4
Transfers due to change in credit quality	1	−1	–	–
Foreign exchange movements and other changes	0	−1	0	−1
Balance at end of period	10	8	17	**35**

				Jan–Jun 2018
in €m	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	7	9	17	33
Changes including new business	−7	0	−1	−8
Transfers due to change in credit quality	6	−6	–	–
Foreign exchange movements and other changes	5	7	−1	11
Balance at end of period	11	10	15	36

16 – Property and Equipment

in €m	Jun 30, 2019	Dec 31, 2018
Right-of-use assets from leases	674	N/A
Leasehold improvements	337	298
Office equipment	208	212
Land and buildings	168	242
Advance payments and assets under construction	58	61
Total	**1,445**	813

17 – Intangible Assets

in €m	Jun 30, 2019	Dec 31, 2018
Internally generated intangible assets	240	224
Purchased software	65	70
Total intangible assets	**305**	294

18 – Other Assets and Liabilities

Other assets

in €m	Jun 30, 2019	Dec 31, 2018
Debt securities held to collect	5,039	5,470
Receivables from collateral issued	998	998
Brokerage and securities-related receivables	690	278
Receivables from Deutsche Bank AG for other services[1]	310	350
Accrued interest receivable	238	290
Derivatives used as hedging instruments in fair value hedges	89	63
Miscellaneous[1]	619	518
Total	**7,983**	7,967

[1]Prior-period amounts adjusted due to change in allocation.

“Miscellaneous” contains a large number of individual items.

Other liabilities

in €m	Jun 30, 2019	Dec 31, 2018
Payroll-related commitments	1,312	1,309
Derivatives used as hedging instruments in fair value hedges	1,197	1,314
Lease liabilities	691	N/A
Accrued interest payable	513	577
Liabilities from profit transfer for the fiscal year to Deutsche Bank AG	281	2,131
Other short-term borrowings	279	278
Miscellaneous	967	1,030
Total	**5,240**	6,639

“Miscellaneous” contains a large number of individual items.

19 – Deposits

in €m	Jun 30, 2019	Dec 31, 2018
Non-interest-bearing demand deposits	114,432	110,268
Interest-bearing deposits		
Demand deposits	13,501	13,108
Term deposits	21,835	20,273
Savings deposits	62,507	57,549
Home savings deposits	24,707	24,787
Total interest-bearing deposits	122,550	115,717
Total	**236,982**	225,985

The home savings deposits include interest bonus liabilities of €837 million (previous year: €835 million) that must be paid to the home savings customers in the case of unutilized loans. Arrangement fees to be reimbursed of €61 million (previous year: €70 million) were also recognized.

20 – Provisions

in €m	Jun 30, 2019	Dec 31, 2018
Loan loss allowances for off-balance-sheet exposures	35	32
Litigation and other operational risk	38	83
Restructurings	320	378
Other	109	122
Total	**502**	615

21 – Non-current Liabilities

in €m	Jun 30, 2019	Dec 31, 2018
Senior debt:	11,276	12,529
Bonds and notes		
Fixed rate	11,224	12,422
Floating rate	52	107
Subordinated debt:	1,608	1,626
Bonds and notes		
Fixed rate	334	382
Floating rate	1,274	1,244
Other	15,388	15,798
Total	**28,272**	29,953

Other Financial Information

22 – Contingent Liabilities and Other Commitments

Contingent liabilities arise from past events that will lead to possible future obligations. These obligations arise from the occurrence of uncertain future events whose settlement amount cannot be estimated with sufficient reliability.

in €m	Jun 30, 2019	Dec 31, 2018
Irrevocable lending commitments	12,373	11,738
Revocable lending commitments	19,112	19,253
Other contingent liabilities	1,471	979
Total	**32,956**	31,970

Other contingent liabilities mainly include obligations under guarantees and warranties, an irrevocable payment obligation for the bank levy backed by cash collateral, and to the deposit protection fund, for which securities are deposited.

Contingencies and other obligations were reduced by the recognized loan loss allowance.

The amount and timing of utilization are often variable, particularly in the case of revocable lending commitments, guarantees, and warranties.

Other commitments

In accordance with section 16 of the *Postpersonalrechtsgesetz* (Deutsche Bundespost Former Employees Act), DB PFK AG pays an annual contribution for civil servant pensions to the Bundesanstalt für Post und Telekommunikation Deutsche Bundespost (BanstPT), Postbeamtenversorgungskasse (PVK) 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. DB PFK AG has no further obligations for benefits paid by the pension fund.

DB PFK AG 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 letters issued in favor of creditors of subsidiaries of DB PFK AG primarily lead to benefits for the subsidiaries in the form of improved terms and conditions for business and finance. DB PFK AG profits from these benefits since they have a positive impact on the enterprise value of the subsidiaries concerned. Conversely, there is the possibility of the creditors having recourse against DB PFK AG.

DB PFK AG has issued subordinated comfort letters under the terms of issue of subordinated bonds issued by Deutsche Postbank Funding LLC I, II, and III, all of which are domiciled in Delaware, U.S.A.

DB PFK AG is a member of the deposit protection fund of the Bundesverband deutscher Banken e.V. and of Entschädigungseinrichtung deutscher Banken GmbH's investor compensation scheme.

23 – Related Party Transactions

In addition to the companies included in the consolidated financial statements, in the course of its ordinary business activities, DB PFK has direct or indirect relationships with Deutsche Bank AG, which controls DB PFK, and with a relatively small number of subsidiaries not included in DB PFK's consolidated financial statements. Other related parties are Deutsche Bank AG's subsidiaries, the associates and joint ventures of DB PFK and Deutsche Bank, and their subsidiaries. Related persons are defined as key management personnel (Management Board and Supervisory Board) of DB PFK AG and of Deutsche Bank AG, and the close members of their families. In the course of business activities, all transactions for the provision of goods and services entered into with the aforementioned companies and persons were conducted at standard market terms and conditions.

Transactions between Deutsche Bank AG and its subsidiaries meet the definition of related party transactions. If these transactions are eliminated on consolidation, they are not disclosed as related party transactions.

All related party entities included in DB PFK's basis of consolidation are listed in Note 2.

Control and profit and loss transfer agreement

There is a control and profit and loss transfer agreement between DB PFK AG as the dependent company and Deutsche Bank AG, Frankfurt am Main, as the controlling company. The control and profit and loss transfer agreement can be terminated within one year.

Transactions with parent, subsidiaries, and other companies

Assets

in €m	Jun 30, 2019	Dec 31, 2018
Deposits		
Deutsche Bank AG	46,022	42,443
Other related parties	48	75
Central bank funds sold and securities purchased under resale agreements (reverse repos)		
Deutsche Bank AG	–	38
Financial assets at fair value through profit or loss		
Deutsche Bank AG	5,889	4,232
Loans at amortized cost		
Deutsche Bank AG	992	1,492
Other related parties	51	64
Other assets		
Deutsche Bank AG	1,487	1,498
Other related parties	44	43

Liabilities and equity

in €m	Jun 30, 2019	Dec 31, 2018
Deposits		
Deutsche Bank AG	176	0
Subsidiaries	8	12
Other related parties	1,224	1,689
Central bank funds purchased and securities sold under resale agreements (reverse repos)		
Deutsche Bank AG	–	1,135
Financial liabilities at fair value through profit or loss		
Deutsche Bank AG	6,663	4,856
Other non-current liabilities		
Deutsche Bank AG	15,055	15,462
Other related parties	1,100	1,100
Other liabilities		
Deutsche Bank AG	818	2,673
Other related parties	9	4

Other liabilities to Deutsche Bank AG contain the effects amounting to €281 million (as of December 31, 2018: €2,132 million) from the control and profit and loss transfer agreement that correspond to the German GAAP net income for the reporting period and were recognized in retained earnings. In addition, Other liabilities include lease payments from rental agreements amounting to €66 million. The Bank has right-of-use assets relating to these leases, also in the amount of €66 million. These related party items are reported for the first time in the reporting period due to the initial application of IFRS 16 "Leases."

Statement of Income

in €m	Jan–Jun 2019	2018
Net interest income		
Deutsche Bank AG	−146	−93
Other related parties	−27	−23
Net commissions and fee income		
Deutsche Bank AG	29	35
Other related parties	71	107
Net gains (losses) on financial assets/liabilities at fair value through profit or loss		
Deutsche Bank AG	−39	−161
Other income (loss)		
Deutsche Bank AG	−228	−340
Subsidiaries	−4	−4
Other related parties	−11	−10

As of June 30, 2019, there were also contingent liabilities to Deutsche Bank AG of €199 million (as of December 31, 2018: €109 million).

Transactions with key management personnel

As of the reporting date, DB PFK had granted loans of €38 million (as of December 31, 2018: €43 million) to key management personnel and had received deposits of €14 million (as of December 31, 2018: €5 million) from key management personnel. In addition, the Group provides banking services, such as payment transaction and account services as well as investment advice, to key management personnel and their close family members.

24 – Non-current Assets Held for Sale

In the second quarter of 2019, the Bank decided to sell a property in the third quarter of 2019. The sale agreement was signed in May 2019.

Classification of the property as held for sale did not have any effect on its measurement. The carrying amount of the property as of June 30, 2019, is reported in the “Non-current assets held for sale” balance sheet item in the amount of €35 million.

25 – Events after the Reporting Date

Christian Sewing stepped down from his position as a member of and Chairman of the Supervisory Board of DB PFK AG effective August 1, 2019. Karl von Rohr will therefore become Chairman of the Supervisory Board of DB PFK AG effective August 1, 2019.

Frank Strauß is stepping down from the Management Board of DB PFK effective July 31, 2019, at his own request. Subject to the approval of the supervisory authorities, Manfred Knof will become a member of the Management Board effective August 1, 2019.

Our parent company Deutsche Bank AG announced a fundamental strategic realignment on July 7, 2019. Starting with the third quarter of 2019, reporting will be adapted to reflect the strategic realignment. Potential impacts on DB PFK Group are currently being analyzed internally.

Responsibility Statement

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

Frankfurt am Main, July 31, 2019

DB Privat- und Firmenkundenbank AG

The Management Board

Frank Strauß

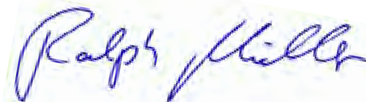
Stefan Bender

Philipp Gossow

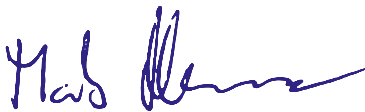
Alexander Ilgen

Susanne Klöß-Braekler

Britta Lehfeldt



Ralph Müller



Markus Pertlwieser

Zvezdana Seeger

Lars Stoy

Review Report

To DB Privat- und Firmenkundenbank AG, Frankfurt am Main

We have reviewed the condensed interim consolidated financial statements – comprising the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, condensed consolidated statement of cash flows, and selected explanatory notes – together with the interim group management report of DB Privat- und Firmenkundenbank AG, Frankfurt am Main, for the period from January 1 to June 30, 2019 that are part of the semi-annual financial report according to § 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of DB Privat- und Firmenkundenbank AG's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

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

Frankfurt am Main, August 1, 2019

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

Readers of this Group Interim Report are expressly cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this Group Interim Report. DB Privat- und Firmenkundenbank AG does not intend and does not undertake any obligation to revise these forward-looking statements.

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