2017

POSTBANK GROUP PILLAR 3 REPORT

Postbank

PILLAR 3 REPORT

Regulatory disclosure

Postbank has been part of the Deutsche Bank banking group since December 2010 and has published all information relevant to regulatory disclosures since then within the framework of the Deutsche Bank Group's Pillar III reports. Since 2014, Article 13 of Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation – CRR) has required significant subsidiaries of EU parent institutions to also publish regulatory disclosures. All information given below relates to the Postbank Group (hereinafter referred to as "Postbank") as a subgroup of the Deutsche Bank banking group.

The following table gives an overview of the information to be provided by Postbank in accordance with Part 8 in conjunction with Article 13 of the CRR and the provisions of the *Kreditwesengesetz* (KWG – German Banking Act) transposing the Capital Requirements Directive (CRD) into national law, and lists the section of the 2017 Annual Report or the 2017 Pillar 3 Report in which the relevant disclosures are made:

Implementation of regulatory disclosure requirements

Pillar 3 disclosure topic	Place of publication
Own funds disclosures in accordance with Article 437 of the CRR and on capital requirements in accordance with Article 438 of the CRR	- 2017 Pillar 3 Report
Disclosures on capital buffers (Article 440 of the CRR)	- 2017 Pillar 3 Report
Credit risk adjustment disclosures in accordance with Article 442 of the CRR and on credit risk mitigation techniques in accordance with Article 453 of the CRR, to the extent that these are not already covered by the qualitative disclosures in the 2017 Group Management Report (see below)	- 2017 Pillar 3 Report
Legal and organizational structure and principles of the proper conduct of business (section 26a of the *Kreditwesengesetz* (KWG – German Banking Act))	- Group Management Report of the 2017 Annual Report, "Business and Environment" - Group Risk Report of the 2017 Annual Report, "Organization of risk management" - 2017 Pillar 3 Report
Qualitative disclosures on credit risk adjustments in accordance with Article 442a) and b) of the CRR and on credit risk mitigation techniques in accordance with Article 453a) to e) of the CRR	- Group Risk Report of the 2017 Annual Report, „Monitoring and managing credit risk"
Disclosures on remuneration policy (Article 450 of the CRR)	- Note 54 to the Consolidated Financial Statements of the 2017 Annual Report ("Related party disclosures")
Disclosures on leverage (Article 451 of the CRR)	- 2017 Pillar 3 Report

Information on regulatory approaches

As of the reporting date of December 31, 2017, Postbank calculated the regulatory capital requirements for the following portfolios – grouped by exposure class in accordance with the CRR – on the basis of the rules set out in the Internal Rating Approaches: central governments (countries), institutions (banks), corporates (domestic corporate customers, foreign corporate customers, commercial real estate finance), purchased corporate loans, insurers, retail business (Deutsche Postbank AG mortgage loans, BHW mortgage loans, installment loans, overdraft facilities for retail customers, overdraft facilities for self-employed individuals and business customers, purchased retail loans), equity exposures (unless covered by the exception in section 17 of the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation)), and other non-credit obligation assets.

In addition to using the Foundation IRB Approach and the IRB Approach to calculate the capital requirements for its retail business, Postbank uses the Advanced IRB Approach (A-IRBA) to calculate the capital requirements for its corporates, banks, and commercial real estate finance portfolios, and, as from the second half of 2017, overdraft facilities for retail customers.

Postbank uses the Credit Risk Standardized Approach (CRSA) for the remaining portfolios not calculated in accordance with the IRB approaches. These primarily relate to the following portfolios: collection activities in the Retail Banking segment, portfolios belonging to the other subsidiaries of Postbank with the exception of BHW mortgage loans and PB Factoring GmbH, business from discontinued operations, and exposures to public-sector counterparties in the European Economic Area.

In the case of securitization positions, the IRB Approach or the CRSA is applied, based on the underlying transactions. Capital backing for securitization positions is generally calculated on the basis of the ratings-based approach using external ratings.

As of the reporting date, Postbank did not hold any originator securitization with regulatory relevance.

Postbank calculates the capital backing for other non-credit obligation assets and equity exposures allocated to the banking book that are not required to be consolidated or deducted from own funds for regulatory purposes using regulatory risk weights. As of the reporting date, Postbank did not have any equity exposures for which capital backing is calculated on the basis of default probabilities and loss rates. Strategic equity exposures held prior to January 1, 2008, have been temporarily excluded from IRBA capital backing and are calculated using the CRSA. As of January 1, 2018, these equity exposures will be calculated on the basis of default probabilities and loss rates.

Postbank uses the supervisory Standardized Approach to calculate its capital requirements for market risk and the Standardized Approach to quantify its capital requirements for operational risk.

Information on regulatory consolidation

The regulatory scope of consolidation corresponds to the consolidated group for accounting purposes as presented in Note 3 to the Consolidated Financial Statements of the 2017 Annual Report with the exception of the following two companies, which are consolidated for accounting but not for regulatory purposes:

- Postbank Finanzberatung AG
- Postbank Immobilien GmbH.

Postbank does not have any subsidiaries required to be consolidated for regulatory but not for accounting purposes.

Overall portfolio disclosures

The following tables present the disclosures for the overall portfolio with average amounts per exposure class over the reporting period, broken down by sector, region, and residual maturity in accordance with Article 442 of the CRR. The tables show the lending volume in each case, broken down by the different types of exposure classes, as of the disclosure date. Exposure values (EAD – expected amount of the exposure at the time of possible default) are reported before factoring in credit risk mitigation/substitution effects and after applying credit conversion factors. Derivatives are reported at their positive replacement values plus a regulatory add-on. Exposure classes for which Postbank does not have any exposures are not shown in the tables. These are the “Institutions and corporates with a short-term credit assessment” and “Exposures associated with a particularly high risk” exposure classes. The “Other non-credit obligation assets” exposure class is not reported in the tables below. The total amount of the exposures concerned was €2,643 million as of the reporting date (December 31, 2016: €2,912 million). In addition, the exposure for contributions to the default fund of a central counterparty (CCP) amounted to €95 million as of the reporting date (December 31, 2016: €121 million).

The following table shows the average exposure values during the reporting period before the effects of credit risk mitigation, broken down by the different types of exposure classes:

Total amount of exposure values and average amounts per exposure class

Exposure classes	Average amounts		Total	
	Jan. 1, 2017 – Dec. 31, 2017 €m	Jan. 1, 2016 – Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m
IRBA governments and central banks	299	171	381	169
IRBA institutions	5,634	7,837	5,141	6,124
IRBA corporates	24,479	22,875	26,348	23,323
IRBA retail exposures	88,558	81,298	95,278	83,097
IRBA equity exposures	30	106	19	38
IRBA securitization positions	51	253	48	55
CRSA governments and central banks	19,638	13,603	18,914	17,890
CRSA regional governments and local authorities	7,995	8,886	7,694	8,612
CRSA other public-sector entities	1,534	1,931	1,644	1,633
CRSA multilateral development banks	655	836	603	794
CRSA international organizations	1,178	1,339	1,059	1,292
CRSA institutions	1,739	1,948	1,652	2,330
CRSA corporates	766	944	768	783
CRSA retail exposures	1,882	2,187	1,493	2,199
CRSA exposures secured by real estate property	1,215	1,464	1,222	1,194
CRSA exposures in default	82	135	68	100
CRSA covered bonds	–	–	–	–
CRSA securitization positions	–	75	–	–
CRSA UCITS	–	–	–	–
CRSA equity exposures	226	228	219	233
CRSA other items	–	–	–	–
Total	**155,961**	**146,116**	**162,551**	**149,866**

The following table shows the exposure values broken down by the different types of exposure classes and by the sectors and obligor groups of relevance to Postbank:

Total amount of exposure values by sector and obligor group

Exposure classes	Retail customers		Banks/ insurers/ financial services providers		Governments		Commercial real estate finance		Service providers/ wholesale and retail		Industry		Other sectors		Total	
	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m
IRBA governments and central banks	–		–	–	381	169	–	–	–	–	–	–	–	–	381	169
IRBA institutions	–	–	5,141	5,968	0	126	–	30	0	0	–	–	–	0	5,141	6,124
IRBA corporates	477	288	2,165	2,135	0	0	8,941	7,741	7,556	7,058	5,202	4,443	2,007	1,658	26,348	23,323
IRBA retail exposures	95,278	83,097	–	–	–	–	–	–	–	–	–	–	–	–	95,278	83,097
IRBA equity exposures	–	–	14	29	–	–	–	–	1	9	–	–	4	0	19	38
IRBA securitization positions	–	–	48	55	–	–	–	–	–	–	–	–	–	–	48	55
CRSA governments and central banks	–	–	9,404	6,282	9,093	11,190	–	–	417	418	–	–	–	–	18,914	17,890
CRSA regional governments and local authorities	–	–	–	–	7,680	8,596	13	16	1	0	–	–	–	–	7,694	8,612
CRSA other public-sector entities	–	–	1,130	1,317	451	231	–	–	37	49	–	–	26	36	1,644	1,633
CRSA multilateral development banks	–	–	603	794	–	–	–	–	–	–	–	–	–	–	603	794
CRSA international organizations	–	–	609	787	450	505	–	–	–	–	–	–	–	–	1,059	1,292
CRSA institutions	–	–	1,652	2,330	–	–	–	–	–	–	–	–	–	–	1,652	2,330
CRSA corporates	30	3	44	51	0	–	171	166	251	321	197	149	75	93	768	783
CRSA retail exposures	1,493	2,199	–	–	–	–	–	–	–	–	–	–	–	–	1,493	2,199
CRSA exposures secured by real estate property	1,181	1,144	0	0	–	–	38	45	2	3	0	0	1	2	1,222	1,194
CRSA exposures in default	52	58	0	0	–	0	7	14	1	19	0	0	8	9	68	100
CRSA covered bonds	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
CRSA securitization positions	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
CRSA UCITS	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
CRSA equity exposures	–	–	216	223	–	–	–	–	0	5	–	–	3	5	219	233
CRSA other items	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total	**98,511**	**86,789**	**21,026**	**19,971**	**18,055**	**20,817**	**9,170**	**8,012**	**8,266**	**7,882**	**5,399**	**4,592**	**2,124**	**1,803**	**162,551**	**149,866**

Of the amounts reported, the following exposures relate to loans to small and medium-sized enterprises (SMEs):

Total amount of exposure values by sector and obligor group for small and medium-sized enterprises (SMEs)

Exposure classes	Retail customers		Banks/ insurers/ financial services providers		Govern-ments		Commercial real estate finance		Service providers/ wholesale and retail		Industry		Other sectors		Total	
	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m
IRBA retail exposures	402	342	–	–	–	–	–	–	–	–	–	–	–	–	402	342
IRBA corporates	181	0	20	22	–	–	–	–	395	610	276	332	134	120	1,006	1,084
CRSA corporates	1	–	9	17	–	–	4	4	29	24	24	40	11	23	78	108
CRSA retail exposures	51	47	–	–	–	–	–	–	–	–	–	–	–	–	51	47
CRSA exposures secured by real estate property	–	–	–	–	–	–	5	7	0	0	–	–	–	–	5	7
Total	**635**	**389**	**29**	**39**	**–**	**–**	**9**	**11**	**424**	**634**	**300**	**372**	**145**	**143**	**1,542**	**1,588**

The following table shows the exposure values broken down by the different types of exposure classes and by Postbank's significant geographic business regions. The exposures are allocated on the basis of the obligor's legal country of domicile.

Total amount of exposure values by geographic region

Exposure classes	Germany		Western Europe		North America		Other regions		Total	
	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m
IRBA governments and central banks	125	–	229	138	–	–	27	31	381	169
IRBA institutions	3,658	3,986	1,418	1,995	63	138	2	5	5,141	6,124
IRBA corporates	16,160	14,857	8,967	7,432	614	537	607	497	26,348	23,323
IRBA retail exposures	93,456	81,090	1,709	1,935	32	22	81	50	95,278	83,097
IRBA equity exposures	19	23	–	–	–	15	–	–	19	38
IRBA securitization positions	–	–	48	55	–	–	–	–	48	55
CRSA governments and central banks	10,230	7,548	8,570	10,225	–	–	114	117	18,914	17,890
CRSA regional governments and local authorities	7,694	8,612	–	–	–	–	–	–	7,694	8,612
CRSA other public-sector entities	1,578	1,565	66	68	–	–	–	–	1,644	1,633
CRSA multilateral development banks	–	–	603	794	–	–	–	–	603	794
CRSA international organizations	–	–	1,059	1,292	–	–	–	–	1,059	1,292
CRSA institutions	388	1,266	1,262	1,062	2	2	–	–	1,652	2,330
CRSA corporates	627	678	38	48	0	0	103	57	768	783
CRSA retail exposures	1,423	2,127	69	69	0	1	1	2	1,493	2,199
CRSA exposures secured by real estate property	162	183	1,060	1,010	–	0	0	1	1,222	1,194
CRSA exposures in default	54	85	14	15	0	0	0	0	68	100
CRSA covered bonds	–	–	–	–	–	–	–	–	–	–
CRSA securitization positions	–	–	–	–	–	–	–	–	–	–
CRSA UCITS	–	–	–	–	–	–	–	–	–	–
CRSA equity exposures	219	228	0	5	–	–	–	–	219	233
CRSA other items	–	–	–	–	–	–	–	–	–	–
Total	**135,793**	**122,248**	**25,112**	**26,143**	**711**	**715**	**935**	**760**	**162,551**	**149,866**

The following table presents the regulatory exposure values, broken down by the different types of exposure classes and the residual maturities of relevance to Postbank. Checking accounts, other guarantees, and transactions under settlement are assigned to the "less than one year" maturity band. The amounts assigned to the "more than five years" maturity band largely comprise longer-term bonds, private mortgage lending, and commercial lending.

Total amount of exposure values by residual maturity

Exposure classes	< 1 year		1–5 years		> 5 years		Total	
	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m
IRBA governments and central banks	26	7	97	83	258	79	381	169
IRBA institutions	1,804	1,458	1,829	2,773	1,508	1,893	5,141	6,124
IRBA corporates	5,033	4,742	8,502	7,637	12,813	10,944	26,348	23,323
IRBA retail exposures	12,225	3,902	6,428	6,620	76,625	72,575	95,278	83,097
IRBA equity exposures	–	–	–	–	19	38	19	38
IRBA securitization positions	48	55	–	–	–	–	48	55
CRSA governments and central banks	11,204	8,111	4,280	7,332	3,430	2,447	18,914	17,890
CRSA regional governments and local authorities	1,189	1,438	4,061	3,710	2,444	3,464	7,694	8,612
CRSA other public-sector entities	603	233	722	1,052	319	348	1,644	1,633
CRSA multilateral development banks	235	175	301	544	67	75	603	794
CRSA international organizations	509	219	202	682	348	391	1,059	1,292
CRSA institutions	2	916	–	–	1,650	1,414	1,652	2,330
CRSA corporates	30	74	299	324	439	385	768	783
CRSA retail exposures	390	978	340	373	763	848	1,493	2,199
CRSA exposures secured by real estate property	474	541	111	169	637	484	1,222	1,194
CRSA exposures in default	68	100	–	–	–	–	68	100
CRSA covered bonds	–	–	–	–	–	–	–	–
CRSA securitization positions	–	–	–	–	–	–	–	–
CRSA UCITS	–	–	–	–	–	–	–	–
CRSA equity exposures	–	–	–	–	219	233	219	233
CRSA other items	–	–	–	–	–	–	–	–
Total	**33,840**	**22,949**	**27,172**	**31,299**	**101,539**	**95,618**	**162,551**	**149,866**

The following table provides an overview of the exposure values for the specialized lending exposures calculated in accordance with Article 153(5) of the CRR, broken down by risk weight category. The exposures relate to commercial real estate finance, loans to property developers, operator models, real estate leasing, and private mortgage finance for properties with more than ten residential units.

Exposure values for IRBA specialized lending

	Dec. 31, 2017 €m	Dec. 31, 2016 €m
Risk weight 1 (strong)	1,102	1,088
Risk weight 2 (good)	227	401
Risk weight 3 (satisfactory)	49	81
Risk weight 4 (weak)	26	37
Risk weight 5 (defaulted)	45	29
Total	**1,449**	**1,636**

The following table shows the exposure values for equity exposures calculated using the simple risk weight approach in accordance with Article 155(2) of the CRR. In addition to these equity exposure values, Postbank, as of the reporting date, had further exposures amounting to €219 million (December 31, 2016: €233 million) that relate to equity exposures – temporarily excluded from IRBA – held prior to January 1, 2008, that have been assigned a regulatory risk weight of 100 % on the basis of the exception defined in Article 495(1) of the CRR in connection with Article 17 of the SolvV (so-called "grandfathering").

Exposure values for IRBA equity exposures in accordance with the simple risk weight approach

	Dec. 31, 2017 €m	Dec. 31, 2016 €m
Private equity exposures in sufficiently diversified portfolios (risk weight 190 %)	–	–
Exchange-traded equity exposures (risk weight 290 %)	–	–
Other equity exposures (risk weight 370 %)	19	38
Total	**19**	**38**

Information on credit risk mitigation techniques

The following two tables present the collateralized IRBA and CRSA exposure values. The relevant qualitative information in accordance with Article 453 of the CRR is contained in the "Collateral management and credit risk mitigation techniques" section of the chapter of the 2017 Group Management Report entitled "Monitoring and managing credit risk."

Collateralized exposure values in the internal rating approaches

Exposure classes	Total risk exposure		Financial collateral		Guarantees, indemnities, and credit derivatives		Other collateral		Total collateralized risk exposure	
	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016[1] €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m
IRBA governments and central banks	381	169	–	–	–	–	–	–	–	–
IRBA institutions	5,141	6,124	–	–	1	0	–	–	1	0
IRBA corporates	26,348	23,323	–	–	596	630	7,300	6,233	7,896	6,863
IRBA retail exposures	95,278	83,097	–	–	34	25	72,374	69,363[1]	72,408	69,388
IRBA equity exposures	19	38	–	–	–	–	–	–	–	–
IRBA securitization positions	48	55	–	–	–	–	–	–	–	–
Total	**127,215**	**112,806**	**–**	**–**	**631**	**655**	**79,674**	**75,596**	**80,305**	**76,251**

[1]Figures adjusted

Financial collateral and, to a limited extent, guarantees, indemnities, and credit derivatives can be counted toward the Credit Risk Standardized Approach. The following table does not include any collateral in the form of real estate liens since exposures secured by real estate property are assigned a preferential risk weighting under the Standardized Approach.

Collateralized exposure values in the credit risk standardized approach

Exposure classes	Total risk exposure		Financial collateral		Guarantees, indemnities, and credit derivatives		Total collateralized risk exposure	
	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m
CRSA governments and central banks	18,914	17,890	–	–	–	–	–	–
CRSA regional governments and local authorities	7,694	8,612	–	–	–	–	–	–
CRSA other public-sector entities	1,644	1,633	–	–	–	–	–	–
CRSA multilateral development banks	603	794	–	–	–	–	–	–
CRSA international organizations	1,059	1,292	–	–	–	–	–	–
CRSA institutions	1,652	2,330	–	–	–	–	–	–
CRSA corporates	768	783	–	–	26	33	26	33
CRSA retail exposures	1,493	2,199	–	–	–	–	–	–
CRSA exposures secured by real estate property	1,222	1,194	–	–	–	–	–	–
CRSA exposures in default	68	100	–	–	–	–	–	–
CRSA covered bonds	–	–	–	–	–	–	–	–
CRSA securitization positions	–	–	–	–	–	–	–	–
CRSA UCITS	–	–	–	–	–	–	–	–
CRSA equity exposures	219	233	–	–	–	–	–	–
CRSA other items	–	–	–	–	–	–	–	–
Total	**35,336**	**37,060**	**–**	**–**	**26**	**33**	**26**	**33**

Information on the allowance for losses on loans and advances

The figures for the allowance for losses on loans and advances shown in the following tables relate to the entire Postbank Group portfolio; in other words, they cover the portfolios subject both to the IRB approaches and to the CRSA. The relevant qualitative information in accordance with Article 442(a) and (b) of the CRR is contained in the "Past due and impaired exposures" and "Allowance for losses on loans and advances" sections of the chapter of the 2017 Group Risk Report entitled "Monitoring and managing credit risk."

The recognized allowance for losses on loans and advances relates to loans and advances to customers and to other banks. Gains and losses on the sale and remeasurement of investment securities, equity interests, and investments in unconsolidated subsidiaries are not reported below but in net income from investment securities (see Note 11 to the Consolidated Financial Statements of the 2017 Annual Report).

The following table shows the exposure values of impaired and past due exposures, the amounts of and changes in specific valuation allowances, portfolio-based valuation allowances, and provisions as of the reporting date in 2017 and in the previous year, including direct writedowns of and recoveries on loans written off, broken down in each case by the sectors of relevance to Postbank. The net amounts recognized represent the differences between additions to and reversals of the allowances for losses and provisions. The provisions relate primarily to undrawn commitments and guarantees.

Overall, the presentation of the allowance for losses on loans and advances – broken down by the sectors and obligor groups of relevance to Postbank – reflects Postbank's focus on the retail business. The exposure values of impaired exposures also include exposures to customers that have been classified as impaired due to the default of other exposures of that customer.

Allowance for losses on loans and advances, broken down by sector and obligor group

		Retail customers		Banks/ insurers/ financial services providers		Governments		Commercial real estate finance		Service providers/ wholesale and retail		Industry		Other sectors		Total	
		Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m
Exposures	Impaired exposures	1,745	1,732	48	54	6	7	209	201	93	88	87	90	32	35	2,220	2,207
	Past due exposures	147	134	0	0	–	–	–	4	0	2	0	3	0	0	147	143
Portfolios	Specific valuation allowances	615	593	–	–	3	4	46	79	38	35	59	56	39	31	800	798
	Portfolio-based valuation allowances	178	174	–	–	–	–	7	11	–	–	9	12	3	3	197	200
	Provisions	9	14	–	–	–	–	6	15	–	–	11	16	–	–	26	45
Period expense	Specific valuation allowances	141	162	–	–	–	–	–40	–5	4	7	2	–	10	11	117	175
	Portfolio-based valuation allowances	4	–5	–	–	–	–	–4	5	–	–	–3	2	–	–	–3	2
	Provisions	–3	–8	–	–	–	–	–9	9	–	–	–3	5	–	–	–15	6

Similarly, the following overview gives a breakdown of the allowance for losses on loans and advances by the geographic regions/areas of relevance to Postbank. In line with the CRR, no changes in the allowance for losses on loans and advances are shown in this table. The distribution of the allowance for losses on loans and advances corresponds to the distribution of the exposure values in the underlying loan portfolios.

Allowance for losses on loans and advances, broken down by geographic region

		Germany		Western Europe		Other regions		Total	
		Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m
Exposures	Impaired exposures	1,819	1,813	392	382	8	12	2,220	2.207
	Past due exposures	142	137	4	6	1	0	147	143
Portfolios	Specific valuation allowances	741	695	59	103	–	–	800	798
	Portfolio-based valuation allowances	193	196	4	4	–	–	197	200
	Provisions	26	45	–	–	–	–	26	45

For information on changes in the allowance for losses on loans and advances in the course of the reporting period and the disclosures in accordance with Article 442i) of the CRR, please see Note 8 to the Consolidated Financial Statements of the 2017 Annual Report.

Composition and reconciliation of Postbank's own funds

Postbank's own funds are calculated on the basis of its IFRS consolidated financial statements and in accordance with the requirements laid down in the CRR and SolvV. This section deals with the capital adequacy of the banking group as consolidated for supervisory reporting purposes in accordance with Article 11 ff. of the CRR and with the KWG and serves to disclose the elements of own funds during the transitional period in accordance with Articles 492(3) and 437(1)d) and e) of the CRR as well as to reconcile own funds items with balance sheet items in accordance with Article 437(1)a) of the CRR.

The following table first shows the figures of the IFRS consolidated balance sheet reflecting the accounting basis of consolidation and, second, the figures disclosed in the regulatory balance sheet reflecting the regulatory basis of consolidation. In contrast to the IFRS consolidated balance sheet, the regulatory balance sheet does not include the following subsidiaries: Postbank Finanzberatung AG and Postbank Immobilien GmbH. The delta column shows the difference between the figures in the IFRS consolidated balance sheet and those in the regulatory balance sheet. The references in the last column point to the tables that follow, which present the composition of own funds. These references are explained at the end of this section below the table "Transitional own funds disclosure and balance sheet references" in order to reconcile the balance sheet items, which are relevant for own funds calculation, with regulatory own funds items.

Presentation of the balance sheet by financial reporting consolidation and regulatory scope of consolidation

	IFRS balance sheet		Regulatory balance sheet		Delta		Reference
	Dec. 31, 2017 €m	Dec. 31, 2016[1] €m	Dec. 31, 2017 €m	Dec. 31, 2016[1] €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m	
Assets							
Cash reserve	2,020	2,291	2,020	2,291	0	0	
Loans and advances to other banks	10,821	13,108	10,820	13,108	–1	0	
Loans and advances to customers	106,997	101,996	106,989	101,989	–8	–7	
Allowance for losses on loans and advances	–997	–998	–997	–998	–	–	
Trading assets	310	475	310	475	–	–	
Hedging derivatives	47	112	47	112	–	–	
Investment securities	22,605	26,767	22,814	26,975	208	208	
Intangible assets	2,038	1,963	1,609	1,534	–429	–429	f
Goodwill	1,581	1,581	1,152	1,152	–429	–429	
Other intangible assets	457	382	457	382	0	0	
Property and equipment	715	699	714	698	–1	–1	
Current tax assets	74	144	73	143	–1	–1	
Deferred tax assets	229	198	200	171	–29	–27	
Other assets	477	388	471	379	–6	–9	
Assets held for sale	9	47	9	47	–	–	
Total assets	**145,345**	**147,190**	**145,079**	**146,924**	**–265**	**–266**	
Equity and liabilities							
Deposits from other banks	12,065	13,133	12,065	13,133	0	–	
Due to customers	118,699	118,918	118,806	119,002	107	84	
Debt securities in issue	3,215	3,339	3,215	3,339	–	–	
Trading liabilities	217	409	217	409	–	–	
Hedging derivatives	27	42	27	42	–	–	
Provisions	1,138	907	1,062	858	–76	–49	
Current tax liabilities	39	98	36	97	–3	–1	
Deferred tax liabilities	22	17	22	17	–	0	
Other liabilities	740	541	699	496	–41	–45	
Subordinated debt	2,068	2,567	2,068	2,567	–	–	g
Equity	7,115	7,219	6,862	6,964	–253	–255	
a) Issued capital	547	547	547	547	–	–	a
b) Share premium	2,191	2,191	2,191	2,191	–	–	b
c) Other reserves	4,127	4,167	3,878	3,918	–249	–249	
Retained earnings	4,474	4,377	4,198	4,106	–276	–271	c
AOCI	–347	–210	–320	–189	27	21	d
d) Consolidated net profit	250	314	246	308	–4	–6	e
Total equity and liabilities	**145,345**	**147,190**	**145,079**	**146,924**	**–265**	**–266**	

[1]Figures adjusted (see Note 6 to the Consolidated Financial Statements of the 2017 Annual Report)

Regulatory capital is broken down into three categories: Common Equity Tier 1 capital, Additional Tier 1 capital, and Tier 2 capital. In accordance with the transitional provisions of the CRR, capital instruments that are no longer permitted to be recognized are gradually phased out and the new prudential adjustments are gradually phased in.

The following table provides information in accordance with Articles 492(3) and 437(1)d) and e) of the CRR about Common Equity Tier 1 capital items, Additional Tier 1 capital items, and Tier 2 capital items, as well as about the prudential filters, deductions, and restrictions. The table is based on the "Transitional own funds disclosure template" contained in Annex VI of Commission Implementing Regulation No. 1423/2013 laying down implementing technical standards with regard to disclosure of own funds requirements for institutions in accordance with the CRR (CRR IR).

The "Amount of own funds position" column contains the amount used as the basis for calculating Postbank's own funds as of the reporting date and as of the previous year-end. The following column shows the residual amounts resulting from transitional provisions that are deducted from other categories of capital, or not deducted at all, along with amounts that will not contribute toward own funds following full phase-in. The next column contains references to the balance sheet items used to calculate the own funds. The "CRR reference" column lists the applicable provisions of the CRR.

The information provided in the following table as of December 31, 2017, includes the consolidated net profit for fiscal year 2017; the comparative figures from the disclosure as of December 31, 2016, include the interim profit as of September 30, 2016.

Transitional own funds disclosure and balance sheet references

No.	Own funds position in accordance with CRR Impl. Reg. Annex VI	Amount of own funds position		Amount before CRR/residual amount[1]		Reference	CRR reference
		Dec. 31, 2017 €m	Dec. 31, 2016[2] €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m		
	Common Equity Tier 1 (CET1) capital: instruments and reserves						
1	Capital instruments and related share premium accounts	2,738	2,738			a+b	26(1), 27, 28, 29
	thereof: issued capital	547	547			a	
	thereof: share premium	2,191	2,191			b	
2	Retained earnings	4,198	3,975			c	26(1)(c)
3	Accumulated other comprehensive income (and other reserves, to include unrealized gains and losses under the applicable accounting standards)	–320	–71			d	26(1)
3a	Funds for general banking risk	0	–				26(1)(f)
4	Amount of qualifying items referred to in Article 484(3) of the CRR and the related share premium accounts subject to phase out from CET1	0	–				486(2)
	Public-sector capital injections grandfathered until January 1, 2018	0	–				483(2)
5	Minority interests (amount allowed in consolidated CET1)	0	–	–	–		84, 479, 480
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	246	172			e	26(2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**6,862**	**6,814**				
	Common Equity Tier 1 (CET1) capital: regulatory adjustments						
7	Additional value adjustments (negative amount)	–36	–71				34, 105
8	Intangible assets (net of related tax liability) (negative amount)	–1,232	–888	–308	–592	f	36(1)(b), 37, 472(4)
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38(3) are met) (negative amount)	–22	–18	–6	–12		36(1)(c), 38, 472(5)
11	Fair value reserves related to gains or losses on cash flow hedges	–	–				33(a)
12	Negative amounts resulting from the calculation of expected loss amounts	–218	–156	–55	–104		36(1)(d), 40, 159, 472(6)
13	Any increase in equity that results from securitized assets (negative amount)	–	–				32(1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing[3]	–1	–3	0	–2		33(b)
15	Defined benefit pension fund assets (negative amount)	–	–	–	–		36(1)(e), 41, 472(7)
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–	–	–	–		36(1)(f), 42, 472(8)
17	Holdings of the CET1 instruments of financial-sector entities where those entities have a reciprocal cross-holding with the institution that has been designed to inflate artificially the own funds of the institution (negative amount)	–	–	–	–		36(1)(g), 44, 472(9)
18	Direct and indirect holdings by the institution of the CET1 instruments of financial-sector entities where the institution does not have a significant investment in those entities (amount above the 10 % threshold and net of eligible short positions) (negative amount)	–	–	–	–		36(1)(h), 43, 45, 46, 49(2)(3), 79, 472(10)
19	Direct, indirect, and synthetic holdings by the institution of the CET1 instruments of financial-sector entities where the institution has a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	–	–	–	–		36(1)(i), 43, 45, 47, 48(1)(b), 49(1) to (3), 79, 470, 472(11)
20a	Exposure amount of the following items which qualify for a RW of 1,250 %, where the institution opts for the deduction alternative	–	–				36(1)(k)
20b	thereof: qualifying holdings outside the financial sector (negative amount)	–	–				36(1)(k)(i), 89 to 91
20c	thereof: securitization positions (negative amount)	–	–				36(1)(k)(ii), 243(1)(b), 244(1)(b), 258
20d	thereof: free deliveries (negative amount)	–	–				36(1)(k)(iii), 379(3)
21	Deferred tax assets that rely on future profitability and arise from temporary differences (amount above 10 % threshold, net of related tax liability, where the conditions in Article 38(3) are met) (negative amount)	–	–	–	–		36(1)(c), 38, 48(1)(a), 470, 472(5)
22	Amount exceeding the 15 % threshold (negative amount)	–	–	–	–		48(1)
23	thereof: direct and indirect holdings by the institution of the CET1 instruments of financial-sector entities where the institution has a significant investment in those entities	–	–	–	–		36(1)(i), 48(1)(b), 470, 472(11)
25	thereof: deferred tax assets that rely on future profitability and arise from temporary differences	–	–	–	–		36(1)(c), 38, 48(1)(a), 470, 472(5)

[1]This column is used to report the residual amounts that were deducted from other categories of capital or not deducted at all on the basis of the transitional provision, and amounts that are subject to phase out.

[2]Figures adjusted (see Note 6 to the Consolidated Financial Statements of the 2017 Annual Report)

[3]Also includes fair value gains and losses arising from Postbank's own credit risk related to derivative liabilities in accordance with Article 33c) of the CCR

Transitional own funds disclosure and balance sheet references

No.	Own funds position in accordance with CRR Impl. Reg. Annex VI	Amount of own funds position		Amount before CRR/residual amount[1]		Refer-ence	CRR reference
		Dec. 31, 2017 €m	Dec. 31, 2016[2] €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m		
Common Equity Tier 1 (CET1) capital: regulatory adjustments							
25a	Losses for the current fiscal year (negative amount)	–	–71	–	–47	d	36(1)(a), 472(3)
25b	Foreseeable tax charges relating to CET1 items (negative amount)	–	–				36(1)(l)
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	–	–				
26a	Regulatory adjustments relating to unrealized gains and losses pursuant to Articles 467 and 468	64	28				
	thereof: filter for unrealized gains on exposures to central governments classified in the "available for sale" category pursuant to the International Accounting Standard (IAS) 39 as adopted by the EU	–	–				
	thereof: filter for other unrealized gains on equity and debt instruments	–	–				
	thereof: filter for unrealized losses on exposures to central governments classified in the "available for sale" category pursuant to the International Accounting Standard (IAS) 39 as adopted by the EU	–	–				467
	thereof: filter for other unrealized losses on equity and debt instruments	64	28				468
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre-CRR	–	–				481
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	–	–				36(1)(j)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**–1,445**	**–1,179**				
29	**Common Equity Tier 1 (CET1) capital**	**5,417**	**5,635**				
Additional Tier 1 (AT1) capital: instruments							
30	Capital instruments and related share premium accounts	–	–				51, 52
31	thereof: classified as equity under applicable accounting standards	–	–				
32	thereof: classified as liabilities under applicable accounting standards	–	–				
33	Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from AT1	460	853			g	486(3)
	Public-sector capital injections grandfathered until January 1, 2018	–	–				483(3)
34	Qualifying Tier 1 capital instruments included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	–	–				85, 86, 480
35	thereof: instruments issued by subsidiaries subject to phase out	–	–				486(3)
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**460**	**853**			g	
Additional Tier 1 (AT1) capital: regulatory adjustments							
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	–	–				52(1)(b), 56(a), 57, 475(2)
38	Holdings of the AT1 instruments of financial-sector entities where those entities have reciprocal cross-holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	–	–				56(b), 58, 475(3)
39	Direct and indirect holdings by the institution of the AT1 instruments of financial-sector entities where the institution does not have a significant investment in those entities (amount above the 10 % threshold and net of eligible short positions) (negative amount)	–	–				56(c), 59, 60, 79, 475(4)
40	Direct and indirect holdings by the institution of the AT1 instruments of financial-sector entities where the institution has a significant investment in those entities (amount above the 10 % threshold net of eligible short positions) (negative amount)	–					56(d), 59, 79, 475(4)
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No. 575/2013 (i.e., CRR residual amounts)	–335	–644				
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No. 575/2013	–335	–644				472, 472(3)(a), 472(4), 472(6), 472(8)(a), 472(9), 472 (10) (a), 472(11)(a)
	thereof: intangible assets	–308	–592				
	thereof: negative amounts resulting from the calculation of expected loss amounts	–27	–52				
	thereof: own instruments	–	–				
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to Article 475 of Regulation (EU) No. 575/2013	–	–				477, 477(3), 477(4)(a)
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	–	–				467, 468, 481

[1] This column is used to report the residual amounts that were deducted from other categories of capital or not deducted at all on the basis of the transitional provision, and amounts that are subject to phase out.

[2] Figures adjusted (see Note 6 to the Consolidated Financial Statements of the 2017 Annual Report)

Transitional own funds disclosure and balance sheet references

No.	Own funds position in accordance with CRR Impl. Reg. Annex VI	Amount of own funds position		Amount before CRR/residual amount[1]		Refer-ence	CRR reference
		Dec. 31, 2017 €m	Dec. 31, 2016[2] €m	Dec. 31, 2017 €m	Dec. 31, 2016 €m		
Additional Tier 1 (AT1) capital: regulatory adjustments							
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	–	–				56(e)
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**–335**	**–644**				
44	**Additional Tier 1 (AT1) capital**	**125**	**209**				
45	**Total Tier 1 capital (T1 = CET1 + AT1)**	**5,541**	**5,844**				
Tier 2 (T2) capital: instruments and provisions							
46	Capital instruments and the related share premium accounts	442	563[3]			g	62, 63
47	Amount of qualifying items referred to in Article 484(5) and the related share premium accounts subject to phase out from T2	1	125			g	486(4)
	Public-sector capital injections grandfathered until January 1, 2018	–	–				483(4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 and 34) issued by subsidiaries and held by third parties	484	402[3]	–6	–16	g	87, 88, 480
49	thereof: instruments issued by subsidiaries subject to phase out	–	–				486(4)
50	Credit risk adjustments	–	–				62(c) and (d)
51	**Tier 2 (T2) capital before regulatory adjustments**	**927**	**1,090**			g	
Tier 2 (T2) capital: regulatory adjustments							
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	–	–				63(b)(i), 66(a), 67, 477(2)
53	Holdings of the T2 instruments and subordinated loans of financial-sector entities where those entities have reciprocal cross-holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	–	–				66(b), 68, 477(3)
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial-sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	–	–				66(c), 69, 70, 79, 477(4)
54a	thereof: new holdings not subject to any transitional arrangements	–	–				
54b	thereof: holdings existing before January 1, 2013, and subject to transitional arrangements	–	–				
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial-sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	–	–				66(d), 69, 79, 477(4)
56	Regulatory adjustments applied to Tier 2 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No. 575/2013 (i.e., CRR residual amounts)	–27	–52				
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No. 575/2013	–27	–52				472, 472(3)(a), 472(4), 472(6), 472(8)(a), 472(9), 472 (10) (a), 472(11)(a)
	thereof: negative amounts arising from the calculation of expected loss amounts	–27	–52				
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to Article 475 of Regulation (EU) No. 575/2013	–	–				475, 475(2)(a), 475(3), 475(4)(a)
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	–	–				467, 468, 481
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**–27**	**–52**				
58	**Tier 2 (T2) capital**	**900**	**1,038**				
59	**Total capital (TC = T1 + T2)**	**6,441**	**6,882**				
Risk-weighted assets							
59a	Risk-weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No. 575/2013 (i.e., CRR residual amounts)	641	616				
	thereof: deferred tax assets that rely on future profitability, resulting from temporary differences	641	616				472, 472(5), 472(8)(b), 472 (10) (b), 472(11)(b)
	thereof: Common Equity Tier 1 instruments of relevant entities where the institution has a significant investment in those entities	0	0				475, 475(2)(b), 475(2)(c), 475(4)(b)
60	**Total risk-weighted assets**	**41,900**	**41,997**				

[1] This column is used to report the residual amounts that were deducted from other categories of capital or not deducted at all on the basis of the transitional provision, and amounts that are subject to phase out.

[2] Figures adjusted (see Note 6 to the Consolidated Financial Statements of the 2017 Annual Report)

[3] Disclosure adjusted. The trust preferred securities of Deutsche Postbank Funding Trusts I–III disclosed in Tier 2 capital were reported in row 46 before June 30, 2017.

Transitional own funds disclosure and balance sheet references

No.	Own funds position in accordance with CRR Impl. Reg. Annex VI	Amount of own funds position Dec. 31, 2017 €m	Amount of own funds position Dec. 31, 2016[2] €m	Amount before CRR/residual amount[1] Dec. 31, 2017 €m	Amount before CRR/residual amount[1] Dec. 31, 2016 €m	Refer-ence	CRR reference
	Capital ratios and buffers						
61	Common Equity Tier 1 capital ratio (as a percentage of total risk exposure amount)	12.93 %	13.42 %				92(2)(a), 465
62	Tier 1 capital ratio (as a percentage of total risk exposure amount)	13.23 %	13.92 %				92(2)(b), 465
63	Total capital ratio (as a percentage of total risk exposure amount)	15.37 %	16.39 %				92(2)(c)
64	Institution-specific buffer requirement (CET1 requirement in accordance with Article 92(1) (a), plus capital conservation and counter-cyclical buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of total risk exposure amount))	8.26 %	5.13 %				CRD 128, 129, 130
65	thereof: capital conservation buffer requirement	1.25 %	0.63 %				
66	thereof: counter-cyclical buffer requirement	0.01 %	0.00 %				
67	thereof: systemic risk buffer requirement	–	–				
67a	thereof: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	–	–				CRD 131
68	Common Equity Tier 1 available to meet buffers (as a percentage of total risk exposure amount)	4.73 %	7.92 %				CRD 128
	Deductions from Common Equity Tier 1 capital						
72	Direct and indirect holdings by the institution of the capital instruments of financial-sector entities where the institution does not have a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	23	32				36(1)(h), 45, 46, 472 (10), 56(c), 59, 60, 475(4), 66(c), 69, 70, 477(4)
73	Direct and indirect holdings by the institution of the CET1 instruments of financial-sector entities where the institution has a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	0	0				36(1)(i), 45, 48, 470, 472(11)
75	Deferred tax assets that rely on future profitability, arising from temporary differences (amount below 10 % threshold, net of related tax liability, where the conditions in Article 38(3) are met)	256	246				36(1)(c), 38, 48, 470, 472(5)
	Applicable caps on the inclusion of provisions in Tier 2						
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)	–	–				62
77	Cap on inclusion of credit risk adjustments in T2 under standardized approach	33	41				62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	–	–				62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	201	195				62
	Capital instruments subject to phase-out arrangements (only applicable from January 1, 2013, to January 1, 2022)						
80	Current cap on CET1 instruments subject to phase out arrangements	–	–				484(3), 486(2) and (5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	–	–				484(3), 486(2) and (5)
82	Current cap on AT1 instruments subject to phase out arrangements	460	853				484(4), 486(3) and (5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	10	214				484(4), 486(3) and (5)
84	Current cap on T2 instruments subject to phase out arrangements	1	125				484(5), 486(4) and (5)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	9	88				484(5), 486(4) and (5)

[1]This column is used to report the residual amounts that were deducted from other categories of capital or not deducted at all on the basis of the transitional provision, and amounts that are subject to phase out.

[2]Figures adjusted (see Note 6 to the Consolidated Financial Statements of the 2017 Annual Report)

Common Equity Tier 1 capital (row 29) consists of issued capital and the related share premium (row 1), retained earnings (row 2), accumulated other comprehensive income (row 3), and consolidated net profit (row 5a) after applying the prudential adjustments listed in rows 7 to 27.

Additional Tier 1 capital comprises contributions by typical silent partners and the trust preferred securities of Funding Trusts I–III (row 33). The qualification of these instruments as Additional Tier 1 capital is also subject to the transitional provisions as set out in Article 486(3) of the CRR. Under these provisions, trust preferred securities of Funding Trusts I–III will cease to qualify as Additional Tier 1 capital on December 31, 2021. Contributions by typical silent partners will cease to qualify as Additional Tier 1 capital, owing to their maturity, on December 31, 2018. After applying prudential adjustments as listed in rows 37 to 42, Additional Tier 1 capital is disclosed in row 44.

Tier 2 capital (row 58) comprises profit participation rights outstanding and subordinated liabilities (row 46). The qualification of contributions by typical silent partners as Tier 2 capital is subject to transitional provisions as laid down in Article 486(4) of the CRR (row 47). The pro rata share of the trust preferred securities of Funding Trusts I-III, to the extent that these are not included in Additional Tier 1 capital under the transitional provisions until December 31, 2021, and capital instruments issued by Postbank's subsidiary BHW Bausparkasse AG also qualify as Tier 2 capital (row 48). The prudential adjustments listed in rows 52 to 56c also contribute to Tier 2 capital. In line with the previous year-end, the prudential adjustments as of the reporting date consisted solely of deductions resulting from transitional provisions (row 56).

The following additional explanations relate to the individual references:

- (a+b) The Common Equity Tier 1 capital instruments and the related share premium in the amount of €2,738 million (December 31, 2016: €2,738 million) correspond to the issued capital in the amount of €547 million (December 31, 2016: €547 million) plus the share premium in the amount of €2,191 million (December 31, 2016: €2,191 million).

- (c) The retained earnings of €4,198 million (December 31, 2016: €3,975 million[1]) correspond, as of the reporting date, to the retained earnings in the regulatory balance sheet in the amount of €4,198 million (December 31, 2016: €4,106 million[1]). As of December 31, 2016, the requirement to deduct the fund for home loans and savings protection had resulted in a difference of €21 million.

- (d) The accumulated other comprehensive income in the amount of €–320 million (December 31, 2016: €–71 million) corresponds to the amount of €–320 million (December 31, 2016: €–189 million) disclosed in the regulatory balance sheet.

- (e) Consolidated net profit of €246 million as of December 31, 2017, was included in the disclosure (as of December 31, 2016, the interim profit of €172 million[1] as of September 30, 2016, had been included in the disclosure).

- (f) The difference between the amount for intangible assets of €1,540 million (December 31, 2016: €1,480 million) as presented in the overview of own funds and the carrying amount of €1,609 million (December 31, 2016: €1,534 million) as disclosed in the regulatory balance sheet is attributable to the inclusion of deferred tax liabilities of €69 million (December 31, 2016: €64 million).

- (g) A total of €1,387 million of the €2,068 million (December 31, 2016: €2,567 million) of subordinated debt on the balance sheet is eligible for inclusion in own funds, before deductions. Of this amount, €460 million (December 31, 2016: €853 million) counts toward Additional Tier 1 capital and €927 million (December 31, 2016: €1,090 million) toward Tier 2 capital.

The Tier 2 capital in the amount of €927 million (December 31, 2016: €1,090 million) that qualifies for regulatory purposes comprises the following items:

- €442 million (December 31, 2016: €563 million) of eligible Tier 2 capital instruments of Deutsche Postbank AG (amortization in the last five years of their duration) (see row 46)

- €450 million (December 31, 2016: €479 million) of the trust preferred securities of Deutsche Postbank Funding Trusts eligible as Tier 2 capital under the transitional provisions (see row 48)

- €1 million (December 31, 2016: €2 million) of the contributions by typical silent partners of Deutsche Postbank AG eligible as Tier 2 capital under the transitional provisions (row 47)

- €34 million (December 31, 2016: €47 million) of the instruments issued by BHW Bausparkasse AG allocated to consolidated Tier 2 capital (see row 48).

[1]Figures adjusted (see Note 6 to the Consolidated Financial Statements of the 2017 Annual Report)

Minimum capital requirements and additional capital buffers
Since 2015, the applicable minimum Common Equity Tier 1 capital ratio has been 4.5 % of risk-weighted assets (RWA). The minimum total capital requirement of 8 % can be met with up to 1.5 % Additional Tier 1 capital and up to 2 % Tier 2 capital. In addition to these minimum capital requirements, institutions must maintain the following capital buffers in the form of Common Equity Tier 1 capital: The capital conservation buffer in accordance with section 10c of the KWG will amount to 2.5 % of risk-weighted assets in 2019. Due to transitional provisions, the capital conservation buffer was set at 1.25 % of risk-weighted assets for the reporting period. The institution-specific countercyclical capital buffer rate in accordance with section 10d of the KWG is calculated as the weighted average of the countercyclical capital buffer rates that apply in the jurisdictions where Postbank's relevant credit exposures are located. This buffer is also subject to a transitional period from 2016 to 2019. The countercyclical capital buffer rate for Postbank as of December 31, 2017, was 0.007 %.

The amount of the institution-specific countercyclical capital buffer can be found in the table below.

Amount of institution-specific countercyclical capital buffer

		010	010
		Dec. 31, 2017	Dec. 31, 2016
010	Total risk exposure amount	€41,900 million	€41,977 million
020	Institution-specific countercyclical capital buffer rate	0.01 %	0.00 %
030	Institution-specific countercyclical capital buffer requirement	€3 million	€2 million

The tables below show the geographical distribution of Postbank's credit exposures relevant for calculating the countercyclical capital buffer as of the reporting date and as of December 31, 2016:

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer as of December 31, 2017

	General credit exposures		Trading book exposures		Securitization exposures		Own funds requirements					
	Exposure value (SA)	Trading book exposures (IRB)	Sum of long and short trading book positions	Value of trading book exposure (internal models)	Exposure value (SA)	Exposure value (IRB)	Of which: General credit expo-sures	Of which: Trading book expo-sures	Of which: Securiti-zation exposures	Total	Own funds require-ment weights	Counter-cyclical capital buffer rate
	010	020	030	040	050	060	070	080	090	100	110	120
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	%	%
Austria	3	623	–	–	–	–	12	–	–	12	0	0.00
Belgium	86	449	–	–	–	–	10	–	–	10	0	0.00
Czech Republic	4	58	–	–	–	–	2	–	–	2	0	0.50
Denmark	0	57	–	–	–	–	2	–	–	2	0	0.00
Finland	0	406	–	–	–	–	5	–	–	5	0	0.00
France	12	2,143	–	–	–	–	50	–	–	50	2	0,00
Germany	2,479	115,417	–	–	–	–	2,498	–	–	2,498	89	0.00
Ireland	0	112	–	–	–	–	5	–	–	5	0	0.00
Italy	4	2,168	–	–	–	–	48	–	–	48	2	0.00
Luxembourg	1,044	730	–	–	–	–	47	–	–	47	2	0.00
Netherlands	1	1,608	–	–	–	–	50	–	–	50	2	0.00
Poland	30	209	–	–	–	–	10	–	–	10	0	0.00
Portugal	0	31	–	–	–	–	1	–	–	1	0	0.00
Slovakia	0	13	–	–	–	–	0	–	–	0	0	0.50
Spain	1	590	–	–	–	–	15	–	–	15	1	0.00
Sweden	0	473	–	–	–	–	7	–	–	7	0	2.00
United Kingdom	2	1,260	–	–	–	–	28	–	–	28	1	0.00
Other EU countries	3	90	–	–	–	–	2	–	–	2	0	0.00
EU – total	**3,669**	**126,437**	**–**	**–**	**–**	**–**	**2,792**	**–**	**–**	**2,792**	**99**	
Hong Kong	2	5	–	–	–	–	0	–	–	0	0	1.25
Iceland	0	0	–	–	–	–	0	–	–	0	0	1.25
India	10	23	–	–	–	–	1	–	–	1	0	0.00
Norway	0	148	–	–	–	–	2	–	–	2	0	2.00
Russian Federation	20	10	–	–	–	–	2	–	–	2	0	0.00
Switzerland	23	239	–	–	–	–	8	–	–	8	0	0.00
Turkey	1	46				–	4			4	0	0.00
U.S.A.	0	559	–	–	–	48	6	–	0	6	0	0.00
Other non-EU countries	41	237	–	–	–	–	10	–	–	10	1	0.00
Non-EU countries – total	**97**	**1,267**	**–**	**–**	**–**	**48**	**33**	**–**	**0**	**33**	**1**	
Total	**3,766**	**127,704**	**–**	**–**	**–**	**48**	**2,825**	**–**	**0**	**2,825**	**100**	

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer as of December 31, 2016

	General credit exposures		Trading book exposures		Securitization exposures		Own funds requirements					
	Exposure value (SA)	Trading book exposures (IRB)	Sum of long and short trading book positions	Value of trading book exposure (internal models)	Exposure value (SA)	Exposure value (IRB)	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitization exposures	Total	Own funds requirement weights	Countercyclical capital buffer rate
	010	020	030	040	050	060	070	080	090	100	110	120
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	%	%
Austria	3	484	–	–	–	–	11	–	–	11	0	0.00
Belgium	101	329	–	–	–	–	9	–	–	9	0	0.00
Czech Republic	5	34	–	–	–	–	2	–	–	2	0	0.00
Denmark	0	132	–	–	–	–	7	–	–	7	0	0.00
Finland	0	406	–	–	–	–	8	–	–	8	0	0.00
France	10	2,288	–	–	–	–	56	–	–	56	2	0.00
Germany	3,301	101,469	–	–	–	–	2,425	–	–	2,425	87	0.00
Ireland	0	85	–	–	–	–	4	–	–	4	0	0.00
Italy	4	2,153	–	–	–	–	46	–	–	46	2	0.00
Luxembourg	982	631	–	–	–	–	56	–	–	56	2	0.00
Netherlands	2	1,295	–	–	–	–	42	–	–	42	2	0.00
Poland	5	198	–	–	–	–	9	–	–	9	0	0.00
Portugal	0	85	–	–	–	–	1	–	–	1	0	0.00
Slovakia	0	10					0	–	–	0	0	0.00
Spain	5	507	–	–	–	–	14	–	–	14	1	0.00
Sweden	0	352	–	–	–	–	6	–	–	6	0	1.50
United Kingdom	1	1,903	–	–	–	–	58	–	–	58	2	0.00
Other EU countries	1	58	–	–	–	–	1	–	–	1	0	0.00
EU – total	**4,420**	**112,419**					**2,755**			**2,755**	**98**	
Hong Kong	0	3	–	–	–	–	0	–	–	0	0	0.63
Norway	0	147	–	–	–	–	2	–	–	2	0	1.50
Russian Federation	22	3	–	–	–	–	2	–	–	2	0	0.00
Switzerland	25	159	–	–	–	–	8	–	–	8	1	0.00
Turkey	0	41	–	–	–	–	2	–	–	2	0	0.00
U.S.A.	1	345	–	–	–	55	10	–	0	10	1	0.00
Other non-EU countries	35	158	–	–	–	–	7	–	–	7	0	0.00
Non-EU countries – total	**83**	**856**				**55**	**31**		**0**	**31**	**2**	
Total	**4,503**	**113,275**				**55**	**2,786**		**0**	**2,786**	**100**	

The responsible supervisory authority has not set a systemic risk buffer in accordance with section 10e of the KWG. Similarly, Postbank has not been classified as a global systemically important institution (section 10f of the KWG) or other systemically important institution (section 10g of the KWG) and is therefore currently not subject to any other capital buffer requirements. As a result, the current combined buffer requirement rate for Postbank in accordance with section 10i of the KWG is 1.26 %. Above and beyond these capital buffer requirements, the responsible supervisory authority can, in accordance with the supervisory review and evaluation process (SREP), impose additional individual capital requirements on banks that exceed the statutory minimum requirements.

In this context, Postbank complies with all minimum capital requirements, including the statutory and individual capital buffer requirements, it must meet.

Capital profiles and agreements and prospectuses for capital instruments issued

In accordance with Article 437(1) b) and c) of the CRR, institutions required to apply the CRR must disclose a description of the main features and full terms and conditions of the Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments. Postbank complies with this obligation by publishing this information on its website. The information provided is updated every quarter and can be accessed via the following link: https://www.postbank.com/postbank/en/ir_capital_instruments_prospectuses.html.

Capital requirements

The following table provides an overview of Postbank's capital backing, calculated with reference to the regulatory bases of assessment, broken down by the type of risk and approach. The capital backing, taking into account the applicable transitional provisions in the CRR and the SolvV, represents the risk-weighted exposure amounts required to be included, multiplied by 8 % in each case. Total capital backing as of December 31, 2017, amounted to €3,352 million (December 31, 2016: €3,360 million).

Capital backing by type of risk and approach

	Dec. 31, 2017 €m	Dec. 31, 2016 €m
Total credit risk exposure, calculated using the Standardized Approach		
Governments and central banks	–	–
Regional governments and local authorities	0	0
Public-sector entities	3	4
Multilateral development banks	–	–
International organizations	–	–
Institutions	4	5
Corporates	59	60
Retail exposures	89	131
Exposures secured by real estate property	35	34
Exposures in default	7	10
Covered bonds	–	–
UCITS	–	–
Total Standardized Approach	**197**	**244**
Total credit risk exposure, calculated on the basis of internal ratings		
Foundation IRB Approach		
Governments and central banks	–	–
Institutions	20	31
Corporates	311	318
Total Foundation IRB Approach	**331**	**349**
Advanced IRB Approach		
Governments and central banks	1	1
Institutions	85	81
Corporates	525	543
Retail exposures to SMEs, secured by real estate property	0	0
Retail exposures, other than to SMEs, secured by real estate property	1,087	1,062
Qualifying revolving retail exposures	75	7
Other retail exposures to SMEs	8	7
Other retail exposures, other than to SMEs	418	389
Total Advanced IRB Approach	**2,198**	**2,090**
Other non-credit obligation assets	**145**	**145**
Total IRB Approaches	**2,674**	**2,584**
Total risk exposure for securitization positions		
Securitization positions (IRBA)	–	0
Securitization positions (Standardized Approach)	–	–
Total risks from securitization positions	**–**	**0**
Total risk exposure for equity exposures		
Equity exposures – retention of existing calculation/grandfathering	18	19
Equity exposures (simple risk weight approach under the IRBA)	6	11
Exchange-traded	–	–
Private equity exposures in sufficiently diversified portfolios	–	–
Other equity exposures	6	11
Equity exposures with regulatory risk weighting in accordance with Article 48 of the CRR	0	0
Total risks from equity exposures	**23**	**30**
Other total risk exposure amounts		
Exchange-traded debt instruments (calculated using the Standardized Approach)	–	–
Foreign exchange positions (calculated using the Standardized Approach)	5	5
Other market risk exposures (calculated using the Standardized Approach)	–	–
Total risk exposure amount for operational risk (calculated using the Standardized Approach)	430	466
Total risk exposure amount due to credit valuation adjustments (CVAs, calculated using the Standardized Approach)	11	20
Exposure amount for contributions to the default fund of a central counterparty (CCP)	12	11
Other total risk exposure amounts	–	–
Total	**3,352**	**3,360**

Leverage ratio

With the implementation of Basel III in European law, a new observation ratio was defined in the form of the leverage ratio. Initial disclosure in accordance with Article 451 of the CRR was required for 2015, with the introduction of a binding minimum ratio as a Pillar 1 requirement expected when the CRR II reform package enters into force. The aim of establishing a leverage ratio is to restrict the build-up of leverage in the banking sector, and to reduce the risk of unscheduled, destabilizing de-leveraging processes during times of economic stress.

The leverage ratio is calculated as an institution's capital measure divided by that institution's total exposure measure. The total exposure measure is the sum of the exposure values of all assets and off-balance sheet items. Specific qualification criteria in accordance with Article 429 of the CRR will apply to derivatives, repurchase agreements, and off-balance sheet transactions in particular.

The following information on the leverage ratio reflects the requirements set out in Article 429 of the CRR and the Commission Implementing Regulation (EU) 2016/200 with regard to disclosure of the leverage ratio as of February 15, 2016. In accordance with the disclosure of own funds, the regular phased-in Tier 1 capital is reported.

In the following table, Postbank's total assets are reconciled to the total exposure measure. The provisions of the CRR define how assets qualify for the leverage ratio and the adjustment effects listed in the table:

- Adjustment through consolidation: The same basis of regulatory consolidation used to calculate Postbank's own funds must be applied when determining the total exposure measure.
- Adjustments for derivative financial instruments: Derivative exposures are calculated on the basis of their current replacement cost, including netting agreements accepted for regulatory purposes. This amount can be reduced by collateral received. An add-on amount is calculated using the mark-to-market method to cover a potential future rise in replacement costs.
- Adjustments for repurchase transactions: If certain criteria are met, netting of cash payables and cash receivables from repurchase transactions is permitted; an add-on must be calculated to cover counterparty credit risk.
- Adjustments for off-balance sheet transactions: The notional amounts of off-balance sheet exposures are weighted using the conversion factors of the Credit Risk Standardized Approach. A floor of at least 10 % must be observed, and the capital requirement may not be reduced by any allowance for losses on loans and advances.
- Other adjustments: Assets recognized as deduction items when calculating own funds are excluded from the total exposure measure.

Reconciliation of total assets and the leverage ratio total exposure measure

		Dec. 31, 2017 €m	Dec. 31, 2016 €m
1	Total assets as per published financial statements[1]	145,345	147,190
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	–265	–266
3	(Adjustment for fiduciary assets recognized on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No. 575/2013	–	–
4	Adjustment for derivative financial instruments	451	366
5	Adjustment for securities financing transactions (SFTs)	–	300
6	Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	5,896	5,623
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No. 575/2013)	–	–
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No. 575/2013)	–	–
7	Other adjustments	–1,752	–1,090
8	**Leverage ratio total exposure measure**	**149,675**	**152,123**

[1]Figures adjusted (see Note 6 to the Consolidated Financial Statements of the 2017 Annual Report)

The following table shows subtotals of the total exposure measure for all on- and off-balance sheet exposures, together with possible exceptions in accordance with Article 429 of the CRR, and the regular phased-in Tier 1 capital:

Calculation of the leverage ratio

		Dec. 31, 2017 €m	Dec. 31, 2016[1] €m
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	144,203	141,098
2	(Asset amounts deducted in determining Tier 1 capital)	–1,743	–1,629
3	**Total on-balance sheet exposures (excluding derivatives, SFTs, and fiduciary assets) (sum of rows 1 and 2)**	**142,460**	**139,469**
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	207	332
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	556	567
EU-5a	Exposure determined under Original Exposure Method	–	–
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	–	–
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(278)	–
8	(Exempted CCP leg of client-cleared trade exposures)	–	–
9	Adjusted effective notional amount of written credit derivatives	–	–
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–	–
11	**Total derivatives exposures (sum of rows 4 to 10)**	**485**	**899**
Securities financing transaction (SFT) exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	1,289	9,852
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–455	–4,020
14	Counterparty credit risk exposure for SFT assets	–	300
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No. 575/2013	–	–
15	Agent transaction exposures	–	–
EU-15a	(Exempted CCP leg of client-cleared SFT exposures)	–	–
16	**Total securites financing transaction exposures (sum of rows 12 to 15a)**	**834**	**6,132**
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	24,431	24,206
18	(Adjustments for conversion to credit equivalent amounts)	–18,535	–18,583
19	**Other off-balance sheet exposures (sum of rows 17 and 18)**	**5,896**	**5,623**
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No. 575/2013 (on- and off-balance sheet)			
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No. 575/2013 (on- and off-balance sheet))	–	–
EU-19b	(Exposures exempted in accordance with Article 429(14) of Regulation (EU) No. 575/2013 (on- and off-balance sheet))	–	–
Capital and total exposure measure			
20	**Tier 1 capital**	**5,541**	**5,844**
21	**Leverage ratio total exposure measure (sum of rows 3, 11, 16, 19, EU-19a, and EU-19b)**	**149,675**	**152,123**
Leverage ratio			
22	**Leverage ratio**	**3.70%**	**3.84%**
Choice of transitional arrangements and amount of derecognized fiduciary items			
EU-23	Choice of transitional arrangements for the definition of the capital measure	transitional	transitional
EU-24	Amount of derecognized fiduciary items in accordance with Article 429(11) of Regulation (EU) No. 575/2013	–	–

[1]Figures adjusted (see Note 6 to the Consolidated Financial Statements of the 2017 Annual Report)

Postbank's leverage ratio decreased during the period under review. The leverage ratio was 3.70 % as of the reporting date, compared with 3.84 % as of December 31, 2016. The main driver of this development was a decrease in Tier 1 capital (see "Composition and reconciliation of Postbank's own funds") which was counteracted by the scheduled reduction in total assets.

The total exposure measure was reduced to €149,675 million (December 31, 2016: €152,123 million[2]) by optimizing total assets. The €5,298 million decline in securities financing transactions to €834 million (December 31, 2016: €6,132 million) was offset by a €2,990 million increase in other on-balance sheet exposures to €142,460 million (December 31, 2016: €139,469 million). Off-balance sheet exposures increased by €273 million to €5,896 million in the reporting period, while the qualifying amount for derivatives declined by €414 million to €485 million.

The table below provides an overview of all on-balance sheet exposures with the exception of derivatives and repurchase agreements, broken down by regulatory trading book and banking book, and by exposure class for counterparty credit risk:

Breakdown of on-balance sheet exposures (excluding derivatives, securities financing transactions (SFTs), and exempted exposures)

		Dec. 31, 2017 €m	Dec. 31, 2016[1] €m
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), thereof:**	**143,641**	**141,098**
EU-2	Trading book exposures	–	–
EU-3	Banking book exposures	143,641	141,098
	thereof:		
EU-4	covered bonds	3,402	3,910
EU-5	exposures treated as sovereigns	30,374	30,671
EU-6	exposures to regional governments, multilateral development banks, international organizations, and public-sector entities not treated as sovereigns	195	255
EU-7	institutions	1,613	3,048
EU-8	secured by mortgages of immovable properties	76,593	75,699
EU-9	retail exposures	11,077	10,637
EU-10	corporates	15,381	11,139
EU-11	exposures in default	1,226	1,393
EU-12	other exposures (e.g., equities, securitizations, and other non-credit obligation assets)	3,780	4,346

[1]Figures adjusted (see Note 6 to the Consolidated Financial Statements of the 2017 Annual Report)

In the context of Postbank's internal risk management process, the leverage ratio is an important indicator for determining the risk of excessive leverage, and it is for this reason that the Bank has anchored the management of the leverage ratio firmly in its risk management and risk strategy. Every year, the Reporting and Capital Management unit produces mid-term plans (3-year planning horizon) for the Tier 1 capital and the total exposure measure, as well as forecast and scenario computations and deviation analyses. This approach serves to restrict the volume of the lending and deposit products on the balance sheet, and is also the basis for an early warning system. The leverage ratio (including in stress scenarios) is an integral part of quarterly internal risk reporting. The findings with regard to the leverage ratio are submitted to Postbank's Bank Risk Committee, Management Board, and Supervisory Board.

[2]Figures adjusted (see Note 6 to the Consolidated Financial Statements of the 2017 Annual Report)

Principles of the proper conduct of business (section 26a of the *Kreditwesengesetz* (KWG – German Banking Act))

Corporate governance practices

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

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

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

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

All employees of the Postbank Group are subject to the Code of Business Conduct and Ethics for Deutsche Bank Group. In addition, the Code of Ethics contains special obligations applying to the senior financial officers of Deutsche Bank, the Chief Financial Officer of Postbank, the department heads of the Finance board department of Postbank, and the Chief Financial Officer of the Postbank subsidiary BHW Bausparkasse AG.

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

For Postbank, sustainability involves the responsible use of social, ecologic and economic resources to ensure a lasting worthwhile future for coming generations. As an integral component of the business strategy, the principle of sustainability is put actively into practice in our daily work. The Bank's major suppliers are also required to observe these values.

As a company, we are an integral part of the society in which we operate. We are convinced that we can gain long-term competitive advantage by actively managing the direct and indirect impact of our business activities on the environment and society. This approach will allow us to exploit ecologic and social opportunities better, reduce risks in our sphere of influence, and in this way generate sustainable added value for our stakeholders.

We are particularly committed to providing our employees with attractive and safe working conditions as well as to conserving natural resources.

Company management is focused in particular on the sustained creation of value. These efforts are based on clear values and minimum standards for behavior in day-to-day business as well as the structuring of remuneration for employees, executives, and Management and Supervisory Board members in accordance with the required sustainable company-performance standards.

Operating principles of the Management Board and the Supervisory Board

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

Management Board

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

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

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

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

To promote efficient decision management, the Management Board has established committees that have the power to make their own decisions or the authorization to make preparations for decisions. These committees serve as vehicles for exchanging information on significant issues relevant to management as well as for preparing decisions of the Management Board. The composition of these committees and their areas of responsibility are governed by their own bylaws. Changes to these bylaws require the approval of the entire Group Management Board. The committees are required to report to the Group Management Board.

The Operating Committee's responsibilities comprise cost and resource management as well as the management of envisioned investments and projects.

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

The Bank Risk Committee ensures management, planning, and monitoring for all material and immaterial risks in the Postbank Group across the various types of risk. The committee is responsible for strategic overall management of the risk situation and risk profile of the Postbank Group within the context of the framework conditions laid down by the Group Management Board (ICAAP and ILAAP; capital management). In carrying out its responsibilities, the Bank Risk Committee is supported by the Market Risk Committee, the Operational Risk Committee, the Cover Business Committee, the Model and Validation Committee, the Credit Risk Committee, the Data Quality Committee, the BHW Bank Risk Committee, the Regulatory RADAR Committee, the Outsourcing Committee, and the Business Control Forum (BCF).

The Consumer Banking Executive Committee assumes an advisory, coordination and decision-preparation role for Postbank's Management Board. Among other things, the Committee oversees the strategy and results of the sales channels for retail, business and corporate customers, provides impetus for further developing current products and creating new ones, and is responsible for reviewing and monitoring relevant measures.

The Investment Committee is responsible for evaluating capital investments and M&A transactions including the restructuring portfolios in investment management.

The Asset/Liability Committee focuses on the dovetailing of the strategic overall management of the Bank with risk and product management as well as the optimization of the balance sheet and capital structure and liquidity management.

Supervisory Board

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

To support it in its duties, the Supervisory Board has established seven committees and one temporary committee that report to it on their work at regular intervals. These are the Executive Committee, Audit Committee, Human Resources Committee, Risk Committee, Compensation Control Committee, Nomination Committee, Mediation Committee, and the Digital Transformation temporary committee.

The Report of the Supervisory Board contains further details on the composition, function, and meeting agendas of the Supervisory Board and its committees.

For the purpose of filling positions on Postbank's Supervisory Board, objectives were formulated to ensure that its members have the requisite knowledge, skills, and professional experience to supervise and advise the Management Board competently. With regard to individuals proposed for election, particular attention is to be paid to their integrity, personality, motivation, professionalism, and independence. The Supervisory Board shall be composed of at least eleven independent members. It is assumed that the circumstance of employee representation and an employment relationship does not cast doubt on the independence as such of employee representatives. In particular, members of the Supervisory Board shall not perform advisory tasks for or exercise directorships with important competitors of the Company. Fundamental conflicts of interest, and not only temporary ones, are to be avoided. A standard age limit of 72 years and a standard membership limit of 20 years exist for Supervisory Board members. With regard to the composition of the Supervisory

Board, it is also important that members possess international experience.

When examining potential candidates for new election or appointment of replacements for Supervisory Board positions that have become vacant, qualified women are to be included in the selection process and given appropriate consideration in election proposals. Since the Supervisory Board elections in 2003, between 15 % and 35 % of the members of our Supervisory Board have been women. During the period under review, seven women served on the Supervisory Board, which corresponds to 35 %. With that percentage, the Supervisory Board has achieved the target value of 30 %, which was scheduled to be reached by 2017.

The efficacy of the Supervisory Board's work is reviewed on a regular basis and at minimum annually within the scope of an efficiency audit. In 2017, the evaluation once again addressed the structure, size, composition, and performance of the Management Board and the Supervisory Board and the knowledge, skills, and experience of members of both executive bodies as well as the bodies in their totality.

The current structure, size, composition, and performance of the Management Board and the Supervisory Board including their committees, and the cooperation between the Management Board and the Supervisory Board continued to receive positive evaluations. One point of criticism was that the documents from the departments frequently contain so many abbreviations that they are difficult to read and understand. Adding a list of abbreviations to accompany them was recommended as a solution.

Members of both bodies have the fundamental knowledge, experience, and skills to effectively perform their managerial and supervisory tasks at Postbank. If replacements need to be appointed, the insights into the knowledge, skills, and experience gained from the examination of efficiency are to be taken into consideration.

Interaction between the Management Board and the Supervisory Board

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

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

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

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

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

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

Imprint

Published by
Deutsche Postbank AG
Head Office
Investor Relations
Friedrich-Ebert-Allee 114 – 126
53113 Bonn, Germany
Postfach 40 00
53105 Bonn, Germany
Phone: +49 228 920 0

Investor Relations
E-mail: ir@postbank.de
www.postbank.com/ir

Translation
Deutsche Post Corporate Language Services

The English version of the Pillar 3 Report constitutes a translation of the original German version.
Only the German version is legally binding.

As of March 23, 2018