2016

POSTBANK GROUP

INTERIM REPORT AS OF JUNE 30, 2016

Postbank

POSTBANK GROUP IN FIGURES

		Jan. 1 – June 30, 2016	Jan. 1 – June 30, 2015[1]
Consolidated income statement			
Total income	€m	1,764	1,713
Administrative expenses	€m	–1,484	–1,283
Profit before tax	€m	166	251
Consolidated net profit	€m	141	238
Total cost/income ratio	%	86.7	82.6
Return on equity			
before tax	%	4.7	7.7
after tax	%	4.0	7.2
Earnings per share[2]	€	0.64	1.09

		June 30, 2016	December 31, 2015[1]
Consolidated balance sheet			
Total assets	€m	147,927	150,611
Customer deposits	€m	102,219	102,341
Customer loans	€m	93,125	92,821
Allowance for losses on loans and advances	€m	961	923
Equity	€m	7,097	7,172
Common Equity Tier 1 capital ratio, regular phased-in	%	13.1[3]	13.8[4]
Common Equity Tier 1 capital ratio, fully phased-in	%	11.5[3]	11.5[4]
Leverage Ratio, regular phased-in[5]	%	3.9	4.1
Leverage Ratio, fully phased-in[5]	%	3.3	3.4
Headcount (FTEs)	thousand	18.73	14.76
Long-term ratings			
Fitch	 outlook	BBB+ evolving	BBB+ evolving

[1] Figures adjusted (see Note 2)
[2] Based on 218.8 million shares
[3] By factoring in the interim profit as of June 30, 2016, subject to supervisory authority approval
[4] Based on the consolidated financial statements as of December 31, 2015
[5] The calculations are based on the new regulatory requirements of the Commission Delegated Regulation (EU) 2015/1016 as of October 10, 2014

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DEVELOPMENTS IN H1 2016

PRIVATE AND CORPORATE DEMAND FOR LOANS REMAINS HIGH

Postbank was able to further expand its already high level of new business in the area of consumer credits and corporate loans in the first half of 2016 and gain some 245,000 new customers.

Checking accounts an on-going success story

Postbank's book of private checking accounts as of June 30, 2016, at 5.25 million, remained at nearly the same level as the prior year – making Postbank once again the undisputed leading provider on the German market. Demand deposits held in private checking accounts grew some €1.9 billion to reach just under €31.0 billion. With nearly 200,000 newly opened private checking accounts in the first six months of 2016, Postbank once again demonstrated its selling power.

Savings deposits on downward trend in low interest rate environment

Deposit volumes in Postbank's core business, with €102.2 billion, showed little change compared with the end of the prior year. The proportion that can be attributed to savings products decreased moderately by around €1.9 billion or 4.1 % to €44.2 billion year-on-year. Since mid-2014, the focal point of our savings offer has been the "Postbank SparCard Rendite plus," a traditional and transparent savings offer in card form. The volumes of this savings product stabilized at around €7.8 billion as of June 30, 2016.

Consumer credit business again outperforms market

In the first six months of 2016 new consumer credit business repeated its satisfying performance – once again outstripping the prior-year figure thanks to gains of 22.0 % or approximately €0.3 billion. Thus, Postbank's new business continued to outperform the market. In contrast, the Deutsche Bundesbank reported an increase in consumer credit growth of 5.3 % for all German banks for the first five months of 2016. Thanks to this strong new business the consumer credit portfolio also continued to grow without a compromise in portfolio quality. At €6.5 billion as of June 30, 2016, it was up about €0.7 billion or 5.7 % over the corresponding prior-year figure.

The Internet sales channel once again proved to be of special significance by generating some €0.5 billion or 35.8 % of total new business with consumer credits. DSL Bank brand sales and branch sales both managed to substantially increase new volumes compared with the prior-year period, with gains of €88.1 million or 26.4 % and €57.3 million or 17.3 % respectively.

Home savings: New business down slightly, increasing proportion as financing instrument

Total home savings written reached volumes of around €4.8 billion in the first half of 2016 and fell noticeably below the prior-year level. Business here was fueled primarily by €2.7 billion generated by Postbank Finanzberatung. New business in the Postbank branches fell slightly to €1.1 billion. The Postbank cooperation business (DSL & BHW) expanded new business to €0.8 billion.

Despite the low interest environment, the Bank was also able to increase the proportion of tariffs with low deposit and loan interests to total revenue. This achievement underscores the high value of home savings as a building block of financing. In the segment of tariffs with high deposit and loan interests, BHW also responded to the continuing low interest rate levels and adapted its product portfolio accordingly.

In a recent study on customer satisfaction conducted by FOCUS-MONEY (20/2016 edition), our subsidiary BHW Bausparkasse AG was rated as “excellent” overall. This is the second time BHW has received this rating (first time 21/2015 edition).

Mortgage lending trend continues to be positive

The Mortgage Credit Directive, introduced this past April, had a mild effect on new business in private mortgage lending in the first half of 2016, an area that had reached an encouragingly high level in the prior year. Nevertheless new business volumes including disbursed home savings loans amounted to just under €5.5 billion, slightly more – here approximately €0.1 billion – than the record-breaking figure of the prior year. Of that, new business acquired under the BHW brand was more than €2.2 billion (including disbursed home savings loans). In our brokerage business, in which Postbank is positioned as a “partner bank to financial service providers” under the DSL Bank brand, volumes amounted to €3.2 billion. New business was sustained here, despite tough regulatory requirements for the private mortgage lending business, by dedicated sales activities. An additional positive contribution was made by our successful combination of a digital approach to customers and personal financing advisory services; this gives an indication of the existing growth potential.

The mortgage loan portfolio as of June 30, 2016, including third-party portfolios acquired, totaled approximately €67.2 billion, some €0.4 billion below the year-end value for 2015. As they have in the past, our customers this year took extensive advantage of contractual early loan repayment rights and increasingly used their monetary means for the repayment of loans. Another source of the contraction in the mortgage lending portfolio can be found at our BHW branch in Italy, with the discontinuation of new business there in 2012 leading to a natural decline of the portfolio.

Subdued securities and retirement provisions business

The situation on capital markets and the low interest rate level had a negative impact on the securities business. New business with investment funds fell by just under 8.6 % to some €0.9 billion compared with the prior year. Overall, assets under management amounted to €13.5 billion, unchanged compared with the same prior-year period. The new product line “PB Privat Rente Zukunft” is undergoing further modifications to fit the current market environment, and despite low rates of interest offers attractive opportunities for returns thanks to capital market oriented retirement models.

Sales in the non-life insurance business with our cooperation partner HUK-COBURG insurance group benefited from more efficient advisory services and optimized offers.

New business in Corporate Banking continues positive trend

The corporate banking business was enlivened by the long-term strategic orientation of our corporate banking business on German small and medium-sized enterprises (SMEs) in connection with a risk conscious lending policy and an allowance for losses on loans and advances that remained low. New business with corporate loans rose approximately 40 % to more than €2.6 billion, leading the portfolio to grow to €15.7 billion.

In commercial real estate finance, Postbank continues to adhere to a conservative lending policy, focusing on the financing of existing properties for professional real estate investors. New business in the first half of 2016 showed extraordinary growth of 30 % to €1.8 billion, so that the portfolio of loans could further be expanded to more than €6.9 billion.

In the area of payment transactions in the first half of 2016, Postbank once again managed to boost the number of transactions processed for its main target group of German SMEs by around 5 million compared with the prior-year period of 393 million. The investment volumes of our business and corporate customers, at €7.9 billion as of June 30, 2016, ended up at approximately the same level as the comparable prior-year figure of €8.0 billion as expected. PB Factoring GmbH defended its position as the market leader and once again markedly expanded its portfolio volume year-on-year, here by €182 million to €342 million.

To support its small and medium-sized customers in their digitization investments and to demonstrate its reliability as a partner in this digital transformation, Postbank has created a special loan program with volumes of €500 million, called “Digitizing German SMEs”.

Financial Markets secures customer business margins

The Financial Markets business division performs the Postbank Group’s money market and capital market activities. Its responsibilities include hedging net interest margin contributions from the customer business by managing interest rate risk and market risk and managing the liquidity position of the Postbank Group.

The investment of money market assets in a negative interest rate environment is particularly challenging. Postbank is currently striving to reduce its money market assets through portfolio growth in the lending business and placing a particular focus on the disposal of short-term money market investments on the path toward balanced assets and liabilities in the customer business. In so doing, this business division supports efforts related to further reducing risk and total assets with the aim of improving relevant regulatory key figures. Year-on-year it has been able to reduce loans and advances to other banks successfully by €4.0 billion to €11.9 billion.

Non-Core Operating Unit successfully reducing risks

Portfolios in the Non-Core Operating Unit have been further scaled down since December 31, 2015. The assets allocated to this segment, which primarily consist of selected investment securities holdings, specific international activities, and products from the customer business that are no longer offered for sale, were reduced from €9.0 billion to €7.2 billion.

The reduction of liabilities, some of which are high-interest, continued with a decrease from €25.8 billion at the end of 2015 to €23.4 billion as of June 30, 2016, thanks to repo transactions and collateralized and uncollateralized issues that had reached maturity.

INTERIM MANAGEMENT REPORT AS OF JUNE 30, 2016

REPORT ON ECONOMIC POSITION

Overall economic parameters

Macroeconomic environment

Global economic growth was very restrained in the first half of 2016. In industrialized countries as a whole, the economic situation worsened slightly as compared with the prior year. In contrast, the economies in the emerging markets remained relatively constant. However, the emerging markets continued to display very significant variances. High growth rates were achieved in particular by those countries that, as importers, benefit from the low oil price. On the other hand, economic growth was weak in countries dependent on the export of raw materials or suffering from significant structural problems.

In the United States, economic growth was modest. The gross domestic product (GDP) grew only slightly at the start of the year by an annualized 1.1 % compared with the previous quarter, while signs of an economic recovery appeared in the second quarter. Growth was dampened in particular by corporate investments, which declined especially sharply in the energy sector. Private consumption lost some of its momentum, but remained the most important driver of growth. In contrast, improvement trends were evident in foreign trade, which no longer had a negative impact on the economy. Despite disappointing economic development, the positive trend in the labor market continued. The average employment rate continued to rise, even though not quite as rapidly as in the previous year. At the same time, unemployment fell to the lowest rate in more than eight years.

The eurozone's economic recovery continued, with the GDP climbing by 0.6 % in the first quarter of 2016 over the previous quarter. In light of current information, it appears as if the growth rate for the second quarter will have once again dropped substantially. Growth momentum was fueled primarily by private consumption, which profited from the lower oil prices and a decrease in unemployment. In addition, gross capital expenditures rose noticeably. Lively domestic demand led imports to moderately outstrip exports, and as a result foreign trade put a somewhat restraining hand on growth. Another significant year-on-year drop in oil prices engendered a very low inflation rate in the first half-year that even dropped below zero at some points.

The German economy continued its recovery in the first six months of 2016. In the first quarter, the GDP rose by 0.7 % as compared with the previous quarter. Strong momentum was provided by investments in machinery, equipment and construction, with the latter profiting greatly from the unusually mild weather. Private consumption, having once again grown markedly from strong gains in real income, continued to serve as an economic mainstay. Government spending also continued to rise, due in part to the increasing expenditures associated with the influx of refugees. Growth was curbed slightly only by foreign trade, which took a hit from the powerful surge in imports. In comparison to the first quarter of the current fiscal year, second-quarter growth was far more restrained. Although private consumption appears to have continued rising and foreign trade also seems to have generated positive momentum, gross capital expenditures are believed to have slowed noticeably in contrast to the growth spurt seen in the previous quarter, which was driven in part by weather conditions. The overall solid economic upswing had a positive impact on the labor market in the first half of the year. Unemployment continued to retreat, while employment figures accelerated at the same time. Despite quite good economic performance, morale in German companies was tinged with skepticism. The ifo Business Climate Index saw a noticeable decline at the start of the year, but subsequently recovered. Survey results do not yet reflect the potential impact of the outcome of the referendum held in the United Kingdom (UK) in June 2016 on exiting the European Union (EU).

Trends in macroeconomic conditions in Germany, the eurozone, and the U.S.A. fell short of the forecasts we made in our 2015 Group Management Report.

Turbulence relating to government bonds issued by members of the European Monetary Union once again picked up slightly in the first half of 2016. The yield spreads of Italian, Spanish, and Portuguese government bonds over German Bunds all broadened, but to greatly varying degrees. Portuguese government bonds were most strongly affected, with risk premiums reaching their highest levels since early 2014. This development was driven by the country's continued weak growth in combination with a still high government deficit and ambiguity regarding the government's future economic policy. The rise in risk premiums for Italian government bonds was much more moderate. These bonds suffered under the weak economic recovery, problems in the country's banking sector and the general political uncertainty in Europe, caused in good part by the outcome of the referendum held in the UK in June 2016 on exiting the EU. In contrast, the rise in risk premiums for Spanish government bonds was very moderate. The Spanish government continues to struggle with the sustainable reduction of excessive new debt. However, the Spanish capital market profited from the strong continued economic recovery as well as the results of the new elections held in late June, even though the future majorities in parliament are still unclear. Despite the rise in risk premiums, the yield levels in Spain and Italy dropped over the course of the first half-year as a result of the general decline in capital market interest rates and the further expansionary monetary policy of the European Central Bank (ECB). By mid-year, the yield of ten-year government bonds had fallen close to the historic low point reached in spring of 2015. In contrast, returns on long-term Portuguese government bonds rose noticeably, even in absolute terms.

The monetary policy pursued by the ECB was once again significantly more expansionary in the first half of 2016. In March 2016, the European Central Bank put together a comprehensive package of measures to stimulate lending and bring the inflation rate back to the target value of just below 2 %. The interest rate on the deposit facility was decreased by ten basis points to –0.40 %, the interest rate on the main refinancing operations by five basis points to 0.00 %, and the marginal lending rate by five basis points to 0.25 %. The monthly volumes of the ECB's bond purchasing program were increased by €20 billion to €80 billion as of April 2016. In June, the ECB also for the first time began acquiring bonds issued by corporations outside the banking sector as part of this program. In addition, the ECB is launching four new targeted longer-term refinancing operations (TLTRO-2) on a quarterly basis, each with a four-year maturity. The first of these operations took place in June 2016. Premature repayments can be made after two years at the earliest. Through the TLTRO-2, banks can theoretically borrow financial resources up to a total of 30 % of their portfolio volumes of specific loans. The interest rate to be paid will initially correspond to the main refinancing rate applicable at the time of allotment. This rate can be reduced to the respective deposit facility rate prevailing at the time if certain criteria are met in lending operations. The U.S. Federal Reserve kept its federal funds rate steady in a range between 0.25 % and 0.50 % due to weak economic performance and sustained low inflation.

As a result of an even more expansionary monetary policy in the eurozone, money market rates dropped even further. By mid-2016, the three-month Euribor was –0.29 %, 0.16 percentage points lower than at the end of 2015.

Capital market interest rates decreased sharply over the course of the first half-year. This was attributable primarily to the most recent expansionary measures by the ECB, which caused yields to drop dramatically even in advance of the decision as a result of corresponding market expectations. The decline was also facilitated by the reluctant stance of the U.S. Federal Reserve, which repeatedly delayed the envisaged and anticipated tightening of its monetary policy due to the uncertain economic situation. At the end of the second quarter, this situation was further compounded by market participants' concerns regarding the outcome of the British referendum on the membership of the UK in the European Union (EU). As a result, yields of ten-year German Bunds fell below the zero-percent level for the first time on June 14. Yet another drop occurred following the outcome of the referendum held in the UK to exit the EU. By the middle of the year, yields of ten-year German Bunds had tumbled to –0.13 %, down 0.76 percentage points from late 2015.

At the time of the 2015 Group Management Report, we had anticipated further expansionary measures by the ECB. In contrast to what actually occurred, we had not expected more substantial changes with respect to long-term yields.

Sector situation

Further expansion of the low interest rate policy of the European Central Bank, increasing regulatory demands and growing pressure to find a solution to non-performing loans of Italian banks are likely to be the predominant issues in the European banking sector in the first half of 2016.

In the first quarter of 2016, the European Banking Authority (EBA) notified all banks that will be subject to its stress test in the current year. The ECB expanded the number of institutions that will be subjected to testing to include other banks under its direct supervision. Stress tests for these banks will be less comprehensive, however, and the EBA does not plan to publish the results separately for each institution. The results of the full stress test are expected to be announced on July 29.

The Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Federal Financial Supervisory Authority) issued the respective individual SREP buffer specifications (SREP – Supervisory Review and Evaluation Process) to the 15 system-relevant German banks at the start of March. The SREP buffer refers to capital amounts that these banks must also maintain in addition to their minimum capital requirements from Pillar 1. It varies between 50 and 150 basis points for each financial institution and must be kept available in the form of Common Equity Tier 1 capital (CET1).

In early July, the Single Resolution Board (SRB, an EU bank resolution authority) announced that it would, over the remaining course of this year, adopt individual Minimum Requirements for Own Funds and Eligible Liabilities (MRELs) for all institutions under direct ECB supervision as well as for an additional 16 internationally operating banking groups. The individual banks are free to make public their MRELs.

The German banking landscape continues to feature a three-pillar structure consisting of private, public, and cooperative banks. In 2015, there were no significant developments between the individual pillars to report. However, the merger of the two leading banks in the cooperative sectors is underway and scheduled to be completed by August 1, 2016. Additional mergers of smaller institutions, both in the public and the cooperative sector, were also reported in the first half of 2016. Increasing regulatory demands and the continuing low interest rate phase are likely to be key drivers of this trend.

In analyzing the business performance of German banks, we considered the banks listed in the industry index – Deutsche Börse's Prime Standard – and Deutsche Postbank AG, as we have done in the past. We compared the banks' results for the period of January through March 2016 with those of the previous year. All five banks generated net income both before and after tax. However, only one bank was able to increase its net income for both parameters in comparison to the same prior-year period. The cost/income ratio for four of the banks deteriorated. Two of the banks increased their return on equity. The continuing low interest rate, tough competition in Germany, and the volatile market environment left their mark on the balance sheets in the first quarter of 2016. Four banks reported decreases in net interest income after allowance for losses on loans and advances, in net fee and commission income, and in net trading income. Development in administrative expenses revealed that the majority of financial institutions are focused on cost control. Three of the banks reduced their administrative expenses in the period under review.

The DAX registered a 9.9 % decline in the first half of 2016. Both banks listed in Germany's blue-chip index also saw stock price drops in the period under review.

Significant events in the Postbank Group (Postbank) in the first half of 2016

Upon successful entry of the squeeze-out in the commercial register on December 21, 2015, all shares held by the minority shareholders of Deutsche Postbank AG were transferred to Deutsche Bank by operation of law. The trading of Postbank shares was halted with immediate effect on all stock exchanges.

The last admission to listing was effectively revoked as of the end of January 13, 2016. As a result, Deutsche Postbank AG has not been listed since January 14, 2016.

In the first half of the year, Postbank succeeded on its path to independence as planned thanks to efforts to put the Bank in a position to deconsolidate from Deutsche Bank as of June 30, 2016. Key milestones on this journey have been the reconsolidation of the service companies into the Postbank Group, new negotiations of individual contractual regulations, relevant to deconsolidation, of service relationships with Deutsche Bank, and the extrication of Postbank from buildings and the IT infrastructure shared with Deutsche Bank.

Postbank's investment focuses

In the first half of 2016, the focus of investments was strongly marked by the deconsolidation process, with the goal of operational independence from Deutsche Bank. At the same time, Postbank made investments toward expanding its competitiveness, including the development of new digital offers and measures to enhance the closed cash cycle in the branches. The Bank has successfully started to bolster new business in real estate finance with a digitally-supported process that combines personal advisory services with digital offers in this area. In addition, new sales centers have been opened, offering customers Postbank's entire service range at a single location.

Comparability of statements

Effective January 1, 2016, the service companies (Betriebs-Center für Banken AG, VÖB-ZVD Processing GmbH, Postbank Direkt GmbH, Postbank Service GmbH, and BHW Kreditservice GmbH) bundled in PBC Banking Services GmbH from April 1, 2014, until December 31, 2015, were fully reacquired by Postbank. In consequence of the extended basis of consolidation resulting from the reacquisition, other expenses previously incurred outside the Group for the procurement of services from the service companies as well as other income from the transfer of staff to the service companies in the first half of 2016 are no longer included in the corresponding items in the consolidated income statement given the extended basis of consolidation as of January 1, 2016. Instead, the consolidated income statement for the first half of 2016 now reports the original administrative expenses and the income generated by the service companies from non-Group services under net fee and commission income.

Course of business

Net assets, financial position, and results of operations

In the first half of 2016, Postbank generated profit before tax of €166 million; this was €85 million down on the previous year. The year-on-year change in profit before tax is mainly attributable to a moderate €69 million decline in net interest income as a consequence of the low interest rate environment as well as to a €16 million decrease in net trading income, which had been extraordinarily high in the prior-year period because of market-related measurement effects.

Return on equity before tax amounted to 4.7 % in the first six months of 2016, following 7.7 % in the prior-year period.

Postbank regularly adjusts profit before tax for effects that generally occur one-time, are essential and not a part of the usual and/or operating banking business. In the first half of the year, these effects included expenses for strategic initiatives that had been incurred in the comparative period for the integration process, income from the sale of the strategic investment in Visa Europe Ltd., and extraordinary expenses to cover legal risks.

Adjusted for significant non-recurring effects, profit before tax declined significantly year-on-year, falling by €98 million, or 34.0%, to €190 million. The adjustments related to expenses for strategic initiatives (2016: €72 million; 2015: €37 million), extraordinary expenses to cover legal risks (2016: €56 million), and the sale of the strategic investment in Visa Europe Ltd. (€–104 million) in the first half of 2016.

As a result of the persistently difficult market conditions, net interest income declined by €69 million, or 5.5%, year-on-year. The continuing encouraging trend in new lending business, which recorded a year-on-year increase of €1,031 million, or 12.1%, to €9.5 billion in the first half of 2016, could not yet bring its full effect to bear on net interest income and wholly offset the negative effects of the persistently low interest rate environment. This was due on the one hand to a large proportion of loan commitments that were still in the preparatory phase and on the other to loans already disbursed in the review period whose interest income will first take full effect in net interest income in the following periods.

Due to the extended basis of consolidation, net fee and commission income rose by €6 million, or 1.5%, to €398 million. For the same reason, the income generated by the service companies from payment transactions for non-Group services starting January 1, 2016, led to an increase in net fee and commission income compared with the prior-year period.

The net fee and commission income generated in the prior-year period had benefited in the amount of €22 million from a non-recurring effect due to the changed recognition of commissions for brokering payment protection insurance.

The allowance for losses on loans and advances amounted to €76 million in the first half of 2016, down €5 million, or 6.2%, on the prior-year figure and thus continuing at a low level. It reflects the high credit quality and the conservative nature of Postbank's business model. The retail banking business, with its significant proportion of highly collateralized German real estate loans, is continuing to benefit from the stable economic environment in Germany and persistently good conditions on the German labor market in particular.

Administrative expenses rose by €201 million, or 15.7%, to €1,484 million, primarily due to the inclusion of our service companies in the basis of consolidation. This rise should be considered in connection with a €198 million, or 68.8%, decline in other expenses, which had been incurred in the prior-year period primarily for the procurement of services from the service companies. Instead, the administrative expenses actually incurred by the service companies were recognized in the first half of 2016.

Holistic analysis of administrative expenses and other expenses, excluding non-recurring effects, shows a moderate improvement in the cost base by around €97 million, or 6.2%, year-on-year, reflecting the effects of the extension of the basis of consolidation to include the service companies and confirming Postbank's cost discipline. Administrative expenses, which increased by €201 million, include non-recurring effects of €35 million resulting from higher expenses for strategic initiatives and €19 million from the first contribution paid to the EU deposit guarantee schemes. In contrast, other expenses had a positive effect by sinking €198 million. Had it not been for the extraordinary expenses for legal risks in the amount of €56 million, other expenses would have improved by €254 million and more than offset the negative development of administrative expenses.

The following comments on individual items of the results of operations compare the results with those of the first half of 2015; information on the net assets and financial position compares the respective figures to those as of December 31, 2015.

Results of operations

At €166 million, profit before tax in the first half of 2016 was down €85 million or 33.9% year-on-year. This development was significantly influenced by the persistently difficult market and interest rate environments as well as market-related measurement effects, which had had an extraordinarily positive impact on net trading income in the prior-year period.

Total income was driven by a significant improvement in net income from investment securities and by the recognition of non-Group income generated by the service companies because of the extended basis of consolidation; total income consequently rose by €51 million, or 3.0%, to €1,764 million. Even if the recognition of income from the service companies in net fee and commission income had not changed, there would still have been a slight year-on-year rise in total income, despite the persistently difficult market conditions.

Because of the persistently low interest rate environment, which represents a challenge for all deposit-rich banks, net interest income declined moderately by €69 million, or 5.5%, to €1,183 million. The negative effects of the low interest rate environment have not been completely offset by the positive effects from another rise in new business growth in mortgage lending, consumer loans and corporate loans nor from a net increase in the Bank's portfolio in the first half of 2016.

Net trading income fell by €16 million, or 64.0%, to €9 million in the first six months of 2016, primarily because of market-related measurement effects – including from currencies and derivatives – that, at €39 million, had made a positive impact in the first half of 2015.

Net income from investment securities was driven in particular by the sale of the strategic investment in Visa Europe Ltd.: it rose sharply by €130 million, or 295.5%, to €174 million. In addition to the positive effect on earnings of the Visa Europe Ltd. transaction, another positive impact on earnings amounting to €22 million was realized in the first half of 2016 by reducing a strategic equity investment based on a sales cooperation.

Due to the extended basis of consolidation, net fee and commission income rose slightly by €6 million, or 1.5%, to €398 million. The extension of the basis of consolidation of the Postbank Group to include the service companies led to an increase in net fee and commission income in the first half of 2016 thanks to income generated by those companies for processing payment transactions for non-Group customer. If two effects had not been factored in – the aforementioned effect in the first half of 2016 and a one-time positive effect in the amount of €22 million from the change in the recognition of commissions for brokering payment protection insurance in the first half of 2015 – net fee and commission income would have been down slightly on the corresponding prior-year figure.

The allowance for losses on loans and advances decreased moderately by €5 million, or 6.2%, to €76 million. Despite the €29 million reversal of the allowance for losses on loans and advances that had been recognized in the first half of 2015 due to the sale of two loan portfolios, the annualized net additions ratio for the customer loan portfolio based on the second quarter of 2016, was moderately lower, at 15 basis points, than the very low level of 16 basis points recorded in the second quarter of 2015. The fact that the net additions ratio has remained at an encouragingly low level reflects the unchanged high credit quality and the conservative nature of Postbank's business model. The retail lending business, with its significant proportion of highly collateralized German real estate loans, is benefiting from the continued stable economic environment in Germany and persistently good conditions on the German labor market in particular.

Administrative expenses rose by around €201 million, or 15.7%, to €1,484 million, primarily due to the negative impact of the extended basis of consolidation in the amount of €141 million, a significant €35 million increase in expenses for strategic initiatives related to achieving independence, and a charge of €19 million resulting from the first contribution to the EU deposit guarantee schemes.

Net other income and expenses amounted to €–38 million in the first half of 2016, up €60 million, or 61.2%, on net other income and expenses of €–98 million in the prior-year period. Adjusted for the extraordinary expenses to cover legal risks (€56 million) in the first half of 2016, net other income and expenses would have been positive. In the prior-year period, other income had been generated by leasing staff to the service companies, while other expenses had still been incurred for the procurement of payment transaction and other services from the service companies.

At €166 million, profit before tax in the first half of 2016 was down by a significant €85 million or 33.9 % year-on-year (previous year: €251 million).

The adjusted profit before tax declined by €98 million, or 34.0 %, year-on-year to €190 million. Overall, the persistently low interest rate environment led to a decline in adjusted profit before tax.

After factoring in income taxes of €25 million (previous year: €13 million), profit after tax in the first half of 2016 amounted to €141 million, following €238 million in the previous year.

Earnings per share were €0.64, compared with €1.09 in the previous year.

Return on equity before tax amounted to 4.7 %, compared with 7.7 % in the first half of 2015. At 86.7 %, the cost/income ratio was 4.1 percentage points up on the 82.6 % recorded in the prior-year period.

Segment reporting

As a result of resegmentation that took effect in the first quarter of 2016, commercial activities with business customers, previously allocated to the Retail Banking segment, were recognized in the Corporate Banking segment. Segment reporting was then retroactively adjusted.

Unless otherwise stated, the following comments on the individual segments represent a comparison with the retroactively adjusted figures for the first half of 2015 (see Note 1 to the Consolidated Interim Financial Statements).

Retail Banking

Profit before tax in the Retail Banking segment sank by €28 million, or 7.9 %, year-on-year to €327 million. Given €53 million or 3.3 % in additional income and a simultaneous €23 million, or 31.9 %, drop in the allowance for losses on loans and advances, the decline in profit before tax can be attributed in particular to higher administrative expenses (up €39 million or 5.3 %) resulting from the extension of the basis of consolidation to include the service companies as well as from the costs of EU deposit guarantee schemes. Provisions for extraordinary expenses related to legal risks recognized in the Retail Banking segment also had a negative impact in the amount of €56 million.

Net interest income, despite new business whose margins continue to be high as well as lower interest expenses, was down by €4 million or 0.3 % year-on-year to €1,247 million. As a consequence, the development of net interest income in the first half of 2016 was more or less steady, corresponding with the expectations outlined in the 2015 Group Management Report. On the one hand, the further sinking interest rate level is still presenting special challenges for demand and savings deposits, since customer terms cannot be further adjusted in line with rate development. On the other, new business growth in consumer credits and mortgage lending in particular had a positive effect.

Net fee and commission income declined moderately by €23 million or 6.6 % to €325 million. The decline resulted primarily from a positive effect related to the change in the treatment of commissions for brokering payment protection insurance in the first half of 2015 in the amount of €22 million.

Net trading income – which is mainly generated by our BHW Bausparkasse AG subsidiary, part of this segment – sank by €10 million or 76.9 % to €3 million. In comparison, substantial measurement gains relating to the mortgage loan portfolio to which the fair value option is applied and related interest rate derivatives had had an extraordinarily positive impact on the first half of 2015.

Net income from investment securities benefited from the sale of the strategic investment in Visa Europe Ltd. The cash component received from that transaction and the entitlement to a post hoc purchase price payment led overall to a positive effect in the amount of €90 million. As a result, net income from investment securities, at €90 million, exceeded in the same amount the figure for the prior-year period.

Postbank’s total income, following €1,612 million in the prior-year period, increased €53 million or 3.3 % due primarily to the sale of the strategic investment in Visa Europe Ltd.

Administrative expenses climbed by €39 million or 5.3 % to €772 million. This is primarily attributable to an extension of the basis of consolidation to include the service companies. One of them, Postbank Direkt GmbH, has been allocated to the Retail Banking segment since January 1, 2016.

Contrary to the marked upward trend anticipated at the start of the year, the allowance for losses on loans and advances declined by €23 or 31.9 % to €49 million. Factoring in growth in the portfolio of loans and advances to customers achieved in the first half of 2016 and the disposal of two loan portfolios agreed in the first half of the prior year which resulted in a €29 million reversal of the allowance for losses on loans and advances, the allowance for losses on loans and advances was very low. This satisfying development was facilitated by Postbank’s very granular and highly collateralized private mortgage lending business.

Net other income and expenses in the first half of 2016 suffered from extraordinarily high charges relating to provisions for legal risks in the amount of €56 million, leading it to end up markedly below – i.e., €47 million – the prior-year figure.

The cost/income ratio for the segment rose from 75.4 % to 79.1 %. Higher other expenses had a major impact here despite total income that was up overall.

Corporate Banking

Profit before tax in the Corporate Banking segment sank markedly by €32 million or 25.8 % compared with that of the first six months of the previous year, to €92 million. This drop can be attributed in particular to a moderate €13 million or 5.1 % decrease in total income to €241 million as well as the allowance for losses on loans and advances, which rose €11 million compared with the prior-year period.

Net interest income declined by €19 million or 10.0 % to €171 million as a result of maturing high-margin business on the assets side.

Net trading income, at €7 million, ended up markedly better in the first half of 2016 than it did in the same prior-year period. At €0 million, net income from investment securities was €3 million higher than it was in the first half of 2015. Net fee and commission income was €63 million, €3 million, or 4.5 %, lower than in the same period last year.

Administrative expenses increased by €5 million or 11.6 % to €48 million. The allowance for losses on loans and advances rose to €22 million, following €11 million in the previous year, owing to a need to recognize allowances deemed crucial due to new information on the credit standing of individual corporate customers.

Allocated items amounted to €–80 million, compared with €–77 million in the prior-year period. This can essentially be attributed to a change in the allocation of costs for the bank levy, which had been fully allocated to the Financial Markets segment in the prior year. The cost/income ratio, including internal cost allocations, improved significantly from 49.8 % to 55.5 %.

Financial Markets

In the first half of 2016, the loss before tax recorded by the Financial Markets segment widened by €13 million or 31.0 % year-on-year to €55 million due to unfavorable interest rate trends.

The segment’s net interest income declined by €42 million to €–60 million. This can essentially be attributed to lower money market interest rates resulting from the ECB's expansionary monetary policy.

At €1 million, net trading income was markedly below the result for the prior-year period (€12 million), which had benefited from credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs), as well as from foreign exchange gains.

Net income from investment securities improved markedly by €34 million to €61 million thanks to the reduction of a strategic equity investment based on a sales cooperation as well as realized gains from the sale of bonds.

Net fee and commission income decreased by €2 million or 18.2 % to €–13 million. Administrative expenses declined by €14 million to €15 million as a result of a change in the cost allocation of the bank levy. After still having been reported under administrative expenses in the prior-year period, the bank levy was allocated to the segments in cost allocations in the first half of 2016. Net other income and expenses, at €–1 million, was slightly lower, following a break-even result for the same period last year.

Cost allocations, amounting to €–28 million, had a stronger negative impact on the segment results than the €–25 million in the comparable prior-year period. This too can be attributed to a change in the cost allocation of the bank levy, which is now recognized in cost allocations instead of in administrative expenses.

Non-Core Operating Unit

The Non-Core Operating Unit (NCOU) segment recorded a loss before tax of €212 million, compared with a loss of €186 million in the prior-year period.

Net interest income decreased slightly by €7 million to reach €–180 million because declining interest income, owing to a strategic reduction of the lending business, overcompensated for the positive effect from a further reduction in high-interest liabilities, including the €0.3 billion issue that matured in 2016.

Net trading income remained unchanged at €0 million.

On account of gains realized on the sale of peripheral eurozone bonds in the first half of 2016, net income from investment securities remained steady at €9 million. There were hardly any negative effects from closed-end funds.

Administrative expenses decreased again by €3 million to €6 million.

Following a reversal of the allowance for losses on loans and advances in the amount of €1 million in the prior-year period, which had resulted in an overall positive effect, the allowance for losses on loans and advances had a €5 million negative impact on the segment’s results in the first half of 2016.

Higher expenses from compounding interest on provisions were recognized in other expenses; as a result, net other income and expenses, at €–5 million, once again were negative following a positive result in the prior-year period.

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

Cost Centers/Consolidation

This segment comprises Group consolidation adjustments, the profit/loss of the cost centers, the profit/loss of the subsidiaries allocated to this segment (see Note 1 to the Interim Financial Statements), and the reconciliation to consolidated profit. In principle, all income and expenses are allocated to the operating segments. Both profits and losses are primarily due to non-recurring effects. Since the share-based compensation in the amount of €14 million from the Visa Europe Ltd. transaction was recognized in the Cost Centers/Consolidation segment in the first half of 2016, profit before tax was correspondingly also €14 million.

Net interest income increased by €3 million to €5 million.

Net income from investment securities amounted to €14 million, following €11 million in the previous year. The result in the first half of 2016 can be attributed to the recognition of share-based compensation from the Visa Europe Ltd. transaction.

As a result of the extension of the basis of consolidation, net fee and commission income was up €37 million to reach €23 million. This increase was mainly due to the consolidation-related recognition of external income from the Transaction Banking segment in net fee and commission income.

Administrative expenses saw a marked increase of €174 million to €643 million as a result of expenses for EU deposit guarantee schemes borne for the first time in 2016, increased expenses for strategic initiatives and the extension of the basis of consolidation to include the service companies.

At €560 million, the allocated items from the other segments, which are included at fully absorbed cost, had a positive impact. This figure equates to the negative effect of the items allocated to the other segments, i.e., €–560 million.

Net other income and expenses amounted to €57 million, following €–61 million in the prior-year period. This increase is due primarily to the consolidation-related absence of fees for services rendered by the service companies that had been incurred in the comparable prior-year period as other expenses. In addition to the €256 million reduction of other expenses, other income fell by €138 million to €32 million due to the consolidation-related absence of reimbursements related to the service companies.

Net assets and financial position

Total assets

Postbank's total assets amounted to €147.9 billion as of June 30, 2016, following €150.6 billion as of December 31, 2015. This decline is primarily due to further efforts to reduce risk positions in line with the ongoing measures to focus the business, in combination with long-term liabilities reaching maturity.

On the assets side of the balance sheet, another step was taken toward reaching an equal balance between customer loans and deposits, which involved reducing the existing deposit surplus by successfully expanding the loan portfolio. In addition, the share of the lending business with retail, business and corporate customers as a proportion of total assets increased, firstly as a result of the successful expansion of loans and advances to customers driven by another rise in new lending business and secondly through a significant reduction in short-term exposures to banks.

Specifically, the items are as follows: Loans and advances to customers, which include securitized assets such as promissory note loans, amounted to just under €100.0 billion as of June 30, 2016, up €1.6 billion on the 2015 year-end figure of €98.4 billion. In addition to an increase in the consumer credit portfolio, the Bank was also able to expand its portfolio of loans to corporate customers.

Loans and advances to other banks declined by a significant €4.0 billion to €11.9 billion in the same period.

The holdings of investment securities in the first half of 2016 were almost unchanged compared with the end of the previous year, at €30.9 billion.

Trading assets increased by €0.1 billion to €0.8 billion compared with December 31, 2015.

On the liabilities side of the balance sheet, the amounts due to customers declined from €119.2 billion at the beginning of the year to €118.5 billion as of June 30, 2016. This trend reflects consumers' continued preference for spending over saving due to the historically low level of interest rates.
In detail, savings deposits from retail customers declined slightly to €39.9 billion, a decrease of €1.9 billion since the beginning of the year. Home savings deposits decreased by €0.2 billion, while other liabilities rose by only €1.4 billion to €59.4 billion, driven primarily by the increase in demand deposits.

Deposits from other banks declined by €1.5 billion to reach €13.9 billion during the same period. The holdings of debt securities in issue were kept nearly unchanged at €3.4 billion, while subordinated debt was reduced by €0.6 billion compared with the end of the 2015 to €2.6 billion as a result of long-term liabilities reaching maturity.

Recognized capital was slightly down by €75 million as against year-end 2015, at just under €7.1 billion. This is due to an adjustment that had to be made to retained earnings because of the difference arising from the repurchase of the service companies between the consideration granted and the net assets and liabilities of the service companies transferred and measured at the consolidated carrying amounts. The adjustment was partially offset by a €143 million payment in the share premium of Postbank from DB Finanz-Holding GmbH and €38 million from Deutsche Bank AG.

Trading liabilities remained unchanged from the figure for December 31, 2015, at €0.7 billion.

Equity and capital ratios

Recognized capital was slightly down by €75 million as against year-end 2015, at just under €7.1 billion.

As of June 30, 2016, the fully phased-in Common Equity Tier 1 (CET) capital ratio, subject to supervisory authority approval for the inclusion of the interim profit for the first half of 2016, was 11.5 %[1], unchanged from the 11.5 % recorded at the end of 2015.

The regular phased-in CET1 (Common Equity Tier 1) capital ratio was 13.1 %, subject to supervisory authority approval for the inclusion of the interim profit for the first six months of 2016, compared with a prior year-end figure of 13.8 %[1]. The decline in this figure can be attributed to the scheduled rise in capital deductions.

At 3.9 %, the regular phased-in leverage ratio as of June 30, 2016, subject to supervisory authority approval for the inclusion of interim profit, was down slightly on the prior year-end figure (4.1 %). The fully phased-in leverage ratio, subject to supervisory authority approval for the inclusion of interim profit, was 3.3 %, slightly lower than the prior year-end figure (3.4 %). These calculations are based on the new regulatory requirements of the Commission Delegated Regulation (EU) 2015/62.

Overall assessment of business performance in the first half of 2016

Postbank's net assets, financial position, and results of operations remained stable despite the ongoing difficult conditions, and were signalized primarily by a continued focus on the lending business with retail, business and corporate customers. Lending activities involving retail and corporate customers are relatively immune to volatility and occupy a growing share of the Bank's net assets.

Financial and non-financial key performance indicators

Profit before tax was €166 million in the first half of 2016 (2015: €251 million). Return on equity before tax amounted to 4.7 %, following 7.7 % in the previous year. The cost/income ratio rose 4.1 percentage points to 86.7 %, primarily due to administrative expenses, higher year-on-year, associated with higher expenses for strategic initiatives and the extraordinary negative impact of provisions for legal risks.

The fully phased-in in Common Equity Tier 1 capital ratio, subject to supervisory authority approval for the inclusion of interim profit, remained stable at 11.5 % as of June 30, 2016. The fully phased-in leverage ratio, subject to supervisory authority approval for the inclusion of interim profit, at 3.3 %, was slightly below the figure as of December 31, 2015.

Postbank did not conduct a people survey during the year and consequently has no figures on employee satisfaction. Customer satisfaction was also not surveyed. The expectation expressed in the Outlook section of the 2015 Group Management Report – of achieving a degree of customer and employee satisfaction in 2016 that at least matches the levels of the prior year – remains unchanged.

REPORT ON POST-BALANCE SHEET DATE EVENTS

Between June 30, 2016, and the preparation of the consolidated interim financial statements by the Management Board on July 26, 2016, no events occurred that were subject to reporting requirements.

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[1] Figures adjusted based on the consolidated financial statements as of December 31, 2015 (see Note 2 to the Consolidated Financial Statements)

OPPORTUNITY REPORT

Low interest rates stimulate private demand for loans

The historically low interest rates have prompted retail customers to step up their spending and/or reduce their levels of savings. The low rates are also spurring demand for private residential mortgages. Postbank has already profited from these trends in the form of rises in new business for consumer loans and residential mortgages. In contrast, the volume of savings deposits at Postbank continued its decline, at –4.6 % compared with the end of 2015. At the present time the Bank can achieve markedly improved margins primarily in its new lending business.

Purchasing power in Germany may continue to grow

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

Reversal of monetary policy unlikely in short run

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

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

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

The short-term opportunities for improved income and expenses at Postbank that would be created by these possible developments are counterposed by mid- and long-term risks that could arise in the areas of credit, interest rate and liquidity risks in particular.

Digitization in the banking sector continues

As a bank positioned to be available both digitally and in person, Postbank began early on to follow the trend toward electronic banking and has been distinguished multiple times for its digital offers. The trend has gained additional momentum thanks to the strongly increasing number of users accessing banking services via mobile devices. Existing customers want a secure, fast and uncomplicated way to complete their banking business; new customers are increasingly being attracted to the Bank's impressive array of information and account-opening opportunities. Digitization offers Postbank additional opportunities to make its business processes more efficient and further expand new business transacted over digital channels.

RISK REPORT

Summary overview of risk exposure

The focus of Postbank's risk profile is on lending and deposit business with retail, business and corporate customers. In the first half of 2016, risk management at Postbank primarily addressed the low interest rate policy still being maintained by the European Central Bank (ECB) and the indications of a turnaround in interest rates in the U.S. At the end of the first half of 2016, the market uncertainty that followed the outcome of the referendum held in the United Kingdom in June 2016 on exiting the European Union (the so-called Brexit vote) focused attention on market and credit risks. The Brexit vote will not have any material impact on Postbank due to its business model.

Postbank's operational risk profile is largely defined by its strategic positioning as a multi-channel bank with a comprehensive branch and service network and a leading position in online banking in Germany. This exposes Postbank to an increased latent risk of external fraud attacks.

As of June 30, 2016, Postbank's market risk capital requirement was only slightly down on the prior year-end. Postbank is exposed to market risk solely from banking book positions; as was the case throughout the previous year, there were no trading book activities in the first half of 2016. The strategic interest rate risk position in the banking book increased slightly compared with the prior year-end. Both the economic situation and the outlook for the macroeconomic environment in which Postbank operates remain solid. The healthy state of the labor market at present, as documented by falling unemployment coupled with a rise in the number of people in work, and the upward trend in both real estate prices and German industry spawn opportunities for expanding lending to retail and business customers. At the same time, the macroeconomic environment in Germany is having a positive effect on credit risk for our existing business. The measures taken by the Bank to permanently reduce risk also contributed to a positive trend in the allowance for losses on loans and advances.

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

Overall bank risk

Taking risks in order to generate earnings is a core function of Postbank's business activities. Risks entered into are regularly identified, measured, monitored, and allocated limits using the ICAAP (Internal Capital Adequacy Assessment Process), and are incorporated in the overall management of the Bank via the assessment of the Bank's risk-bearing capacity. Group limits for market, credit, and operational risks were consistently complied with in the first half of 2016. The Group's risk-bearing capacity was ensured at all times.

Credit risk

In the first half of 2016, the allowance for losses on loans and advances was moderately down on the prior-year level due to the ongoing positive trend in Postbank's customer business. This was also attributable to the persistently favorable macroeconomic environment in which the Bank operates, strong proceeds from collateral realization in the mortgage lending area, and systematic risk management.

For the next two quarters of 2016, we are expecting the risk situation to continue on a positive footing and the economic environment to remain solid, supported by a stable trend in economic growth and the labor market.

Market risk

Postbank's market risk is influenced in particular by interest rate and credit spread trends in the European capital market. In the first half of 2016, interest rates on the money and capital markets dropped to a historically low level, with yields negative in some cases. This trend reflects the expansionary monetary policy stance still being maintained by the European Central Bank (ECB) and was recently amplified by the Brexit vote in June 2016. In this environment, operational value at risk (VaR) in the banking book had declined by around 13 % as of the reporting date.

The market risk capital requirement, which is calculated on the basis of a stressed value at risk approach, declined only slightly compared with the prior year-end. This was due to credit spread exposure remaining essentially unchanged, with a focus on government bonds, federal state bonds, and *Pfandbrief* issues. Looking to the future, the market uncertainty resulting from the British referendum decision of June 2016, to leave the EU and the heightened volatility associated with it may cause market risk utilization to increase from the present level in the second half of the year.

Liquidity risk

Postbank's liquidity position is solid and expected to remain very sound going forward thanks to its stable refinancing base in the form of customer deposits and its extensive holdings of highly liquid securities.

The Bank has been endeavoring to reduce the high level of surplus liquidity since 2014 and further measures were taken in this regard in the first two quarters of 2016. The change in surplus liquidity in the first half of 2016 is presented in the table of the same name in the section entitled "Monitoring and managing liquidity risk."

Operational risk

Postbank's operational risk loss profile primarily reflects its strategic focus as a retail bank. One consistent focus over recent years has been on high frequency/low impact losses, i.e., loss events that individually are only minor but that occur repeatedly during a year.

In addition, recent years saw an increase in litigation and complaints about investment advice. Most of these related to advice provided and transactions entered into in the area of closed-end funds, the distribution of which was discontinued in 2012. In the current fiscal year, the number of legal actions and complaints relating to investment advice showed a slight downward trend through to the reporting date, whereas cases associated with the provision of information on rights of withdrawal in mortgage lending increased. This increase is limited insofar as the deadline for declaring a withdrawal expired on June 21, 2016.

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

There has been no major change in the assessment of business risk as against the description given in the 2015 Group Management Report.

Developments in risk management

During the reporting period, Postbank pushed ahead with the project work needed to implement prudential requirements, in particular the extended requirements with regard to reporting risk-bearing capacity, liquidity coverage requirements and net stable funding requirements in accordance with Article 415 of Regulation (EU) No. 575/2013, additional liquidity monitoring metrics in accordance with Commission Implementing Regulation (EU) 2016/313, and the leverage ratio.

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 domestic and UK commercial real estate finance portfolios. Subject to obtaining the necessary approval, the Bank plans to transfer the rating model for its portfolio of overdraft facilities for retail customers to the A-IRBA in 2016.

Postbank calculates its regulatory capital requirements for operational risk using the Standardized Approach.

Postbank has been continuously implementing liquidity risk management projects designed to meet new/more specific regulatory requirements since 2011. The focus of current project activities in the liquidity area is on enhancing the data basis, systems, and processes for implementing the additional liquidity monitoring metrics and the changes to the liquidity coverage ratio (LCR) in line with the Commission Delegated Regulation. The main focus in the first half of 2016 was the initial reporting of the additional liquidity monitoring metrics, which were delivered to the supervisory authority and Deutsche Bank. Further regulatory requirements relating to liquidity risk have to be implemented in the further course of 2016.

As part of the deconsolidation, the Postbank Group successfully implemented the measures required for it to take on independent risk management functions as of June 30, 2016. For the purposes of group risk management, Postbank is nevertheless integrated with Deutsche Bank's risk management activities by way of the established structural links between the relevant bodies and the functional reporting lines between Postbank and Deutsche Bank. Postbank submits regular risk reports to Deutsche Bank, ensuring that risks are comprehensively captured and managed. A joint reporting system has been drawn up for the key management reports and core ratios.

Postbank is part of the Deutsche Bank Group and as such is subject to the Single Supervisory Mechanism overseen by the ECB. Postbank is therefore also included in banking supervisory inquiries addressed to Deutsche Bank.

Postbank again faces extensive regulatory changes in 2016. These changes include the principles for effective risk data aggregation and risk reporting issued by the Basel Committee on Banking Supervision (BCBS; consultative document 239), the Analytical Credit Dataset project (AnaCredit project) launched by the ECB, and various new regulatory proposals submitted by the Basel Committee on Banking Supervision.

Risk management within the Deutsche Bank Group

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

Postbank is also integrated with the Deutsche Bank Group's risk management with respect to activities relating to the Single Supervisory Mechanism (SSM). In addition, Postbank maintains regular, constructive communication with national supervisors and will continue to do so in the future.

Due to the announcement by Deutsche Bank as Postbank's owner of its strategy to sell Postbank or place it on the stock market, Postbank successfully implemented the measures required for it to take on independent risk management functions as of June 30, 2016, as part of the deconsolidation. To this end, the necessary technical requirements were put in place and a number of activities in the various disciplines taken forward.

Regardless of this, group risk management functions shared with Deutsche Bank will continue to be performed in full and in parallel.

Risk types

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

The annual risk inventory reviews the materiality of the risk types and the existence of additional, previously untracked risks. When performing the risk inventory, Postbank uses instruments that, in the aggregate, cover all material organizational units and risk areas within the Bank. The risk types identified as material in the risk inventory are quantified during the risk-bearing capacity assessment and backed by risk capital. They are monitored on a regular basis. The risk definitions were neither adjusted nor modified in the period under review. For details of the quantification procedure, please see Note 33 of the Notes to the Consolidated Interim Financial Statements.

Postbank distinguishes between the following risk types:

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

  Postbank is exposed to market risk in the narrower sense of the term from its banking book positions and from its defined benefit pension plans. Postbank defines market risk in the broader sense of the word as also including:

  a) Real estate risk: Rental default risk and risk associated with losses on sales relating to properties owned by Postbank

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Organization of risk management

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

Postbank's risk management focuses have not changed materially as against the description given in the 2015 Group Management Report. The methods, systems, and processes discussed in the 2015 Group Management Report, and the reporting system that builds on them, are subject to continuous review and enhancement in order to meet market, business, and regulatory requirements. During the first half of the year, for example, the VaR model used to quantify market risk was fully adapted in relation to interest rate risk modeling so as to reflect the current low interest rate environment.

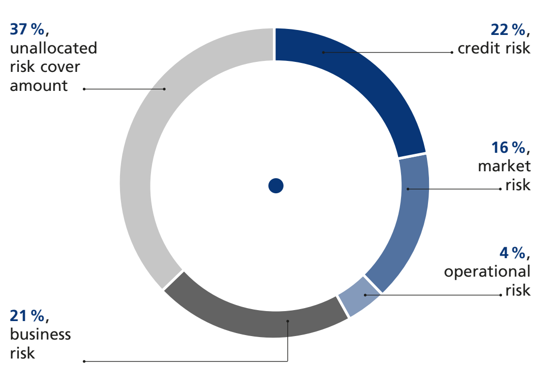
Risk capital and risk limitation

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

Economic capital is allocated to all the risk types listed in the section entitled "Risk types" with the exception of liquidity risk and reputational risk. To prevent the risk of illiquidity, Postbank maintains a liquidity buffer consisting of highly liquid and liquid assets for a two-month survival period in a stress scenario in accordance with the *Mindestanforderungen an das Risikomanagement* (MaRisk – Minimum Requirements for Risk Management).

The percentage allocation of Postbank's economic creditor protection risk cover amount by risk type, after factoring in correlation effects, is as follows for the first half of fiscal year 2016 (calculated as of June 30, 2016):

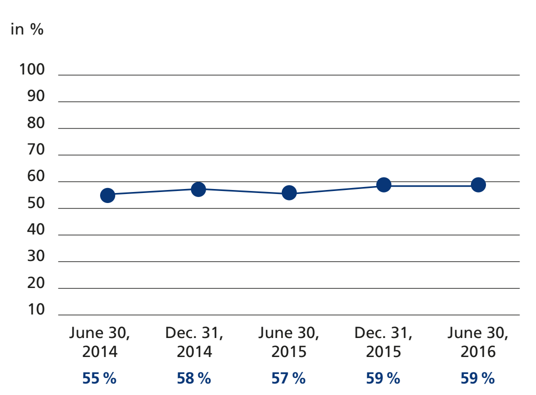
Breakdown of Postbank's risk cover amount by risk type (approved risk capital)



The absolute amount of economic creditor protection risk cover and a breakdown of the absolute amount of risk capital by risk type (as of June 30, 2016, and the prior-year closing date) are given in Note 33 of the Notes to the Consolidated Interim Financial Statements.

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

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



Risk cover utilization, measured in terms of the allocated risk capital after diversification, amounted to 59 % as of the reporting date. Overall, in the first half of the year, there was no change in the aggregate allocated capital compared with the 2015 year-end. The risk cover amount decreased slightly as against December 31, 2015, and utilization therefore increased minimally year-on-year.

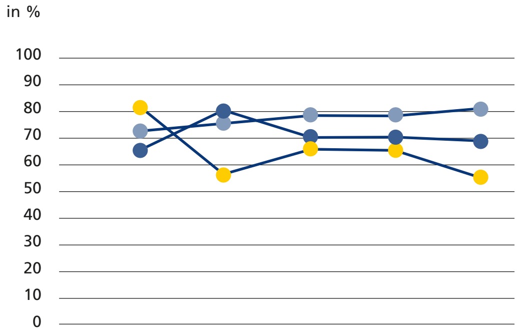
From a going concern perspective as well, the available risk cover amount (free Tier 1 capital) provides sufficient cover for the risk potential calculated.

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

Market risk is managed by allocating VaR and loss limits both at Group level and for the relevant portfolios. A stressed value at risk (sVaR) concept is currently being used for market risk – a method of calculating capital requirements for market risk assuming a period of stress. The stressed VaR is determined for the historical period from July 20, 2011, to July 9, 2012, since this historical period represents the "most severe" stress period compared with the Bank's current positioning. For loans to banks, corporates, and countries (central and regional governments and local authorities), credit risk is primarily managed by allocating limits at portfolio level and by defining a target portfolio. The retail business volume is managed using variance analyses. In the case of operational risk, limits are defined both for the Bank as a whole and for each segment. The other risk types are managed using Group-wide limits.

The following graphic depicts the changes in limit utilization for operationally managed risk types over time. Postbank aims to actively manage its limits so as to improve the management impact on risk. As a result, higher limit utilization must generally be expected.

Development of the limit utilization for operationally managed risk types



	June 30, 2014	Dec. 31, 2014	June 30, 2015	Dec. 31, 2015	June 30, 2016
● Market risk	64 %	80 %	70 %	70 %	68 %
● Credit risk	71 %	77 %	79 %	79 %	81 %
● Operational risk	81 %	57 %	66%	65%	56 %

As of June 30, 2016, utilization of the authorized risk capital for market risk in the narrower sense of the term amounted to 68 %, an only slight decline compared with the prior year-end (December 31, 2015: 70 %). Even taking into account several shifts to reduce concentrations of risk, the total credit spread sensitivity in the portfolio changed only marginally in the first half of the year. The interest rate risk position increased slightly in the same period. Credit risk limit utilization amounted to 81 % as of June 30, 2016 (December 31, 2015: 79 %). The slight increase in credit risk is due to higher business volumes in the strategic business areas of the Retail Banking and Corporate Banking segments as well as to individual rating downgrades. In contrast, credit risk was reduced by the scaling back of portfolios in the Non-Core Operating Unit segment. Utilization of the authorized risk capital limit for operational risk decreased from 65 % at the end of 2015, to 56 % as of June 30 2016, due among other things to an adjustment to the operational risk capital model that moved the boundary of the tail of the loss distribution in the Retail Banking business division from €6 million to €10 million. This adjustment needed to be made because the structure of the external losses obtained from the ORX consortium (Operational Riskdata eXchange Association) has changed significantly.

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

Risk concentrations

For information on the identification, reporting, and monitoring of risk concentrations as well as projects to improve credit portfolio management, please see the 2015 Group Management Report.

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

In the Non-Core Operating Unit segment, Postbank further reduced concentration risk due to its holdings of investment securities reaching maturity.

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

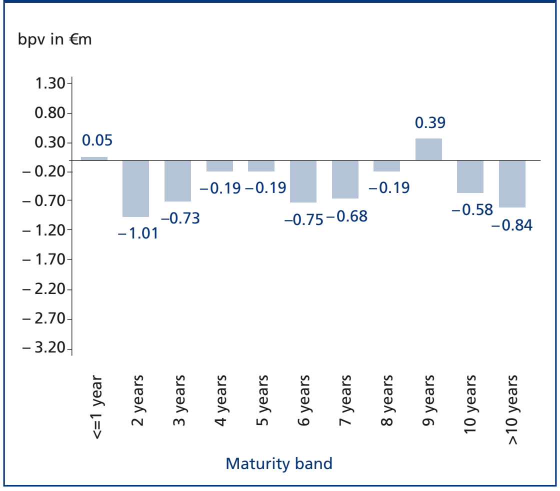
At present, based on the economic capital, a risk concentration is discernible in particular with respect to sovereign exposures. Monthly reporting of the economic capital requirement for credit risk and risk concentrations is a key component of Postbank's credit risk reporting.

Monitoring and managing market risk

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

Interest rate risk – a significant component of market risk – is the term used to denote changes in the fair value of interest-sensitive financial instruments resulting from a change in the market rate of interest. Interest rate risk analysis is an integral part of daily market risk measurement. The following chart presents the profile of Postbank's open interest rate positions as of June 30, 2016, in the form of a basis point value (bpv) graph. Positions with a negative value represent an asset-side interest rate risk, which means that there is a surplus of assets. In the same way, positive values indicate a surplus of liabilities. Overall, Postbank continued to have a long interest rate position as of June 30, 2016.

Postbank's interest rate positions (bpv) as of June 30, 2016



The graphic shows that the long interest rate positions open as of the reporting date of June 30, 2016, are distributed across almost all maturity ranges. Only in the maturity range of less than one year and in the nine-year maturity band are the majority of interest rate risk overhangs on the short side. The total bpv as of June 30, 2016, amounted to €–4.7 million, compared with €–4.0 million as of December 31, 2015. Interest rate sensitivity is primarily the result of positions in euros; interest rate sensitivities in other currencies are immaterial. Postbank mainly uses interest rate swaps to actively manage interest rate risk. The risk from equity- and equity index-linked holdings remains negligible.

Monitoring market risk

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

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

The methods used to compute VaR are regularly validated and tested for reliability. The predictive accuracy of the calculated VaR is tested by comparing it with the hypothetical gains and losses arising from actual changes in fair value for the same portfolio (clean mark-to-market backtesting), among other things. The backtesting results as of June 30, 2016 (one-sided binomial test in accordance with the Basel traffic light approach) produced three outliers at Group level and were thus in the green zone, thereby confirming the general adequacy of the market risk model.

For more detailed descriptions of the methods used to measure and limit market risk, please see the "Monitoring and managing market risk" section of the Risk Report contained in the 2015 Group Management Report.

Stress testing

The greatest risks that emerge from the regularly performed internal stress tests for market risk continue to be those in connection with interest rates and spreads. In contrast, sensitivities to changes in equity prices, currency rates, and volatilities are significantly less pronounced.

In the first half of 2016, the risk capital available for market risk was sufficient at all times to cover the fair value losses arising in even the most adverse of the historical and hypothetical stress scenarios examined.

Risk indicators

The following VaR figures were calculated for the first half of 2016 and the second half of 2015, respectively:

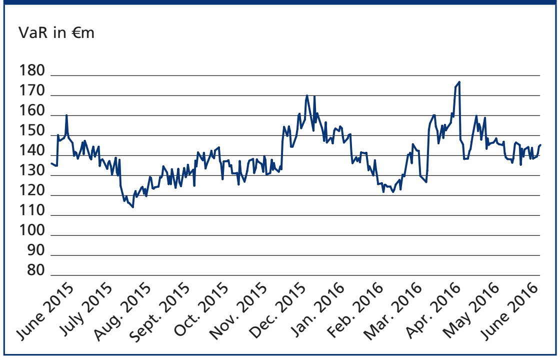
Value at risk, market risk Postbank Group

Group VaR (10 days, 99 %)	VaR at end of half-year		Maximum VaR		Minimum VaR		Average VaR	
	H1 2016 €m	H2 2015 €m	H1 2016 €m	H2 2015 €m	H1 2016 €m	H2 2015 €m	H1 2016 €m	H2 2015 €m
Interest rate risk	72.5	87.9	78.5	102.8	39.7	38.2	63.4	62.1
Equity/stock index risk	7.9	8.6	9.9	9.3	7.7	6.0	9.1	8.3
Currency risk	5.6	3.4	8.6	7.1	3.2	1.9	4.4	5.3
Other market risk (spread)	94.2	105.2	120.3	115.2	89.3	93.6	103.1	102.6
Diversification effects	−35.3	−43.7	−55.9	−55.3	−0.5	−32.8	−36.8	−43.4
Total	**144.9**	**161.4**	**161.4**	**170.3**	**139.4**	**113.1**	**143.2**	**134.9**

The VaR for market risk (confidence level of 99 %, holding period of 10 days) amounted to a total of €145 million as of June 30, 2016 (for comparative purposes: €161 million as of December 31, 2015).

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

VaR (99 %, 10 days) for Postbank for the period from July 1, 2015, to June 30, 2016



VaR in Postbank's banking book is driven mainly by two risk factors: interest rate spread and credit spread. Following a rise in operational VaR figures toward the end of 2015, as a result of rising interest rate volatility in combination with low interest rates, VaR then fell back to mid-2015 levels in the first quarter of 2016. Toward the end of the first half of the year, VaR stabilized at around €140 million to €150 million.

Postbank's trading book has not contained any active positions since May 2014. There is not currently any new trading book business.

Monitoring and managing credit risk

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

Counterparty credit risk is managed and monitored, and hence the credit risk strategy implemented, on the basis of individual risks on the one hand and the entire portfolio on the other. For a detailed presentation, please see the "Monitoring and managing credit risk" section of the 2015 Group Management Report.

The following table provides an overview of material credit risk indicators for the various segments as of June 30, 2016, compared with the end of 2015 (volumes: IFRS carrying amounts).

Credit risk	Volume		Expected loss		Economic capital[1]	
	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m
Retail Banking	74,704	74,947	308	318	888	877
Corporate Banking	15,372	14,495	48	41	395	354
Financial Markets	44,668	47,336	6	5	458	382
Non-Core Operating Unit	7,235	8,989	7	8	513	581
Pension funds	n/a	n/a	0	0	20	11
Total	**141,979**	**145,767**	**369**	**373**	**2,274**	**2,205**

[1] The underlying confidence level is 99.93 %.

The economic capital (EC) increased compared with the prior year-end while the expected loss (EL) remained almost unchanged. A rise in EC was recorded in the strategic business areas of the Retail Banking, Corporate Banking, and Financial Markets segments; this was due primarily to increased volumes (installment loans, commercial mortgages, corporate banking), as well as to individual rating downgrades. The decline in the EL in the Retail Banking segment and the rise in Corporate Banking were mainly the result of the business customer portfolio being moved from the Retail Banking segment to Corporate Banking. The rise in EC in the Financial Markets segment is due largely to reinvestments as a result of scaling back Non-Core Operating Unit portfolios.

The "Maximum counterparty credit risk" table depicts the maximum credit risk as of June 30, 2016, compared with December 31, 2015. It breaks down the maximum exposure to credit risk in accordance with IFRS 7.36(a) into categories of risk-bearing financial instruments. This figure is reported as a gross amount, since risk-bearing financial instruments are recognized and measured without accounting for credit risk mitigation techniques, recognized transactions are recorded at their carrying amounts (excluding the "allowance for losses on loans and advances" balance sheet item) and the maximum counterparty credit risk exposures resulting from the utilization of irrevocable loan commitments or other off-balance sheet items correspond to all externally approved lines. The presentation does not contain any information on ratings, in contrast to the economic risk quantification contained in the "Credit risk" table.

Maximum counterparty credit risk

Risk-bearing financial instruments	Maximum counterparty credit risk exposure		Collateral		Guarantees/ credit derivatives		Maximum counterparty credit risk exposure after credit risk mitigation	
	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m
Trading assets	**770**	**647**	**64**	**88**	**–**	**–**	**706**	**559**
Held for trading	770	647	64	88	–	–	706	559
Derivatives	705	556	–	–	–	–	705	556
Loans	65	91	64	88	–	–	1	3
Hedging derivatives	**167**	**78**	**–**	**–**	**–**	**–**	**167**	**78**
Loans and advances to other banks	**11,926**	**15,876**	**9,735**	**13,094**	**–**	**–**	**2,191**	**2,782**
Loans and receivables	11,926	15,876	9,735	13,094	–	–	2,191	2,782
Securities repurchase agreements	9,737	13,144	9,735	13,094			2	50
Overnight money	1,277	837	–	–			1,277	837
Loans	64	68	–	–	–	–	64	68
Registered bonds	296	425	–	–			296	425
Term deposits	500	1,100	–	–			500	1,100
Other loans and advances	52	302	–	–	–	–	52	302
Loans and advances to customers	**99,975**	**98,397**	**73,930**	**74,058**	**700**	**814**	**25,345**	**23,525**
Loans and receivables	95,732	93,988	69,808	69,788	700	814	25,224	23,386
Private mortgage lending	63,797	63,903	61,167	61,273			2,630	2,630
Home savings loans	3,003	3,140	2,916	3,042			87	98
Commercial loans	12,461	12,175	5,725	5,473	700	814	6,036	5,888
Public-sector receivables	5,756	4,621	–	–			5,756	4,621
Installment loans	6,911	6,453	–	–			6,911	6,453
Overdraft facilities	2,240	2,176	–	–	–		2,240	2,176
Promissory note loans	1,549	1,485	–	–	–		1,549	1,485
Other loans and advances	15	35	–	–			15	35
Fair value option	4,243	4,409	4,122	4,270	–	–	121	139
Private mortgage lending	4,243	4,409	4,122	4,270	–	–	121	139
Investment securities	**30,900**	**30,769**	**–**	**–**	**–**	**–**	**30,900**	**30,769**
Loans and receivables	15,443	17,408	–	–	–	–	15,443	17,408
Bonds and other fixed-income securities	15,443	17,408	–	–	–	–	15,443	17,408
Available for sale	15,457	13,361	–	–	–	–	15,457	13,361
Bonds and other fixed-income securities	15,125	13,035	–	–			15,125	13,035
Investment fund shares	278	261	–	–	–	–	278	261
Equity investments	49	60	–	–			49	60
Investments in unconsolidated subsidiaries	5	5	–	–			5	5
Subtotal	**143,738**	**145,767**	**83,729**	**87,240**	**700**	**814**	**59,309**	**57,713**
Contingent liabilities from guarantees	**392**	**426**	**–**	**–**	**0**	**–**	**392**	**426**
Revocable and irrevocable loan commitments	**20,585**	**19,700**	**–**	**–**	**3**	**34**	**20,582**	**19,666**
Revocable loan commitments	13,632	13,893	–	–	–	–	13,632	13,893
Irrevocable loan commitments	6,953	5,807	–	–	3	34	6,950	5,773
Total	**164,715**	**165,893**	**83,729**	**87,240**	**703**	**848**	**80,283**	**77,805**

The table contains netting effects relating to trading assets and hedging derivatives (June 30, 2016: €9.0 billion; December 31, 2015: €8.0 billion) in the amount disclosed for the maximum counterparty credit risk amount before collateral. Securities repurchase agreements requiring recognition amounted to €5.9 billion as of June 30, 2016 (December 31, 2015: €5.1 billion).

€4.4 billion of the amount disclosed in the "investment securities" balance sheet item as of the reporting date relates to covered bonds (December 31, 2015: €4.9 billion).

Sector structure of the loan portfolio

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

Risk concentrations by sector and borrower group

Risk-bearing financial instruments	Retail customers		Banks/ insurers/ financial services		Countries		Commercial real estate finance		Services/ wholesale and retail		Industry		Other sectors		Total	
	June 30, 2016 €m	Dec, 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m
Trading assets	**65**	**91**	**448**	**319**	**–**	**–**	**114**	**97**	**33**	**35**	**24**	**22**	**86**	**83**	**770**	**647**
Held for trading	65	91	448	319	–	–	114	97	33	35	24	22	86	83	770	647
Derivatives	0	0	448	319	–	–	114	97	33	35	24	22	86	83	705	556
Loans	65	91	–	–	–	–	–	–	–	–	–	–	–	–	65	91
Hedging derivatives	**–**	**–**	**167**	**78**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**167**	**78**
Loans and advances to other banks	**–**	**–**	**11,926**	**15,876**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11,926**	**15,876**
Loans and receivables	–	–	11,926	15,876	–	–	–	–	–	–	–	–	–	–	11,926	15,876
Securities repurchase agreements	–	–	9,737	13,144	–	–	–	–	–	–	–	–	–	–	9,737	13,144
Overnight money	–	–	1,277	837	–	–	–	–	–	–	–	–	–	–	1,277	837
Loans	–	–	64	68	–	–	–	–	–	–	–	–	–	–	64	68
Registered bonds	–	–	296	425	–	–	–	–	–	–	–	–	–	–	296	425
Term deposits	–	–	500	1,100	–	–	–	–	–	–	–	–	–	–	500	1,100
Other loans and advances	–	–	52	302	–	–	–	–	–	–	–	–	–	–	52	302
Loans and advances to customers	**79,336**	**79,630**	**391**	**443**	**6,224**	**5,052**	**6,933**	**6,719**	**3,603**	**3,258**	**2,497**	**2,261**	**991**	**1,034**	**99,975**	**98,397**
Loans and receivables	75,096	75,224	391	443	6,224	5,052	6,933	6,719	3,602	3,257	2,497	2,261	989	1,032	95,732	93,988
Private mortgage lending	63,665	63,776	0	0	1	1	–	–	22	23	0	0	109	103	63,797	63,903
Home savings loans	3,003	3,140	–	–	–	–	–	–	–	–	–	–	–	–	3,003	3,140
Commercial loans	541	775	328	347	6	6	6,918	6,719	2,455	2,182	1,721	1,587	492	559	12,461	12,175
Public-sector receivables	–	–	–	–	5,683	4,544	–	–	1	1	–	–	72	76	5,756	4,621
Installment loans	6,910	6,452	0	0	–	–	–	–	1	1	0	0	0	0	6,911	6,453
Overdraft facilities	977	1,081	21	69	0	0	15	–	686	574	389	352	152	100	2,240	2,176
Promissory note loans	–	–	42	27	534	501	–	–	436	470	387	322	150	165	1,549	1,485
Other loans and advances	–	–	–	–	–	–	–	–	1	6	–	–	14	29	15	35
Fair value option	4,240	4,406	–	–	0	0	–	–	1	1	–	–	2	2	4,243	4,409
Private mortgage lending	4,240	4,406	–	–	0	0	–	–	1	1	–	–	2	2	4,243	4,409
Investment securities	**–**	**–**	**11,387**	**12,632**	**16,401**	**15,658**	**–**	**–**	**1,615**	**1,140**	**771**	**685**	**726**	**654**	**30,900**	**30,769**
Loans and receivables	–	–	6,181	7,537	7,912	8,869	–	–	784	405	293	302	273	295	15,443	17,408
Bonds and other fixed-income securities	–	–	6,181	7,537	7,912	8,869	–	–	784	405	293	302	273	295	15,443	17,408
Available for sale	–	–	5,206	5,095	8,489	6,789	–	–	831	735	478	383	453	359	15,457	13,361
Bonds and other fixed-income securities	–	–	4,903	4,778	8,489	6.789	–	–	831	735	478	383	424	350	15.125	13.035
Investment fund shares	–	–	278	261	–	–	–	–	–	–	–	–	–	–	278	261
Equity investments	–	–	25	56	–	–	–	–	0	0	–	–	24	4	49	60
Investments in unconsolidated subsidiaries	–	–	–	0	–	–	–	–	–	0	–	–	5	5	5	5
Subtotal	**79,401**	**79,721**	**24,319**	**29,348**	**22,625**	**20,710**	**7,047**	**6,816**	**5,251**	**4,433**	**3,292**	**2,968**	**1,803**	**1,771**	**143,738**	**145,767**
Contingent liabilities from guarantees	**7**	**26**	**13**	**6**	**–**	**–**	**7**	**7**	**214**	**227**	**84**	**102**	**67**	**58**	**392**	**426**
Revocable and irrevocable loan commitments	**17,537**	**17,059**	**123**	**64**	**63**	**29**	**463**	**140**	**1,383**	**1,345**	**738**	**696**	**278**	**367**	**20,585**	**19,700**
Revocable loan commitments	12,437	12,611	13	32	–	–	–	–	595	671	399	415	188	164	13,632	13,893
Irrevocable loan commitments	5,100	4,448	110	32	63	29	463	140	788	674	339	281	90	203	6,953	5,807
Total	**96,945**	**96,806**	**24,455**	**29,418**	**22,688**	**20,739**	**7,517**	**6,963**	**6,848**	**6,005**	**4,114**	**3,766**	**2,148**	**2,196**	**164,715**	**165,893**

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

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

Regional distribution of the loan portfolio

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

Risk concentrations by geographic region

Risk-bearing financial instruments	Germany		Western Europe		Other regions		Total	
	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m
Trading assets	**511**	**439**	**255**	**206**	**4**	**2**	**770**	**647**
Held for trading	511	439	255	206	4	2	770	647
Derivatives	446	348	255	206	4	2	705	556
Loans	65	91	–	–	–	–	65	91
Hedging derivatives	**5**	**5**	**101**	**51**	**61**	**22**	**167**	**78**
Loans and advances to other banks	**8,520**	**6,104**	**3,386**	**9,751**	**20**	**21**	**11,926**	**15,876**
Loans and receivables	8,520	6,104	3,386	9,751	20	21	11,926	15,876
Securities repurchase agreements	7,241	4,122	2,496	9,022	–	–	9,737	13,144
Overnight money	583	288	674	528	20	21	1,277	837
Loans	64	66	–	2	–	–	64	68
Registered bonds	98	227	198	198	–	–	296	425
Term deposits	500	1,100	–	–	–	–	500	1,100
Other loans and advances	34	301	18	1	0	0	52	302
Loans and advances to customers	**92,624**	**91,085**	**6,656**	**6,603**	**695**	**709**	**99,975**	**98,397**
Loans and receivables	88,394	86,690	6,645	6,592	693	706	95,732	93,988
Private mortgage lending	60,529	60,435	3,218	3,418	50	50	63,797	63,903
Home savings loans	2,984	3,119	17	19	2	2	3,003	3,140
Commercial loans	8,675	8,595	3,153	2,933	633	647	12,461	12,175
Public-sector receivables	5,749	4,613	7	8	–	–	5,756	4,621
Installment loans	6,884	6,429	20	19	7	5	6,911	6,453
Overdraft facilities	2,230	2,167	9	7	1	2	2,240	2,176
Promissory note loans	1,329	1,303	220	182	–	–	1,549	1,485
Other loans and advances	14	29	1	6	–	–	15	35
Fair value option	4,230	4,395	11	11	2	3	4,243	4,409
Private mortgage lending	4,230	4,395	11	11	2	3	4,243	4,409
Investment securities	**11,590**	**11,542**	**18,836**	**18,737**	**474**	**490**	**30,900**	**30,769**
Loans and receivables	7,226	6,835	7,906	10,247	311	326	15,443	17,408
Bonds and other fixed-income securities	7,226	6,835	7,906	10,247	311	326	15,443	17,408
Available for sale	4,364	4,707	10,930	8,490	163	164	15,457	13,361
Bonds and other fixed-income securities	4,036	4,383	10,926	8,488	163	164	15,125	13,035
Investment fund shares	278	261	–	–	–	–	278	261
Equity investments	49	59	0	1	–	–	49	60
Investments in unconsolidated subsidiaries	1	4	4	1	–	–	5	5
Subtotal	**113,250**	**109,175**	**29,234**	**35,348**	**1,254**	**1,244**	**143,738**	**145,767**
Contingent liabilities from guarantees	**347**	**375**	**45**	**51**	**–**	**–**	**392**	**426**
Revocable and irrevocable loan commitments	**20,136**	**19,429**	**403**	**254**	**46**	**17**	**20,585**	**19,700**
Revocable loan commitments	13,553	13,814	68	67	11	12	13,632	13,893
Irrevocable loan commitments	6,583	5,615	335	187	35	5	6,953	5,807
Total	**133,733**	**128,979**	**29,682**	**35,653**	**1,300**	**1,261**	**164,715**	**165,893**

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

Exposures to debtors in selected European countries[1]

	Countries		Banks/insurers/ financial services		Retail		Corporates[2]		Other[3]		Total	
	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m
Greece	0.0	0.0	0.0	0.0	1.1	1.5	0.0	0.0	0.0	0.0	1.1	1.5
Ireland	600.0	362.1	47.7	47.2	2.0	2.6	49.3	47.7	23.0	27.6	722.0	487.2
Italy	3,298.1	3,268.6	217.6	840.7	1,866.2	2,087.1	381.5	371.8	0.0	0.0	5,763.4	6,568.2
Portugal	60.6	60.0	0.0	93.6	3.2	5.1	16.3	0.9	0.0	0.0	80.1	159.6
Spain	601.9	64.1	297.2	604.3	24.3	34.3	180.5	127.4	0.0	0.0	1,103.9	830.1
Total	**4,560.6**	**3,754.8**	**562.5**	**1,585.8**	**1,896.8**	**2,130.6**	**627.6**	**547.8**	**23.0**	**27.6**	**7,670.5**	**8,046.6**

[1] Based on IFRS carrying amounts. For holdings categorized as available for sale this is the fair value.

[2] Including commercial real estate

[3] Including investor securitization positions

As of June 30, 2016, Postbank no longer held any securities accepted as collateral in securities repurchase transactions entered into with Deutsche Bank branches in Spain and Italy in 2014 (December 31, 2015: €6.0 billion).

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

Rating structure of the loan portfolio

The following table shows the credit quality of the risk-bearing financial instruments for Postbank's non-retail business that were neither past due nor individually impaired as of June 30, 2016 (excluding "contingent liabilities" and "other liabilities").

In principle, Postbank uses the same rating for risk management as for capital requirements; this is normally the issuer rating rather than the rating given to a specific issue. Postbank has a large portfolio of *Pfandbriefe* and similarly collateralized issues that are relatively low-risk in nature. For this reason, the issue ratings are shown in the following table. The distribution of ratings in the Group loan portfolio reflects Postbank's conservative approach. The good rating categories predominate: 93 % of the rated portfolio is classified as investment grade (rating of "BBB" or better).

Credit quality of financial instruments in the non-retail business that are neither past due nor impaired

Risk-bearing financial instruments	AAA		AA		A		BBB		< BBB		Not rated		Total	
	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m
Trading assets	**–**	**–**	**42**	**37**	**220**	**297**	**272**	**74**	**126**	**108**	**45**	**40**	**705**	**556**
Held for trading	–	–	42	37	220	297	272	74	126	108	45	40	705	556
Derivatives	–	–	42	37	220	297	272	74	126	108	45	40	705	556
Hedging derivatives	**–**	**–**	**–**	**–**	**167**	**78**	**–**	**–**	**–**	**–**	**–**	**–**	**167**	**78**
Held for trading	–	–	–	–	167	78	–	–	–	–	–	–	167	78
Loans and advances to other banks	**463**	**121**	**1,009**	**350**	**9,486**	**15,112**	**909**	**157**	**13**	**59**	**46**	**77**	**11,926**	**15,876**
Loans and receivables	463	121	1,009	350	9,486	15,112	909	157	13	59	46	77	11,926	15,876
Securities repurchase agreements	–	–	932	300	8,621	12,778	184	66	–	–	–	–	9,737	13,144
Overnight money	339	–	66	43	752	730	119	12	–	18	1	34	1,277	837
Loans	21	19	–	–	–	4	–	–	4	2	39	43	64	68
Registered bonds	98	97	–	–	100	250	98	78	–	–	–	–	296	425
Term deposits	–	3	–	–	–	1,097	500	–	–	–	–	–	500	1,100
Other loans and advances	5	2	11	7	13	253	8	1	9	39	6	0	52	302
Available for sale	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Loans and advances to customers	**5,303**	**5,232**	**3,138**	**2,665**	**1,493**	**1,625**	**5,912**	**4,883**	**3,826**	**3,226**	**554**	**707**	**20,226**	**18,338**
Loans and receivables	5,303	5,232	3,138	2,665	1,493	1,625	5,912	4,883	3,826	3,226	552	704	20,224	18,335
Private mortgage lending	9	13	20	13	16	20	28	32	16	8	24	19	113	105
Home savings loans	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Commercial loans	1,042	1,848	971	967	1,333	1,451	4,635	3,648	3,176	2,646	467	543	11,624	11,103
Public-sector receivables	4,190	3,371	1,520	1,176	–	–	–	–	–	2	46	72	5,756	4,621
Installment loans	–	–	–	–	–	–	–	–	–	–	–	–	0	–
Overdraft facilities	30	–	117	–	51	58	507	511	465	385	–	35	1,170	989
Promissory note loans	32	–	510	509	93	96	742	692	169	185	–	–	1,546	1,482
Other loans and advances	–	–	–	–	–	–	–	–	–	–	15	35	15	35
Fair value option	–	–	–	–	–	–	–	–	–	–	2	3	2	3
Private mortgage lending	–	–	–	–	–	–	–	–	–	–	2	3	2	3
Investment securities	**11,773**	**12,100**	**8,756**	**8,691**	**7,825**	**7,650**	**2,275**	**1,828**	**230**	**365**	**35**	**128**	**30,894**	**30,762**
Loans and receivables	5,170	5,659	4,559	4,735	4,408	5,851	1,138	870	162	286	–	–	15,437	17,401
Bonds and other fixed-income securities	5,170	5,659	4,559	4,735	4,408	5,851	1,138	870	162	286	–	–	15,437	17,401
Available for sale	6,603	6,441	4,197	3,956	3,417	1,799	1,137	958	68	79	35	128	15,457	13,361
Bonds and other fixed-income securities	6,603	6,441	4,195	3,955	3,139	1,602	1,136	958	52	79	–	–	15,125	13,035
Investment fund shares	–	–	–	–	278	197	–	–	–	–	–	64	278	261
Equity investments	–	–	2	1	–	–	–	–	16	–	31	59	49	60
Investments in unconsolidated subsidiaries	–	–	–	–	–	–	1	–	–	–	4	5	5	5
Total	**17,539**	**17,453**	**12,945**	**11,743**	**19,191**	**24,762**	**9,368**	**6,942**	**4,195**	**3,758**	**680**	**952**	**63,918**	**65,610**

Similarly, the following table shows the credit quality of the risk-bearing financial instruments for Postbank's retail business that were neither past due nor individually impaired as of the June 30, 2016, reporting date (excluding "contingent liabilities" and "other liabilities"). Postbank's retail business continued to exhibit a stable rating performance.

Credit quality of financial instruments in the retail business that are neither past due nor impaired

Risk-bearing financial instruments	AAA		AA		A		BBB		< BBB		Basel II pool rating/ not rated		Total	
	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m
Trading assets	**–**	**–**	**0**	**0**	**4**	**8**	**30**	**42**	**31**	**41**	**0**	**–**	**65**	**91**
Held for trading	–	–	0	0	4	8	30	42	31	41	0	–	65	91
Loans	–	–	0	0	4	8	30	42	31	41	0	–	65	91
Loans and advances to customers	**0**	**2**	**484**	**468**	**3,692**	**3,782**	**29,711**	**29,964**	**41,156**	**41,209**	**2,634**	**2,461**	**77,677**	**77,886**
Loans and receivables	0	2	470	453	3,397	3,478	27,622	27,779	39,371	39,334	2,600	2,461	73,460	73,507
Private mortgage lending	0	0	108	115	2,802	2,804	25,124	25,027	32,751	32,873	1,914	1,936	62,699	62,755
Home savings loans	0	0	49	52	512	538	1,582	1,653	723	745	29	20	2,895	3,008
Commercial loans	0	2	307	277	6	31	120	291	79	146	27	28	539	775
Public-sector receivables	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Installment loans	0	0	2	6	49	60	577	570	5,213	4,964	586	407	6,427	6,007
Overdraft facilities	0	0	4	3	28	45	219	238	605	606	44	70	900	962
Promissory note loans	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other loans and advances	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Fair value option	–	–	14	15	295	304	2,089	2,185	1,785	1,875	34	0	4,217	4,379
Private mortgage lending	–	–	14	15	295	304	2,089	2,185	1,785	1,875	34	0	4,217	4,379
Total	**0**	**2**	**484**	**468**	**3,696**	**3,790**	**29,741**	**30,006**	**41,187**	**41,250**	**2,634**	**2,461**	**77,742**	**77,977**

The following table shows the disbursed credit exposures for the private mortgage lending portfolio, grouped by loan-to-value (LtV) class.

LtV is calculated as the ratio of the disbursed credit exposure per borrower to the property value of the underlying real estate collateral. The valuation of the respective real estate collateral is based on the current property value, which is determined by a reappraisal of the original market value on the current reporting date.

Disbursed credit exposures relating to loans and advances in the private mortgage lending portfolio are included into the calculation of loan to value if there is real estate collateral. Disbursed credit exposures that are backed by home savings deposits (6.1 % of the portfolio; December 31, 2015: 6.4 %) or secured by substitute collateral and negative pledge agreements (3.6 % of the portfolio; December 31, 2015: 4.2 %) are not included in the LtV calculation.

Private mortgage lending, grouped by loan-to-value class

Loan-to-value class	June 30, 2016 in %	June 30, 2015 in %
< = 50 %	29.8	30.8
> 50 %, <= 70 %	27.5	28.4
> 70 %, <= 90 %	25.8	25.2
> 90 %, <= 100 %	9.8	9.3
> 100 %, <= 110 %	5.5	4.8
> 110 %, <= 130 %	1.4	1.3
> 130 %	0.2	0.2
Total	**100.0**	**100.0**

As of June 30, 2016, 57.3 % of the private mortgage lending portfolio had a loan-to-value ratio of less than or equal to 70 % (December 31, 2015: 59.2 %).

7.1 % of total exposures are represented in the LtV classes of greater than 100 % (December 31, 2015: 6.3 %). These are exposures that are backed by real estate collateral and, in addition, regularly secured by highly liquid additional collateral.

Loans past due but not impaired

The following table shows those risk-bearing financial instruments that were past due but not impaired as of June 30, 2016:

Time bands for financial instruments past due but not impaired

Risk-bearing financial instruments and collateral	Financial instruments past due but not impaired										Fair value of the collateral for financial instruments past due but not impaired	
	Past due ≤ 3 months		Past due > 3 months, ≤ 6 months		Past due > 6 months, ≤ 1 year		Past due > 1 year		Total			
	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m
Loans and advances to customers	**192**	**248**	**28**	**31**	**41**	**55**	**128**	**129**	**389**	**463**	**365**	**361**
Loans and receivables	192	247	27	31	39	51	121	122	379	451	356	351
Private mortgage lending	177	182	24	26	29	36	113	111	343	355	330	329
Home savings loans	4	4	2	3	3	4	7	8	16	19	21	17
Commercial loans	0	7	–	–	7	11	0	0	7	18	5	5
Installment loans	–	0	–	–	–	–	–	–	–	0	–	–
Overdraft facilities	1	3	–	0	0	0	0	0	1	3	–	–
Promissory note loans	10	51	1	2	0	0	1	3	12	56	–	–
Other loans and advances	–	–	–	–	–	–	–	–	–	–	0	0
Fair value option	0	1	1	0	2	4	7	7	10	12	9	10
Private mortgage lending	0	1	1	0	2	4	7	7	10	12	9	10
Total	**192**	**248**	**28**	**31**	**41**	**55**	**128**	**129**	**389**	**463**	**365**	**361**

Impaired loans

The following table shows all impaired financial assets as of June 30, 2016, and December 31, 2015, broken down into individually impaired loans and advances to customers, and investment securities for which impairment losses have been recognized; no impairment losses have been recognized for loans and advances to other banks. The carrying amount after recognition of impairment losses is shown in the table as the difference between the carrying amount before impairment and the amount of the impairment loss.

Impaired financial instruments

Impaired risk-bearing financial instruments and collateral	Carrying amount before impairment		Amount of impairment loss		Carrying amount after impairment		Fair value of collateral for impaired instruments	
	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m
Loans and advances to customers	**1,683**	**1,710**	**765**	**725**	**918**	**985**	**680**	**796**
Loans and receivables	1,669	1,695	765	725	904	970	667	782
Private mortgage lending	642	688	232	263	410	425	488	569
Home savings loans	92	113	3	3	89	110	75	104
Commercial loans	291	279	145	144	146	135	104	109
Installment loans	483	443	251	193	232	250	–	–
Overdraft facilities	158	169	134	122	24	47	–	–
Promissory note loans	3	3	–	–	3	3	–	–
Other loans and advances	–	–	–	–	–	–	–	–
Fair value option	14	15	–	–	14	15	13	14
Private mortgage lending	14	15	–	–	14	15	13	14
Investment securities	**64**	**69**	**58**	**62**	**6**	**7**	**–**	**–**
Loans and receivables	64	69	58	62	6	7	–	–
Bonds and other fixed-income securities	64	69	58	62	6	7	–	–
Total	**1,747**	**1,779**	**823**	**787**	**924**	**992**	**680**	**796**

Overall, the decline in impaired financial instruments in the first half of 2016 is due to a reduction in the area of mortgage lending in particular.

Forborne and non-performing exposures

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

Forborne and non-performing exposures to customers

Financial instruments within the “Loans and advances to customers” balance sheet item	Performing loans		Non-performing loans						Total	
	Not impaired		Impaired		Not impaired		Total			
	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m
Forborne	**333**	**323**	**381**	**395**	**104**	**94**	**485**	**489**	**818**	**812**
Loans and receivables	330	320	381	395	102	94	483	489	813	809
Private mortgage lending	49	54	19	20	51	50	70	70	119	124
Home savings loans	0	0	0	0	0	0	0	0	0	0
Commercial loans	22	35	174	203	0	3	174	206	196	241
Public-sector receivables	0	0	0	0	0	0	0	0	0	0
Installment loans	198	185	128	111	49	38	177	149	375	334
Overdraft facilities	61	46	57	58	2	3	59	61	120	107
Promissory note loans	0	0	3	3	0	0	3	3	3	3
Other loans and advances	0	0	0	0	0	0	0	0	0	0
Fair value option	3	3	0	0	2	0	2	0	5	3
Private mortgage lending	3	3	0	0	2	0	2	0	5	3
Non-forborne	**97,075**	**95,442**	**1,302**	**1,315**	**780**	**821**	**2,082**	**2,136**	**99,157**	**97,578**
Loans and receivables	92,922	91,125	1,288	1,300	709	747	1,997	2,047	94,919	93,172
Private mortgage lending	62,493	62,534	623	668	562	570	1,185	1,238	63,678	63,772
Home savings loans	2,831	2,939	92	113	80	88	172	201	3,003	3,140
Commercial loans	12,105	11,775	117	76	50	70	167	146	12,272	11,921
Public-sector receivables	5,749	4,587	0	0	0	0	0	0	5,749	4,587
Installment loans	6,169	5,789	355	332	12	11	367	343	6,536	6,132
Overdraft facilities	2,014	1,950	101	111	5	8	106	119	2,120	2,069
Promissory note loans	1,546	1,482	0	0	0	0	0	0	1,546	1,482
Other loans and advances	15	69	0	0	0	0	0	0	15	69
Fair value option	4,153	4,317	14	15	71	74	85	89	4,238	4,406
Private mortgage lending	4,153	4,317	14	15	71	74	85	89	4,238	4,406
Total	**97,408**	**95,765**	**1,683**	**1,710**	**884**	**915**	**2,567**	**2,625**	**99,975**	**98,390**

Forborne exposures within the "Loans and advances to customers" balance sheet item totaled €818 million as of June 30, 2016 (December 31, 2015: €812 million), the main reason for the slight increase being the noticeable rise in installment loans and overdraft facilities which has been partially offset by a significant decline in commercial loans. Non-performing exposures amounted to €2,567 million as of the reporting date (December 31, 2015: €2,625 million). The decline was primarily related to private mortgage lending, commercial loans, and overdraft facilities.

In addition to the exposures presented in the table above, as of June 30, 2016, Postbank recorded a non-performing exposure for trading assets in the amount of €2 million, and one of €7 million for investment securities (€7 million of which were forborne exposures).

Securitization positions

Asset securitization makes it possible to transfer the underlying credit risk to third parties. Usually, entire exposure pools consisting of two or more subclasses of risk (tranches) entailing varying degrees of risk are transferred.

The PB Domicilio 2007-1 synthetic securitization transaction conducted by BHW Bausparkasse AG with a volume of €327 million (regulatory basis of assessment) involving the securitization of residential mortgage loans relating to Italy not only reduced regulatory capital requirements but also lowered risk concentrations. As of the reporting date, Postbank had not conducted any securitization transactions relating to revolving counterparty credit risk.

As the following originator securitization transactions have been terminated and are now in deferred redemption, they are disregarded for regulatory purposes. The following amounts were outstanding as of the reporting date (class principal amount after distribution):

Provide Blue 2005-1	€9.9 million	(BHW Bausparkasse AG)
Provide Blue 2005-2	€27.7 million	(BHW Bausparkasse AG)
PB Domicile 2006-1	€19.9 million	(Deutsche Postbank AG)

Postbank has limited investments in redeemed residential mortgage-backed securities. The portfolio had a carrying amount of €23 million as of June 30, 2016 (December 31, 2015: €28 million), having fallen due to repayments. The portfolio is valued periodically using arranger quotes or an internal valuation model. Please see Note 4h of the Notes to the 2015 Consolidated Financial Statements for further details on measurement.

Monitoring and managing liquidity risk

As a matter of principle, monitoring and management of liquidity risk is performed centrally in the CRO board department. The primary goal of liquidity risk management is to ensure Postbank's solvency at all times, including in certain stress situations. Operational management of liquidity risk and of the necessary liquidity buffer takes place centrally in the Corporates and Markets board department of Deutsche Postbank AG. BHW Bausparkasse AG manages its risks independently but is subject to Group-wide risk monitoring on the basis of uniform procedures and processes. Deutsche Postbank AG serves as the lender of last resort in the case of local liquidity squeezes. In the event of a liquidity shock at the level of the Postbank Group, the Liquidity Crisis Committee has clear responsibility and authority over all portfolio managers at Postbank as well as at its subsidiaries and its foreign branches.

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

Due to its strategic focus as a bank for retail, business and corporate customers, Postbank enjoys a broad and stable refinancing base from its customer business and is therefore largely independent of the money and capital markets.

Due to the lack of binding weighting factors to determine the net stable funding ratio (NSFR), a simulation of the main drivers was carried out based on the CRR reporting data for Deutsche Postbank AG, most recently as of December 31, 2015, with weighting factors oriented on the Quantitative Impact Study (QIS) of the Basel Committee on Banking Supervision, establishing a NSFR of 109 %. Postbank itself is not involved in the Basel Committee's QIS. The relevant Postbank data are recorded by Deutsche Bank at Group level.

The following table shows the financial liabilities as of June 30, 2016, and December 31, 2015, broken down into residual maturity bands:

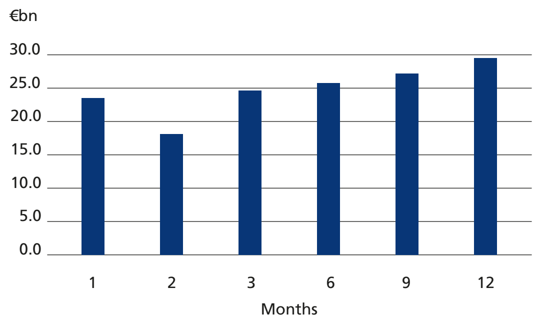
Liabilities by residual maturity

Liabilities	Payable on demand		≤ 3 months		> 3 months and ≤ 1 year		> 1 year and ≤ 5 years		> 5 years		Total	
	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m
Non-derivative liabilities	**43,891**	**61,730**	**44,353**	**48,508**	**21,480**	**20,804**	**16,528**	**15,885**	**15,061**	**17,317**	**141,313**	**164,244**
Deposits from other banks	333	64	3,781	5,574	1,402	661	5,548	5,453	5,007	4,898	16,071	16,650
Due to customers	43,557	41,540	40,479	42,372	19,878	19,192	7,460	7,796	6,097	7,168	117,471	118,068
Debt securities in issue	–	–	51	82	84	121	2,673	1,711	1,132	2,181	3,940	4,095
Subordinated debt	1	–	42	14	116	830	847	925	2,825	3,070	3,831	4,839
Other liabilities	–	–	655	466	–	–	–	–	–	–	655	466
Contingent liabilities from guarantees	412	426	–	–	–	–	–	–	–	–	412	426
Revocable and irrevocable loan commitments	20,585	19,700	–	–	–	–	–	–	–	–	20,585	19,700
Revocable loan commitments	13,632	13,893	–	–	–	–	–	–	–	–	13,632	13,893
Irrevocable loan commitments	6,953	5,807	–	–	–	–	–	–	–	–	6,953	5,807
Derivative liabilities	**0**	**0**	**108**	**131**	**49**	**82**	**353**	**310**	**363**	**349**	**873**	**872**
Hedging derivatives	0	0	39	46	7	18	79	75	66	69	191	208
Trading liabilities	0	0	69	85	42	64	274	235	297	280	682	664
Total	**43,891**	**61,730**	**44,461**	**48,639**	**21,529**	**20,886**	**16,881**	**16,195**	**15,424**	**17,666**	**142,186**	**165,116**

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

In contrast to the presentation of the contractual cash flows of the financial liabilities, the following overview of Postbank's liquidity status as of June 30, 2016, presents the expected cash inflows/outflows for the coming twelve months on a cumulative basis, in accordance with the principles of internal liquidity management:

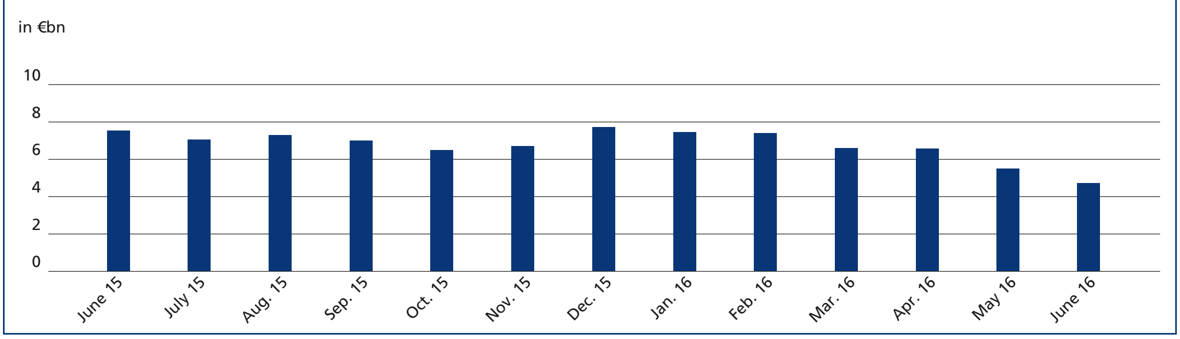
Postbank's liquidity status as of June 30, 2016



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

The surplus liquidity in the MaRisk scenario, which already includes the Bank's risk appetite, also bears testimony to the comfortable liquidity position. The following graphic shows the lowest levels of surplus liquidity for each month in the period from June 30, 2015, to June 30, 2016. In the first half of 2016, surplus liquidity was always above the €4.7 billion mark.

Surplus liquidity of the Postbank Group from June 30, 2015 to June 30, 2016



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

Monitoring and managing operational risk

The economic capital requirements for operational risk for the Bank as a whole and for the individual business divisions are determined using the internal capital model. Postbank's EC capital model is based on a loss distribution approach (LDA) that uses internal and external loss events, supplemented by scenario data, in its calculations.

The VaR limit for operational risk at overall bank level was unchanged at €700 million as of the closing date for the second quarter of 2016. In the case of limit exceedances, the limit for operational risk is increased (including during the course of the year) at the expense of other risk types or of the unallocated risk cover amount.

Operational risk losses increased year-on-year to around €53 million in the first half of 2016 (first half of 2015: €39 million).

The main drivers of the trend in loss events in the first half of 2016 were the number of legal actions and complaints by customers – still high compared with the long-term average – in connection with closed-end funds, the distribution of which has been discontinued, as well as legal actions and complaints relating to the provision of information on rights of withdrawal in private mortgage lending. Losses from cases of external fraud were at the previous year's low level. The focus in the fight against fraud remains on using the FRAUD Committee to communicate all material cases of fraud promptly throughout the Bank, as well as on raising the awareness of the employees involved in the relevant processes in order to ensure the systematic and widespread early identification of cases of fraud. The technical and organizational measures taken in previous years continued to prove their worth.

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

Business division	Operational value at risk (OpVaR)	
	June 30, 2016 €m	Dec. 31, 2015 €m
Retail Banking	263	308
Corporate Banking	38	36
Financial Markets	92	110
Postbank total	**393**	**454**

Postbank's strategic focus on retail banking can clearly be seen from the operational value at risk figures for the individual divisions. The Retail Banking business division had by far the highest capital requirement, at €263 million (December 31, 2015: €308 million). The portfolios of the Non-Core Operating Unit (NCOU), which are relevant for operational risk capital modeling and which are allocated in full to Retail Banking, account for €105 million.

Postbank performs business continuity management (BCM), which comprises both preventive and reactive measures along its value chain. The objective is to develop and then implement BCM planning (also known as emergency planning) to guarantee the continuity, regularity, and robustness of the Bank's business operations in exceptional situations such as emergencies. Regular BCM risk identification and assessment exercises (RIAs) and business impact analyses (BIAs), which focus on the Bank's main tasks and business processes, are used as the basis for planning. The proper functioning of the emergency planning is reviewed, monitored, and documented on an ongoing basis.

Pending litigation

The actions for annulment and avoidance brought against the resolution passed by the Annual General Meeting on August 28, 2015, on the transfer of the shares held by the minority shareholders of Deutsche Postbank AG to Deutsche Bank Aktiengesellschaft in return for payment of an appropriate cash settlement are still pending. However, Deutsche Postbank AG considers these actions to be unfounded.

OUTLOOK

Development of general conditions

Global economic growth is likely to remain restrained for the rest of the year. The International Monetary Fund (IMF) expects global economic output to grow by 3.1 % in 2016. This is a slightly lower figure than the one forecast by the IMF in its World Economic Outlook published in April of this year. The reduction can primarily be attributed to the referendum in favor of the UK exiting the EU, since the considerable uncertainty caused by this step is likely to have a negative impact on the developed European economies in particular. Overall, growth momentum in industrialized countries will probably not experience any essential change in 2016. The growth rate in the emerging markets is also likely to stay nearly constant, with the large variances between the countries remaining as well.

In the U.S.A., the economy is expected to once again gain traction. Private consumption and residential construction are likely to continue their growth at a solid pace. Corporate investments are expected to further expand as the downward pressure on investment from the energy sector slowly eases due to somewhat higher prices for crude oil. At the same time, foreign trade is likely to have a slight negative impact on growth. The slow start to the year has noticeably dimmed prospects for 2016 as a whole. At 1.7 %, GDP growth is likely to lag well behind the prior-year figure.

The economic recovery in the eurozone is expected to continue, with essential momentum generated once again by private consumption. Gross capital expenditures are also expected to rise. In contrast, growth in exports is likely to drop below the rate seen in the previous year and behind the growth rate of imports as a result of modest global demand. As such, foreign trade will likely put a marked brake on growth. For the year as a whole, we anticipate a slight decline in GDP growth to 1.5 % year-on-year. Slight downside risks for this forecast arise from the referendum in the UK in June 2016 to exit the EU if companies should respond in the short-term future by restricting their investments.

Economic outlook for Germany

Early indicators like the ifo Business Climate Index suggest that the economic upturn in Germany will continue at an unchanged pace. However, the predictive quality of sentiment indicators is likely limited because the results available thus far are based almost entirely on surveys conducted prior to the EU referendum in the UK. For the current year, however, we expect the damping effects from this to remain very limited. Domestic demand is likely to continue generating positive growth momentum. Employment and income are likely to rise noticeably. Paired with very low inflation rates, this would lead to continued significant growth in real income and should give a strong tailwind to private consumption. Gross capital expenditures and government spending are also expected to see noticeable expansions. In contrast, foreign trade will in all likelihood put a strong brake on GDP growth in 2016 due to modest global demand. In summary, we expect the German GDP to rise by 1.8 %. The unemployment rate could rise slightly over the further course of 2016 due to the increasing number of people in the workforce from the influx of refugees. Nevertheless, the annual average unemployment rate is expected to drop from 6.4 % to 6.2 %. Compared with our Group Management Report as of December 31, 2015, we have slightly reduced our 2016 growth forecasts for Germany, the EMU, and the U.S.A.

European capital markets are currently facing a whole range of uncertainties, first and foremost among them the referendum in the UK in June 2016 to exit the EU. There is much concern that this could noticeably hamper the growth prospects of both the UK and the entire eurozone. In turn, this could lead not only the Bank of England but possibly also the ECB to take additional expansionary measures. In this environment, it is possible that the U.S. Federal Reserve could further delay the planned tightening of its monetary policy. Added to this are concerns regarding the stability of the banking sector, in particular in Italy, as well as skepticism regarding the future economic policy of individual countries in the periphery of the eurozone. In summary, this points to a sustained low yield level for investments considered as safe. At the same time, this situation poses the risk of the yield spreads for government bonds from the EMU periphery further broadening. However, expansion potential will likely remain limited due to continuing purchases of government bonds by the ECB.

We anticipate that the ECB will keep all key interest rates low until the end of 2016. In addition, the ECB will likely initiate its quantitative easing measures, which were further expanded in March, as planned. At present, we do not expect another increase in the package of measures, especially as the ECB first began implementing individual measures in June. However, it was able to prematurely extend the term of its bond-buying program, which is currently set until March 2017. Adoption of more comprehensive measures cannot be entirely excluded, in particular if it appears that the decision reached by referendum in the UK in June 2016 to exit the EU should have a clear negative impact on growth and inflation. The U.S. Federal Reserve will likely continue pursuing its planned tighter monetary course, but act with great caution. We expect the U.S. federal funds rate to be increased by 25 basis points by the end of 2016. The German capital market will likely continue to profit from the high level of uncertainty over the remaining course of the year. We expect to see only a very small increase in the yields of ten-year German Bunds to 0.1 % by the end of 2016. The long end of the yield curve is likely to become slightly steeper by the end of the year, starting from its current position.

Overall, we project a significantly lower yield level at the end of 2016 than the one we forecast at the time of our 2015 Group Management Report.

Sector situation

The sustained low level of interest rates in the eurozone will likely make improvements in the operating business of German banks considerably difficult. We do not expect a significant rise in interest rates by the end of 2016. This will make interest margin increases difficult for most banks, especially since tough competition in the German retail and corporate banking segments continues to put a strain on both net interest income and net fee and commission income. In addition, only moderate growth is to be expected for the lending business with these customer groups. Substantial increases in net fee and commission income and net interest income will therefore likely be limited. Trading business is being curbed by high volatility on the capital markets. Low financing costs, however, could have a positive effect on the equity and debt capital markets business issues as well as stimulate the mergers and acquisitions activities (M&A) of companies. This should have a positive impact on income in investment banking. Due to the persistently difficult conditions on the income side, many banks are likely to have additional cost optimizations on their agendas in 2016 as well. The financial resources that banks must employ to implement new regulatory requirements are having an additional negative impact on the income statement. In addition, many banks are investing in digitizing numerous processes. While such projects admittedly tie up resources, digitization appears necessary for strengthening customer relationships and responding to new competitors in the digital world.

The outcome of the referendum in the UK to leave the EU could also have a negative impact on German banks. Heightened uncertainty in conjunction with the many outstanding issues related to the EU exit will increase the risk of a growth slowdown for the UK and for important trade partners in continental Europe. This could cause the central banks to continue pursuing their low interest rate policy even longer. At the same time, a growth slowdown usually also reduces the potential for an expansion in lending while the risk of loan defaults may rise. In addition, the increase in volatility associated with the heightened uncertainty on the markets could have a negative impact on the trading business of banks.

We believe that the three-pillar structure of private, public, and cooperative banks is unlikely to change by the end of 2016. Mergers and/or acquisitions will likely take place primarily within the respective sectors and for the most part involve smaller institutions.

Legal disputes may continue to have a negative impact on the reputation and the business performance of German banks, in particular in conjunction with consumer protection rulings.

Outlook for the Postbank Group

Investment focuses

Whereas Postbank's investment activities in the first half of 2016 were focused on establishing operational independence from Deutsche Bank, those for the rest of the fiscal year will target improving the Bank's long-term viability. Not only does the Bank intend to invest in a modern branch infrastructure with additional self-service options for our customers, we also plan to use our financial resources to strengthen the growth of select product areas, enhance digital efficiency and boost new business transacted over digital channels. These efforts will include optimizing our digitally supported advisory, sales and service processes as well as improving efficiency in the front/back offices and central areas.

At the same time, it will still be necessary to invest in regulatory compliance. These will include meeting the requirements of IFRS 9, the recently drafted European Markets in Financial Instruments Directive, (MiFID II), the Payment Accounts Directive and the Payment Services Directive (PAD/PSD), *Mindestanforderungen an das Risikomanagement* (MaRisk – Minimum Requirements for Risk Management), Basel III/IV as well as the specifications of the ECB and BaFin.

Non-financial key performance indicators

It is still to be expected that customer and employee satisfaction, given their recent assessment, will reach the same levels as last year or moderately exceed them in 2016. This forecast does not imply any fundamental changes in the strategic orientation of Postbank.

Expected development of the earnings situation and financial key performance indicators of the Postbank Group

We do not believe that the United Kingdom's decision in June 2016 to leave the European Union will have any material impact on profit in the short to mid-term given the fact that Postbank's business model is focused on Germany. The proportion of our credit portfolio attributed to United Kingdom borrowers also plays only a secondary role.

In light of expected business developments at the Postbank Group in fiscal year 2016, as of June 30, 2016, we continue to expect profit before tax to perform as presented in the Group Management Report of December 31, 2015, i.e., we anticipate a decline in the low three-digit million euro range.

For individual earnings components, however, we have now as of June 30, 2016, revised our expectations compared with those expressed in the 2015 Group Management Report:

Given the persistent low interest rate level, we now expect a slight drop in net interest income in fiscal year 2016 in contrast to our original anticipation of a moderate rise.

We are also revising our previous forecast for the allowance for losses on loans and advances in a more positive direction. We are now proceeding on the assumption that the allowance for losses on loans and advances will experience a minor decline in fiscal 2016 instead of a marked rise. The reasons for this positive development include a macroeconomic environment that remains positive and growth in loans and advances to customers that will be less than expected. The drop here will owe its existence to heightened repayment activities in relation to the financing of existing housing stock motivated by the low interest rate environment.

In contrast with the Outlook for full-year 2016, we anticipate palpable growth in net fee and commission instead of a pronounced surge. This momentum will be attributable in particular to general capital market volatility and resultant customer reserve in the securities business. For net income from investment securities and net trading income, our forecast has not changed, i.e., a marked rise and a marked downturn respectively in fiscal year 2016.

Thanks to disciplined cost management together with all of the cost-cutting measures that have been implemented, we now believe that administrative expenses will rise only moderately as a result of the extended basis of consolidation to include the service companies and of expenses from EU deposit guarantee schemes – in contrast to our original anticipation of a significant uptick in those expenses.

At the end of the first half of the year adjusted profit before tax is no longer expected to decline moderately but should in fact fall significantly. Likewise, we have revised the slump in consolidated net profit that we forecast in the 2015 Group Management Report from a low three-digit million range to a mid-three-digit million amount. This will be driven in particular by an interest rate level that was markedly lower than it was at the time of our forecast.

Our expectations for our financial key performance indicators remain stable – we continue to anticipate a significant downturn in return on equity before tax and a rise in the cost/income ratio.

With regard to regulatory metrics, we continue to foresee a stable development for the fully phased-in Common Equity Tier 1 capital ratio and for the fully phased-in leverage ratio.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD JANUARY 1 TO JUNE 30, 2016

Consolidated Income Statement	Note	Jan. 1 – June 30, 2016 €m	Jan. 1 – June 30, 2015[1] €m
Interest income	(4)	2,084	2,211
Positive interest on financial liabilities	(4)	13	7
Interest expense	(4)	– 891	– 959
Negative interest on financial assets	(4)	13	7
Net interest income	(4)	1,183	1,252
Allowance for losses on loans and advances	(5)	– 76	– 81
Net interest income after allowance for losses on loans and advances		1,107	1,171
Fee and commission income	(6)	548	537
Fee and commission expense	(6)	– 150	– 145
Net fee and commission income	(6)	398	392
Net trading income	(7)	9	25
Net income from investment securities	(8)	174	44
Administrative expenses	(9)	– 1,484	– 1,283
Other income	(10)	52	190
Other expenses	(11)	– 90	– 288
Profit before tax		166	251
Total income tax		– 25	– 13
Profit from ordinary activities after tax		141	238
Non-controlling interests		0	0
Consolidated net profit		**141**	**238**
Basic/diluted earnings per share (€)[2]		0.64	1.09

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[1] Figures adjusted (see Note 2)

[2] The earnings per share are based on 218.8 million shares in both reporting periods.

Condensed Statement of Comprehensive Income	**Jan. 1 – June 30, 2016 €m**	**Jan. 1 – June 30, 2015 [1] €m**
Profit from ordinary activities after tax	141	238
Other comprehensive income after tax	**–9**	**–97**
Items that will not be reclassified to profit or loss	–93	–6
Remeasurement gains/losses (–) on defined benefit plans	–93	–6
Income tax on items not reclassified to profit or loss	12	1
Items that will be/may be reclassified to profit or loss, before tax	72	–92
Change in revaluation reserve	72	–92
Unrealized gains/losses (–) for the period, before tax	152	–95
Gains (–)/losses reclassified to profit or loss, before tax	–80	3
Income tax on items that will be/may be reclassified to profit or loss	0	0
Total comprehensive income for the period attributable to non-controlling interests	0	0
Total comprehensive income	**132**	**141**

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[1] Figures adjusted

CONSOLIDATED INCOME STATEMENT – QUARTERLY OVERVIEW

	2016		2015			
	Q2 €m	Q1 €m	Q4 €m	Q3 €m	Q2 €m	Q1 €m
Interest income	1,049	1,035	1,034	1,085	1,098	1,113
Positive interest on financial liabilities	7	6	4	4	4	3
Interest expense	–455	–436	–502	–462	–464	–495
Negative interest on financial assets	–13	–10	–7	–5	–4	–3
Net interest income	588	595	529	622	634	618
Allowance for losses on loans and advances	–35	–41	–64	–64	–27	–54
Net interest income after allowance for losses on loans and advances	553	554	465	558	607	564
Fee and commission income	266	282	259	278	258	279
Fee and commission expense	–74	–76	–74	–69	–81	–64
Net fee and commission income	192	206	185	209	177	215
Net trading income	0	9	21	10	–1	26
Net income from investment securities	130	44	–30	13	15	29
Administrative expenses	–744	–740	–831	–612	–635	–648
Other income	23	29	588	111	101	89
Other expenses	–63	–27	–209	–149	–144	–144
Profit before tax	91	75	189	140	120	131
Total income tax	–16	–9	44	–4	–6	–7
Profit from ordinary activities after tax	75	66	233	136	114	124
Non-controlling interests	0	0	–1	0	0	0
Consolidated net profit	**75**	**66**	**232**	**136**	**114**	**124**
Basic earnings/diluted earnings per share (€)	0.34	0.30	1.06	0.62	0.52	0.57

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[1] Figures adjusted (see Note 2)

CONDENSED STATEMENT OF COMPREHENSIVE INCOME – QUARTERLY OVERVIEW

	2016		2015[1]			
	Q2 €m	Q1 €m	Q4 €m	Q3 €m	Q2 €m	Q1 €m
Profit from ordinary activities after tax	75	66	233	136	114	124
Other comprehensive income after tax	**–79**	**70**	**72**	**115**	**–185**	**88**
Items that will not be reclassified to profit or loss	–60	–33	–10	124	6	–12
Remeasurement gains/losses (–) on defined benefit plans	–60	–33	–10	124	6	–12
Income tax on items not reclassified to profit or loss	2	10	–5	–4	0	1
Items that will be/may be reclassified to profit or loss, before tax	–21	93	87	–5	–192	100
Change in revaluation reserve	–21	93	87	–5	–192	100
Unrealized gains/losses (–) for the period, before tax	61	91	81	–14	–191	96
Gains (–)/losses reclassified to profit or loss, before tax	–82	2	6	9	–1	4
Income tax on items that will be/may be reclassified to profit or loss	0	0	0	0	1	–1
Total comprehensive income for the period attributable to non-controlling interests	0	0	–1	0	0	0
Total comprehensive income	**–4**	**136**	**304**	**251**	**–71**	**212**

[1] Figures adjusted (see Note 2)

CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2016

Assets	Note	June 30, 2016 €m	Dec. 31, 2015[1] €m	Jan. 1, 2015[1] €m
Cash reserve		1,119	1,357	1,230
Loans and advances to other banks	(12)	11,926	15,876	19,602
Loans and advances to customers	(13)	99,975	98,397	97,972
Allowance for losses on loans and advances	(15)	–961	–923	–1,361
Trading assets	(16)	770	647	697
Hedging derivatives		167	78	119
Investment securities	(17)	30,900	30,768	33,477
thereof transferred as collateral	(17)	3,434	5,971	6,344
Intangible assets	(18)	1,930	1,902	1,952
Property and equipment	(19)	675	678	683
Current tax assets		86	101	148
Deferred tax assets		144	72	68
Other assets	(20)	1,176	1,169	826
Assets held for sale	(19)	20	489	–
Total assets		**147,927**	**150,611**	**155,413**

Equity and Liabilities	Note	June 30, 2016 €m	Dec. 31, 2015[1] €m	Jan. 1, 2015[1] €m
Deposits from other banks	(21)	13,901	15,443	17,583
Due to customers	(22)	118,471	119,150	120,493
Debt securities in issue	(23)	3,377	3,446	4,571
Trading liabilities	(24)	683	665	767
Hedging derivatives		191	208	298
Provisions	(25)	804	703	854
a) Provisions for pensions and other employee benefits		149	56	155
b) Other provisions		655	647	699
Current tax liabilities		81	110	104
Deferred tax liabilities		21	9	41
Other liabilities	(26)	667	466	526
Subordinated debt	(27)	2,634	3,239	3,699
Equity		7,097	7,172	6,477
a) Issued capital		547	547	547
b) Share premium		2,191	2,010	2,010
c) Retained earnings		4,212	4,003	3,656
d) Consolidated net profit		141	606	259
Non-controlling interests		6	6	5
Total equity and liabilities		**147,927**	**150,611**	**155,413**

[1] Figures adjusted (see Note 2)

STATEMENT OF CHANGES IN EQUITY

	Issued capital €m	Share premium €m	Retained earnings €m	Revaluation reserve €m	Consolidated net profit €m	Equity before non-controlling interests €m	Non-controlling interests €m	Total €m
Balance at Dec. 31, 2014	**547**	**2,010**	**3,303**	**337**	**259**	**6,456**	**5**	**6,461**
Restatement			16			16		16
Balance at Jan. 1, 2015	**547**	**2,010**	**3,319**	**337**	**259**	**6,472**	**5**	**6,477**
Changes in retained earnings			259		–259	0		0
Profit from ordinary activities after tax Jan. 1 – June 30, 2015					238	238		238
Other comprehensive income			–5	–92		–97	–	–97
Treasury shares						–		–
Other changes			–142			–142		–142
Balance at June 30, 2015	**547**	**2,010**	**3,431**	**245**	**238**	**6,471**	**5**	**6,476**
Profit from ordinary activities after tax July 1 – Dec. 31, 2015					368	368	1	369
Other comprehensive income			111	82		193		193
Treasury shares						–		–
Other changes			134			134		134
Balance at Dec. 31, 2015	**547**	**2,010**	**3,676**	**327**	**606**	**7,166**	**6**	**7,172**
Changes in retained earnings			606		–606	0		0
Initial consolidation effect – service companies[1]			–263			–263		–263
Capital increase		181				181		181
Profit from ordinary activities after tax Jan. 1 – June 30, 2016					141	141	0	141
Other comprehensive income			–81	72		–9		–9
Treasury shares						–		–
Other changes			–125			–125		–125
Balance at June 30, 2016	**547**	**2,191**	**3,813**	**399**	**141**	**7,091**	**6**	**7,097**

In March 2016, DB Finanz-Holding GmbH paid €143 million and Deutsche Bank AG paid €38 million into the share premium of Postbank.

The "Other changes" item comprises the effects of the control and profit and loss transfer agreement with DB Finanz-Holding GmbH.

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[1] See Note 3

CONDENSED CASH FLOW STATEMENT

	Jan. 1 – June 30, 2016 €m	Jan. 1 – June 30, 2015 €m
Cash and cash equivalents at start of period	**1,357**	**1,230**
Net cash used in operating activities	145	−2,072
Net cash from investing activities	441	1,829
Net cash used in financing activities	−824	−321
Effects of exchange rate differences	–	–
Cash and cash equivalents at end of period	**1,119**	**666**

Reported cash and cash equivalents correspond to the cash reserve.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(1) Segment reporting

Segment reporting by business division

	Retail Banking		Corporate Banking		Financial Markets		Non-Core Operating Unit		Cost Centers/ Consoli-dation		Total	
	Jan. 1– June 30, 2016 €m	Jan. 1– June 30, 2015[1] €m	Jan. 1– June 30, 2016 €m	Jan. 1– June 30, 2015[1] €m	Jan. 1– June 30, 2016 €m	Jan. 1– June 30, 2015 €m	Jan. 1– June 30, 2016 €m	Jan. 1– June 30, 2015[1] €m	Jan. 1– June 30, 2016 €m	Jan. 1– June 30, 2015 €m	Jan. 1– June 30, 2016 €m	Jan. 1– June 30, 2015[1] €m
Net interest income	1,247	1,251	171	190	–60	–18	–180	–173	5	2	1,183	1,252
Net trading income	3	13	7	1	1	13	0	0	–2	–2	9	25
Net income from investment securities	90	0	0	–3	61	27	9	9	14	11	174	44
Net fee and commission income	325	348	63	66	–13	–11	0	3	23	–14	398	392
Total income	**1,665**	**1,612**	**241**	**254**	**–11**	**11**	**–171**	**–161**	**40**	**–3**	**1,764**	**1,713**
Administrative expenses	–772	–733	–48	–43	–15	–29	–6	–9	–643	–469	–1,484	–1,283
Allowance for losses on loans and advances	–49	–72	–22	–11	0	1	–5	1	0	0	–76	–81
Other income	18	16	1	1	0	0	1	3	32	170	52	190
Other expenses	–108	–59	0	0	–1	0	–6	2	25	–231	–90	–288
Allocations	–427	–409	–80	–77	–28	–25	–25	–22	560	533	0	0
Profit/loss before tax	**327**	**355**	**92**	**124**	**–55**	**–42**	**–212**	**–186**	**14**	**0**	**166**	**251**
Revenues from external customers	1,663	1,610	240	253	–11	11	–171	–161	43	0	1,764	1,713
Intersegmental revenues	2	2	1	1	0	0	0	0	–3	–3	0	0
Impairment losses	–12	–13	–1	–1	0	0	0	0	–36	–43	–49	–57
Reversal of impaiment losses	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation and amortization	–12	–13	–1	–1	0	0	0	0	–36	–43	–49	–57
Cost/income ratio (CIR)	**79.1 %**	**75.4 %**	**55.5 %**	**49.8 %**	**–1,159.5 %**	**418.7 %**	**–21.5 %**	**–18.3 %**			**86.7 %**	**82.6 %**
Return on equity before taxes (RoE)	**18.9 %**	**23.7 %**	**34.4 %**	**50.5 %**	**–6.8 %**	**–5.8 %**	**–28.5 %**	**–22.8 %**			**4.7 %**	**7.7 %**

The Postbank Group manages its activities on the basis of a management information system whose core component is management accounting by business division. The business divisions correspond to the Group's organizational structure.

As a result of changed responsibilities on the Management Board of Postbank, the results of the business with business customers, which had previously been reported in the Retail Banking segment, were reallocated to the Corporate Banking segment in the year under review. The prior-year figures have been adjusted accordingly. Profit before tax increased by €25 million in the Corporate Banking segment and decreased by the same amount in the Retail Banking segment.

As of January 1, 2016, five companies were transferred from PBC Banking Services GmbH back to Postbank. With the exception of Postbank Direkt GmbH, these companies have been assigned to the Cost Centers/Consolidation business division. The activities of Postbank Direkt GmbH are reported in the Retail Banking business division.

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[1] Figures adjusted (see Note 2)

The strategic investment in Visa Europe Ltd., which was allocated to the Cost Centers/Consolidation segment, was sold in June 2016. The resulting income (a total of €104 million) was allocated to the Retail Banking (€90 million) and Cost Centers/Consolidation (€14 million) business divisions. The cash component was allocated to the Retail Banking business division since it was based on the transaction volumes mainly generated by retail customers.

The adjustments made to prior-year figures (see Note 2) in the reporting period and as of December 31, 2015, were included in segment reporting. This resulted in a decrease of €4 million in net fee and commission income and of €2 million in net interest income and an increase of €1 million in administrative expenses in the Retail Banking segment. In the Non-Core Operating Unit (NCOU) segment, net interest income dropped by €1 million.

In addition, the banking levy charged to the Financial Markets and NCOU business divisions in the prior-year period was allocated to the Retail Banking (€3 million), Corporate Banking (€3 million), Financial Market (€8 million) and NCOU (€9 million) business divisions in the first half of 2016.

In the Retail Banking business division, Postbank offers retail customers a broad spectrum of postal, banking, and financial services. This encompasses checking and savings products, credit and debit cards, mortgage lending, installment loans, the home savings business, securities and securities accounts, and investment funds. Income from brokerage activities is also reported in this segment.

The segment result comprises the operating results of Deutsche Postbank AG's Retail Banking operations, BHW Bausparkasse AG's domestic retail business as well as other subsidiaries, in particular BHW Holding AG, Postbank Filialvertrieb AG, Postbank Filial GmbH (merged with Postbank Filialvertrieb AG as of January 1, 2016), Postbank Direkt GmbH (from January 1, 2016), and Postbank P.O.S. Transact GmbH (until July 31, 2015). In addition, the result of the projected effects of purchase price allocation from the acquisition of BHW has been allocated to the Retail Banking segment.

Postbank's Corporate Banking business division provides payment transaction services for business and corporate customers. Commercial finance, especially regarding real estate, constitutes the second important pillar of the corporate banking business in national and international terms. Factoring and leasing is another business area of the division. In addition, the investment banking and other lending business with business and corporate customers is reported in this segment.

The segment result comprises the results of PB Firmenkunden AG, Postbank Leasing GmbH, PB Factoring GmbH, transactions with Deutsche Postbank AG's business and corporate customers, and a portion of the results of the Luxembourg branch (in each case minus selected individual exposures), as well as some commercial real estate finance transactions.

The results of the Group's financial markets transactions (banking and trading books) and of the subpools of assets of PB Spezial-Investmentaktiengesellschaft have been assigned to the Financial Markets business division.

The segment result comprises the banking and trading books of Deutsche Postbank AG and BHW Bausparkasse AG, as well as the profit/loss of the Deutsche Postbank International S.A. subsidiary and the Luxembourg branch (excluding the corporate banking business), as well as the profit/loss of the subpools of assets.

The NCOU business division comprises portfolios and activities that are no longer part of the Bank's core business in line with the Bank's current strategy. Besides further increase in transparency, the main goals of the segment are to continue reducing the risks and the risk-weighted assets.

The segment result comprises investment securities from issuers of GIIPS countries, some international commercial real estate finance transactions and selected corporate customer loans, certain foreign retail business transactions, and selected retail products that have been discontinued. In addition, certain secured and unsecured issues are allocated to the segment.

The Cost Centers/Consolidation segment comprises Group consolidation adjustments – less intra-segment consolidation adjustments – plus the profit/loss of the cost centers. The segment also includes the profit/loss of the subsidiaries allocated to cost centers, namely Postbank Systems AG, Postbank Immobilien und Baumanagement GmbH, Postbank Immobilien und Baumanagement GmbH & Co. Objekt Leipzig KG, Postbank Service GmbH (from January 1, 2016), BHW Kreditservice GmbH (from January 1, 2016), Betriebs-Center für Banken AG (from January 1, 2016), VÖB-ZVD Processing GmbH (from January 1, 2016), and the compensation claim for the stake in PBC Banking Services GmbH under section 304 of the *Aktiengesetz* (AktG – German Stock Corporation Act) (until December 2015).

In addition to the profit/loss in the income statement of the business units allocated to the business divisions, imputation procedures are applied to ensure correct allocation of the segment profit/loss to their originators. In accordance with IFRS 8.23, we report net interest income (net interest revenue) instead of interest income and interest expense. The allocation of net interest income from customer products to the segments uses the market rate method, under which the customer interest rate is compared with imputed money and capital market rates for matching terms. The administrative expenses of the Deutsche Postbank AG units included in the segment results are primarily based on the results of cost center accounting. Income taxes are not calculated at segment level.

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

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

Company-level disclosures
The following table contains information about income per product or service:

	Jan. 1 – June 30, 2016 €m	Jan. 1 – June 30, 2015[1] €m
Deposits and loans for Retail and Corporate Banking customers	1,445	1,527
Payment transaction services for Retail and Corporate Banking customers	181	182
Retail and Corporate Banking fee and commission income	160	173
Transaction Banking insourcing (net fee and commission income)	39	0
Other	–61	–169
Total	**1,764**	**1,713**

The total comprises the Postbank Group's net interest income, net fee and commission income, net trading income, and net income from investment securities. Net interest income and net fee and commission income of the subsidiaries attributable to the Corporate Banking segment are reported under the "Deposits and loans for Retail and Corporate Banking customers" item. The "Other" item includes the Group's net trading income and net income from investment securities, among other things. The income for the NCOU segment is reported under the "Other" item.

The results of the geographical areas are calculated using the profit and loss as reported in the income statements of the legal entities and branches attributable to the areas.

The Europe region contains the Luxembourg entities Deutsche Postbank International S.A., the Luxembourg branch, Deutsche Postbank Finance Center Objekt GmbH, plus the branches of BHW in Italy and Luxembourg.
The U.S.A. region contains Deutsche Postbank Funding LLC I, II, III and IV and Deutsche Postbank Funding Trust I, II, III and IV, all Wilmington, Delaware. The Germany region comprises all domestic business units, including all consolidation adjustments.

	Income		Profit before tax		Non-current assets	
	Jan. 1 – June 30, 2016 €m	Jan. 1 – June 30, 2015[1] €m	Jan. 1 – June 30, 2016 €m	Jan. 1 – June 30, 2015[1] €m	June 30, 2016 €m	Dec. 31, 2015 €m
Germany	1,728	1,680	149	229	2,589	2,563
Europe	36	33	17	22	16	17
U.S.A.	0	0	0	0	0	0
Total	**1,764**	**1,713**	**166**	**251**	**2,605**	**2,580**

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

BASIS OF PREPARATION

(2) Basis of accounting

The condensed interim financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs), as adopted by the EU, and the additional requirements of German commercial law under section 315a(1) of the *Handelsgesetzbuch* (HGB – German Commercial Code), insofar as these were applicable at the balance sheet date. In particular, the interim financial statements comply with the International Accounting Standard (IAS) 34 requirements for interim financial reports. In accordance with section 37w of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act), Postbank prepares a half-yearly financial report, which also comprises an interim management report in addition to the condensed financial statements presented here. Information on events after the end of the reporting period are presented in the Report on Post-Balance Sheet Date Events, which forms part of the Interim Management Report.

All assumptions, estimates, and assessments required for recognition and measurement in accordance with the IFRSs are in conformity with the respective standards, are regularly reassessed, and are based on past experience as well as other factors, including expectations as to future events that appear reasonable under the given circumstances. The assumptions and estimates refer primarily to the fair value measurement of certain financial instruments, including the assessment of whether an active or inactive market exists, the recognition and measurement of the allowance for losses on loans and advances, of intangible assets and of provisions, and the ability to realize deferred taxes. When determining the intention to hold financial instruments, business strategy and current market conditions are also taken into account.

Derivatives are entered into primarily as microhedges (fair value hedges) to hedge interest rate risk.

If there are no effective microhedges, the changes in value of the derivatives are reported in net trading income in accordance with IFRSs, regardless of whether risk management was successful or not from an economic perspective. New swaps taking the form of microhedges (microswaps) are entered into and existing hedges are unwound and settled

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[1] Figures adjusted (see Note 2)

as part of active management of the fixed-rate position in the overall bank balance sheet. The review of the fixed-rate position and the decision to enter into or unwind and settle microhedges are based on economic factors. The unwinding of microswaps is accounted for in the balance sheet and in net profit or loss for the period in the same way as for ineffective hedges. Effectiveness tests – and hence measurement in profit or loss – are performed at the end of the month.

Unless otherwise stated below, the same accounting policies used in preparing the consolidated financial statements for the year ended December 31, 2015 were applied in preparing the condensed interim financial statements for the period ended June 30, 2016.

Postbank applied the amendments to IAS 1 "Disclosure Initiative" for the first time in the reporting period. The amendments are intended to provide clarification regarding the structure and content of the income statement, the condensed statement of comprehensive income, and the balance sheet. The amendments refer to the application of the principle of materiality, the disaggregation of items in financial statements and the presentation of subtotals, as well as to the structure of the disclosures in the notes. The amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization" were also applied for the first time. According to the amendments, revenue-based methods for calculating the depreciation of property and equipment are not admissible, whereas in the case of intangible assets, there is merely a rebuttable presumption that such methods are inappropriate. In addition, the Bank applied the clarifications, amendments, and additions made to existing IFRSs as part of the Annual Improvements 2012–2014 cycle for the first time. The adoption of the amended standards did not have any significant effect on the net assets, financial position, and results of operations of the Bank.

In the first quarter of 2016, the Bank retroactively adjusted the recognition of expenses for property value appraisals connected with the granting of mortgage loans. In the past, these expenses were directly recognized in profit or loss. Now they are allocated over the period of the fixed interest rate for real estate finance while the effective interest method is applied. The retroactive adjustment resulted in an increase of €16 million in other assets and retained earnings as of January 1, 2015. The adjustment effect on other assets as of December 31, 2015, amounts to €14 million. Moreover, administrative expenses increased in the first half of 2015 by €1 million; consolidated net profit saw a corresponding decline.

Due to the adjustments made as of December 31, 2015 (see Note 6 of the consolidated financial statements as of December 31, 2015), the items relating to the prior-year period were adjusted in the income statement. The revision of the approach to measuring and recognizing obligations from home savings schemes resulted in an additional interest expense of €3 million as well as deferred tax income of €3 million. The €4 million decline in fee and commission income is attributable to the fact that expected future cancellations are taken into account when recognizing fee and commission income from the brokerage of life insurance.

(3) Basis of consolidation

In addition to the parent company Deutsche Postbank AG, 32 (December 31, 2015: 28) subsidiaries that are presented in the following overview are included in the consolidated financial statements as of June 30, 2016.

Consolidated companies

Name and domicile	Equity (%) interest direct	Equity (%) interest indirect
BHW Holding AG, Hameln	100.0	
Deutsche Postbank Funding LLC I, Wilmington, Delaware, U.S.A.	100.0	
Deutsche Postbank Funding LLC II, Wilmington, Delaware, U.S.A.	100.0	
Deutsche Postbank Funding LLC III, Wilmington, Delaware, U.S.A.	100.0	
Deutsche Postbank Funding LLC IV, Wilmington, Delaware, U.S.A.	100.0	
Deutsche Postbank Funding Trust I, Wilmington, Delaware, U.S.A.	100.0	
Deutsche Postbank Funding Trust II, Wilmington, Delaware, U.S.A.	100.0	
Deutsche Postbank Funding Trust III, Wilmington, Delaware, U.S.A.	100.0	
Deutsche Postbank Funding Trust IV, Wilmington, Delaware, U.S.A.	100.0	
DSL Portfolio GmbH & Co. KG, Bonn	100.0	
DSL Portfolio Verwaltungs GmbH, Bonn	100.0	
PB Factoring GmbH, Bonn	100.0	
PB International S.A., Munsbach, Luxembourg	100.0	
PB Spezial-Investmentaktiengesellschaft mit Teilgesellschaftsvermögen, Bonn	100.0	
Postbank Beteiligungen GmbH, Bonn	100.0	
Postbank Filialvertrieb AG, Bonn	100.0	
Postbank Immobilien und Baumanagement GmbH, Bonn	100.0	
Postbank Leasing GmbH, Bonn	100.0	
Postbank Systems AG, Bonn	100.0	
Betriebs-Center für Banken AG, Frankfurt am Main	100.0	
Postbank Direkt GmbH, Bonn	100.0	
Postbank Service GmbH, Essen	100.0	
BHW Kreditservice GmbH, Hameln	100.0	
BHW Bausparkasse Aktiengesellschaft, Hameln		100.0
BHW Gesellschaft für Vorsorge mbH, Hameln		100.0
BHW - Gesellschaft für Wohnungswirtschaft mbH, Hameln		100.0
Deutsche Postbank Finance Center Objekt GmbH, Munsbach, Luxembourg		100.0
PB Firmenkunden AG, Bonn		100.0
Postbank Immobilien GmbH, Hameln		100.0
Postbank Finanzberatung AG, Hameln	23.3	76.7
Postbank Immobilien und Baumanagement GmbH & Co. Objekt Leipzig KG, Bonn		90.0
VÖB-ZVD Processing GmbH, Frankfurt am Main	75.0	

In accordance with IFRS 10, eight subpools of assets are included in the consolidation basis (December 31, 2015: 8). All of the subpools of assets are structured entities in accordance with IFRS 12.

In the context of its deconsolidation from Deutsche Bank, Postbank repurchased 100 % of the equity interests in its service companies Betriebs-Center für Banken AG, Postbank Direkt GmbH, Postbank Service GmbH, and BHW Kreditservice GmbH, as well as 75 % of the equity interests in VÖB-ZVD Processing GmbH from PBC Banking Services GmbH with effect from January 1, 2016. 25 % of the share capital of VÖB-ZVD Processing GmbH is held in trust by Bundesverband Öffentlicher Banken Deutschlands e.V. (VÖB) on behalf of the Bank. The service companies are to be fully consolidated in the Postbank Group as subsidiaries in accordance with IFRS 10 as of that date.

The acquisition of shares in the service companies constitutes a business combination under common control as the Postbank service companies and Postbank itself will be managed by Deutsche Bank AG both before and after the transaction. The difference arising from the repurchase of the service companies between the consideration of €409 million granted (including subsequent payment of the purchase price of €2 million in the period under review) and the net assets and liabilities of the service companies transferred and measured at the consolidated carrying amounts of Deutsche Bank AG reduced the Postbank Group's retained earnings by €263 million.

The purchase price (including the subsequent purchase price payment) for the shares in the service companies was paid exclusively in cash. As of the date of acquisition, the companies' assets amounted to €391 million and the liabilities amounted to €245 million. The assets acquired relate primarily to cash (€52 million), loans and advances (€188 million), income tax assets (€77 million), and other assets (€60 million). The liabilities assumed consist primarily of other liabilities (€94 million), provisions (€80 million), and liabilities (€66 million). The service companies have contributed income of €56 million, primarily fee and commission income, to the income reported in the income statement. Their share of consolidated profit for the period under review was €–141 million.

At the same time, Postbank sold 49.9975 % of its shares in PBC Banking Services GmbH to Deutsche Bank Privat- und Geschäftskunden AG with effect from January 1, 2016. As the investment in PBC Banking Services GmbH had already been measured at its fair value less costs to sell in accordance with IFRS 5 as of December 31, 2015, the sale of the shares in 2016 did not have any further effect on earnings.

On April 8, 2016, upon entry in the commercial register, Postbank Filial GmbH was merged with Postbank Filialvertrieb AG, with retroactive effect as of January 1, 2016.

There were no other changes in the basis of consolidation in the reporting period as of December 31, 2015.

STATEMENT OF COMPREHENSIVE INCOME DISCLOSURES

(4) Net interest income

	Jan. 1 – June 30, 2016 €m	Jan. 1 – June 30, 2015[1] €m
Interest and current income		
Interest income from:		
Lending and money market transactions	1,834	1,925
Fixed-income and book-entry securities	246	285
Net gains/losses on hedges	0	–1
	2,080	**2,209**
Current income from:		
Equity investments	4	2
	4	**2**
	2,084	**2,211**
Positive interest on financial liabilities	13	7
Interest expense on:		
Deposits	679	723
Debt securities in issue	48	73
Subordinated debt	91	89
Swaps	73	74
	891	**959**
Negative interest on financial assets	23	7
Total	**1,183**	**1,252**

€1,979 million of the interest income (previous year: €2,104 million) relates to financial instruments classified as loans and receivables and €101 million (previous year: €105 million) to financial instruments classified as available for sale.

Interest income from the lending business and from money market transactions includes €7 million (previous year: €10 million) of interest income accrued on impaired assets (unwinding in accordance with IAS 39).

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[1] Figures adjusted (see Note 2)

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

	Jan. 1 – June 30, 2016 €m	Jan. 1 – June 30, 2015 €m
Gains/losses on the fair value remeasurement of hedged items	227	–61
Gains/losses on the fair value remeasurement of hedging instruments	–227	60
Total	**0**	**–1**

(5) Allowance for losses on loans and advances

	Jan. 1 – June 30, 2016 €m	Jan. 1 – June 30, 2015 €m
Cost of additions to allowance for losses on loans and advances		
Specific valuation allowances	183	256
Portfolio-based valuation allowances	87	69
Cost of additions to provisions for credit risks	10	15
Direct loan write-offs	12	17
Income from reversals of the allowance for losses on loans and advances		
Specific valuation allowances	97	179
Portfolio-based valuation allowances	88	62
Income from the reversal of provisions for credit risks	17	22
Recoveries on loans previously written off	14	13
Total	**76**	**81**

€83 million (previous year: €88 million) of the allowance for losses on loans and advances relates to receivables classified as loans and receivables. The allowance for losses on loans and advances for guarantees, warranties, and irrevocable loan commitments was reduced by €7 million (net) due to reversals (previous year: €7 million).

The cost of additions to and the income from reversals of the allowance for losses on loans and advances to customers can be broken down by product group as follows:

	Jan. 1 – June 30, 2016 €m	Jan. 1 – June 30, 2015 €m
Additions		
Private mortgage lending	61	91
Home savings loans	1	1
Commercial loans	18	27
Installment loans	77	93
Overdrafts	26	44
Portfolio-based valuation allowances	87	69
Total	**270**	**325**

	Jan. 1 – June 30, 2016 €m	Jan. 1 – June 30, 2015 €m
Reversal		
Private mortgage lending	53	68
Home savings loans	1	1
Commercial loans	9	22
Installment loans	21	59
Overdrafts	13	29
Portfolio-based valuation allowances	88	62
Total	**185**	**241**

(6) Net fee and commission income

	Jan. 1 – June 30, 2016 €m	Jan. 1 – June 30, 2015[1] €m
Checking account business	175	166
Securities business	30	30
Lending and guarantee business	18	12
Branch business	98	103
Other fee and commission income	77	81
Total	**398**	**392**

[1] Figures adjusted (see Note 2)

(7) Net trading income

	Jan. 1 – June 30, 2016 €m	Jan. 1 – June 30, 2015 €m
Net income from interest rate products	1	–2
Net gains/losses on derivatives carried in the trading portfolio and the banking book	3	13
Net gain/loss from application of the fair value option	1	6
Foreign exchange gain	4	8
Net fee and commission income carried in the trading portfolio	0	0
Total	**9**	**25**

(8) Net income from investment securities

	Jan. 1 – June 30, 2016 €m	Jan. 1 – June 30, 2015 €m
Net income from loans and receivables investment securities	38	14
thereof net income from sale	38	17
Gains on sale	41	18
Losses on sale	3	1
thereof net impairment loss	0	–3
Net income from available-for-sale investment securities	10	19
thereof net income from sale	10	20
Gains on sale	10	20
Losses on sale	0	0
thereof net impairment loss	0	–1
Net income from equity investments	126	11
thereof net income from investments accounted for using the equity method	0	11
Total	**174**	**44**

	Jan. 1 – June 30, 2016 €m	Jan. 1 – June 30, 2015 €m
Net income from bonds and promissory note loans	48	37
Net income from equity investments	127	11
Impairment	–1	–4
Total	**174**	**44**

Net income from equity investments primarily includes the income from the sale of the shares in Visa Europe Ltd. (€104 million) as well as from the reduction in the equity interest in another strategic investment (€22 million).

€1 million (previous year: €0 million) of the net impairment loss on investment securities relates to closed-end funds.

A net impairment loss of €4 million was recognized on other debt instruments in the previous year.

(9) Administrative expenses

	Jan. 1 – June 30, 2016 €m	Jan. 1 – June 30, 2015[1] €m
Staff costs	692	571
Other administrative expenses	743	655
Amortization of intangible assets	22	33
Depreciation and writedowns of property and equipment	27	24
Total	**1,484**	**1,283**

(10) Other income

	Jan. 1 – June 30, 2016 €m	Jan. 1 – June 30, 2015 €m
Income from property and equipment	10	16
Miscellaneous	42	174
Total	**52**	**190**

Miscellaneous other income includes the income from the sale of utilization rights for software to affiliated companies in the amount of €9 million.

(11) Other expenses

	Jan. 1 – June 30, 2016 €m	Jan. 1 – June 30, 2015 €m
Other taxes	2	2
Expenses from property and equipment	9	1
Miscellaneous	79	285
Total	**90**	**288**

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[1] Figures adjusted (see Note 2)

BALANCE SHEET DISCLOSURES

(12) Loans and advances to other banks

	June 30, 2016 €m	Dec. 31, 2015 €m
Payable on demand	2,434	1,534
Other loans and advances	9,492	14,342
Total	**11,926**	**15,876**

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

€2,416 million (December 31, 2015: €3,225 million) of loans and advances to other banks is due after more than 12 months.

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

	June 30, 2016 €m	Dec. 31, 2015 €m
Securities repurchase agreements	9,737	13,144
Overnight money	1,277	837
Loans	64	68
Registered bonds	296	425
Term deposits	500	1,100
Other loans and advances	52	302
Total	**11,926**	**15,876**

Collateral received that can be unconditionally liquidated or unconditionally sold:

	Fair value of collateral that can be unconditionally liquidated or can be unconditionally sold		Fair value of collateral that was sold or repledged and is subject to an obligation to return	
	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m
Financial collateral	8,933	14,038	1,016	1,006
Non-financial collateral	–	–	–	–
Total	**8,933**	**14,038**	**1,016**	**1,006**

(13) Loans and advances to customers

	June 30, 2016 €m	Dec. 31, 2015 €m
Private mortgage lending	68,040	68,312
Home savings loans	3,003	3,140
Commercial loans	12,461	12,175
Public sector	5,756	4,621
Installment loans	6,911	6,453
Overdrafts	2,240	2,176
Promissory note loans	1,549	1,485
Other loans and advances	15	35
Total	**99,975**	**98,397**

For a loan and advance to a corporate customer the criteria for classification “as held for sale” had been met between June 30, 2016, and the day on which the consolidated interim financial statements were prepared. The loan and advance is allocated to the Corporate Banking segment and will be sold in the third quarter of 2016.

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

	June 30, 2016 €m	Dec. 31, 2015 €m
Loans and receivables	95,732	93,988
Fair value option	4,243	4,409
Total	**99,975**	**98,397**

€80,165 million (December 31, 2015: €75,791 million) of loans and advances to customers is due after more than 12 months.

(14) Total credit extended

	June 30, 2016 €m	Dec. 31, 2015 €m
Loans and advances to other banks	11,926	15,876
Loans and advances to customers	99,975	98,397
Guarantees	383	404
Total	**112,284**	**114,677**

(15) Allowance for losses on loans and advances

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

	June 30, 2016 €m	Dec. 31, 2015 €m
Specific valuation allowances	765	725
Portfolio-based valuation allowances	196	198
Total allowance for losses on loans and advances	**961**	**923**
Provisions for credit risks	32	43
Total	**993**	**966**

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

The allowance for losses on loans and advances reported on the assets side of the balance sheet changed as follows:

	Specific valuation allowances		Portfolio-based valuation allowances		Total	
	2016 €m	2015 €m	2016 €m	2015 €m	2016 €m	2015 €m
Balance at Jan. 1	**725**	**1,208**	**198**	**153**	**923**	**1,361**
Reclassification due to IFRS 5		–130		–		–130
Additions						
Allowance charged to the income statement	183	256	87	69	270	325
Disposals						
Utilization	39	133	–	–	39	133
Allowance reversed to the income statement	97	179	88	62	185	241
Unwinding	7	10	–	–	7	10
Currency translation differences		4	–1	–	–1	4
Balance at June 30	**765**	**1,016**	**196**	**160**	**961**	**1,176**

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

	June 30, 2016 €m	Dec. 31, 2015 €m
Specific valuation allowances		
Private mortgage lending	232	263
Home savings loans	3	3
Commercial loans	145	144
Installment loans	251	193
Other loans and advances	134	122
Portfolio-based valuation allowances	196	198
Total	**961**	**923**

(16) Trading assets

	June 30, 2016 €m	Dec. 31, 2015 €m
Building loans held for trading	65	91
Positive fair values of derivatives carried as trading assets	107	81
Positive fair values of banking book derivatives	598	475
Total	**770**	**647**

€636 million (December 31, 2015: €473 million) is due after more than 12 months.

(17) Investment securities

	June 30, 2016 €m	Dec. 31, 2015 €m
Bonds and other fixed-income securities		
Loans and receivables	15,443	17,408
Available for sale	15,125	13,034
	30,568	**30,442**
Investment fund shares (available for sale)	278	261
Equity investments (available for sale)	49	60
Investments in unconsolidated subsidiaries (available for sale)	5	5
Total	**30,900**	**30,768**

Holdings of €25,598 million (December 31, 2015: €26,179 million) are due after more than 12 months.

Investment securities were furnished as collateral for the following liabilities:

	June 30, 2015 €m	Dec. 31, 2015 €m
Liabilities	8,131	11,924
Contingent liabilities	0	0
Total	**8,131**	**11,924**

For liabilities relating to repurchase agreements amounting to €3,783 million (December 31, 2015: €5,335 million), collateral taking the form of investment securities still carried in the balance sheet, in the amount of €3,434 million (December 31, 2015: €5,971 million), was transferred.

Of the collateral transferred, the transferee could resell or pledge investment securities in the amount of €3,434 million (December 31, 2015: €5,971 million) on the basis of contractual or customary rights (IAS 39.37(a)).

Investment securities are pledged as collateral in accordance with standard market conditions.

In fiscal years 2008 and 2009, Postbank reclassified securities from the "available-for-sale" category to the "loans and receivables" category due to a change in its intention to hold the securities. The fair value of the securities at the respective reclassification date was reported as the new carrying amount.

As of June 30, 2016, the total volume of securities reclassified in accordance with IAS 39.50E had a fair value of €6.6 billion and a carrying amount of €6.3 billion.

Prior to the above-mentioned reclassification dates, the changes in fair value that had been recognized in the revaluation reserve for the reclassified securities amounted to €468 million before tax. Had Postbank not changed its intention to hold the securities, the loss recognized in the revaluation reserve would have decreased by €289 million in the period up to June 30, 2016 (December 31, 2015: €367 million).

Given a nominal weighting of the reclassified securities, the effective interest rate calculated on the basis of their restated cost as of the date of the reclassifications was 4.4 % (range of effective interest rates: 1.8 % to 34.5 %). The estimated cash flows that Postbank expected as of the date of the reclassifications amount to €45.4 billion. Impairments of €621 million (previous year: €621 million) were charged for all reclassified securities in the period up to June 30, 2016; disposal gains on reclassified securities amounted to €59 million (previous year: €21 million).

Interest income amounting to €65 million (previous year: €89 million) accrued for the reclassified securities in the period up to June 30, 2016.

(18) Intangible assets

	June 30, 2016 €m	Dec. 31, 2015 €m
Acquired goodwill	1,581	1,581
Acquired software, concessions, industrial rights	256	248
Internally generated intangible assets and software	36	46
Advance payments on intangible assets and in-process intangible assets	57	27
Total	**1,930**	**1,902**

The "acquired software, concessions, industrial rights" item includes the capitalized BHW brand in the amount of €139 million (December 31, 2015: €139 million). The capitalized amounts for customer relationships amounted to €56 million (December 31, 2015: €58 million), while those for beneficial contracts amounted to €9 million (December 31, 2015: €10 million).

(19) Property and equipment

	June 30, 2016 €m	Dec. 31, 2015 €m
Land and buildings	486	513
Operating and office equipment	158	143
Advance payments and assets under development	31	22
Total	**675**	**678**

The Bank intends to sell a property with a carrying amount of €20 million in the second half of 2016. Classification of this property as a held-for-sale asset did not result in any impairment. The property is allocated to the Cost Centers/ Consolidation segment.

(20) Other assets

	June 30, 2016 €m	Dec. 31, 2015[1] €m
Prepaid expenses	823	701
Receivables from subsidiaries	65	210
Trade receivables	156	175
Receivables from tax authorities	28	30
Advances to members of the mobile sales force	16	7
Miscellaneous	88	46
Total	**1,176**	**1,169**

Other assets amounting to €708 million (December 31, 2015: €711 million) have a maturity of more than 12 months.

(21) Deposits from other banks

	June 30, 2016 €m	Dec. 31, 2015 €m
Payable on demand	520	253
With an agreed maturity or withdrawal notice	13,381	15,190
Total	**13,901**	**15,443**

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

€8,698 million (December 31, 2015: €9,063 million) is due after more than 12 months.

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[1] Figures adjusted (see Note 2)

(22) Due to customers

	June 30, 2016 €m	Dec. 31, 2015 €m
Savings deposits	39,925	41,841
Home savings deposits	19,155	19,341
Other amounts due		
Payable on demand	44,850	43,185
With an agreed maturity or withdrawal notice	14,541	14,783
	59,391	**57,968**
Total	**118,471**	**119,150**

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

€23,796 million (December 31, 2015: €25,130 million) is due after more than 12 months.

(23) Debt securities in issue

	June 30, 2016 €m	Dec. 31, 2015 €m
Public-sector *Pfandbriefe*	66	67
Mortgage *Pfandbriefe*	2,401	2,471
Other debt instruments	910	908
Total	**3,377**	**3,446**

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

€3,289 million (December 31, 2015: €3,285 million) is due after more than 12 months.

(24) Trading liabilities

	June 30, 2016 €m	Dec. 31, 2015 €m
Negative fair values of trading derivatives	111	99
Negative fair values of banking book derivatives	520	501
Negative fair values from derivatives relating to hedged items accounted for under the fair value option	52	65
Total	**683**	**665**

€571 million (December 31, 2015: €516 million) is due after more than 12 months.

(25) Provisions

	June 30, 2016 €m	Dec. 31, 2015 €m
Provisions for pensions and other employee benefits	149	56
Miscellaneous	655	647
Total	**804**	**703**

Miscellaneous provisions include €180 million for litigation and customer redress (December 31, 2015: €138 million).

€470 million (December 31, 2015: €500 million) of the recognized provisions is due after more than 12 months.

(26) Other liabilities

	June 30, 2016 €m	Dec. 31, 2015 €m
Liabilities to DB Finanz-Holding GmbH under control and profit and loss transfer agreement	125	2
Trade payables	95	80
Liabilities from expenses for outstanding invoices	105	85
Liabilities from expenses for outstanding vacation entitlements and other compensated absences	44	38
Liabilities from executory contracts relating to securities	0	0
Liabilities from other taxes	37	63
Liabilities from expenses for commissions and premiums	30	40
Deferred income	25	8
Liabilities from executory contracts relating to securities	44	39
Miscellaneous liabilities	162	111
Total	**667**	**466**

€23 million (December 31, 2015: €23 million) is due after more than 12 months.

(27) Subordinated debt

	June 30, 2016 €m	Dec. 31, 2015 €m
Hybrid capital instruments	1,473	1,405
Subordinated liabilities	956	928
Profit participation certificates outstanding	184	884
Contributions by typical silent partners	21	22
Total	**2,634**	**3,239**

A total of €1,171 million of the regular phased-in subordinated debt recognized (December 31, 2015: €1,175 million) is eligible as Tier 2 capital for regulatory purposes.

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

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

€2,540 million (December 31, 2015: €2,461 million) is due after more than 12 months.

OTHER DISCLOSURES

(28) Contingencies and other obligations

	June 30, 2016 €m	Dec. 31, 2015 €m
Contingent liabilities		
on guarantees and warranties	383	404
Other obligations		
irrevocable loan commitments	6,932	5,788
thereof building loans provided	4,625	4,019
Miscellaneous obligations	13,657	13,914[1]
Total	**20,972**	**20,106**

[1] Prior-year figure adjusted by €9 million

Miscellaneous obligations mainly relate to credit lines that can be called in by Postbank at any time.

Miscellaneous obligations include irrevocable payment obligations for the bank levy in the amount of €13 million (previous year: €9 million).

(29) Fair values of financial instruments

Fair value hierarchy

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

Level 1:

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

Level 2:

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

Level 3:

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

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

Assets measured at fair value		**June 30, 2016**		
		Fair value reported in:		
Classes	**June 30, 2016 €m**	**Level 1 €m**	**Level 2 €m**	**Level 3 €m**
Financial assets at fair value through profit or loss (FVtPL)				
Trading assets	770	0	769	1
Loans held for trading	65	0	65	0
Derivatives	705	0	704	1
Hedging derivatives	167	0	167	0
Loans and advances to customers	4,243	0	4,243	0
Private mortgage lending	4,243	0	4,243[1]	0
Available-for-sale financial assets				
Investment securities	15,457	12,302	3,111	44
Bonds and other fixed-income securities	15,125	12,286	2,816	23
Equities and other non-fixed-income securities	278	0	278	0
Equity investments	54	16	17	21
Other assets	101	0	0	101
Trade receivables	101	0	0	101
Total	**20,738**	**12,302**	**8,290**	**146**

Liabilities measured at fair value		**June 30, 2016**		
		Fair value reported in:		
Classes	**June 30, 2016 €m**	**Level 1 €m**	**Level 2 €m**	**Level 3 €m**
Financial liabilities at fair value through profit or loss (FVtPL)				
Trading liabilities	683	0	683	0
Derivatives	683	0	683	0
Hedging derivatives	191	0	191	0
Total	**874**	**0**	**874**	**0**

[1] Due to the trend in interest rates, the discount rate used to measure loans under the fair value option has contained a greater share of inputs not observable in the market since the beginning of 2014. These continue to be allocated to Level 2 given their relatively low expected volatility and their insignificance for the fair value as a whole.

Postbank uses discounted cash flow models to measure financial instruments allocated to Level 2, if they cannot be measured using transactions in identical financial instruments at the measurement date or using transactions in similar financial instruments at the measurement date. Most of the above-mentioned financial instruments (derivatives, bonds, promissory note loans) are measured using yield and spread curves (credit spreads, basis spreads) as inputs. In addition, CDS spreads and hazard rates are used to value credit derivatives. Option pricing models also use share prices, index prices, and volatilities as inputs.

The Postbank Group applies the fair value option exclusively to loan portfolios in the mortgage lending business. The current swap yield curve and loan-specific risk and cost premiums are used as inputs. The risk premiums are calculated on the basis of the estimated loss rates and probabilities of default; these are sourced from the Bank's internal rating model, which has been approved by the supervisory authority.

As compared to the previous year, the increase in Level 1 instruments results from a higher volume in investment securities with quoted market prices in active markets. The disposals (largely involving maturities) of Level 1 and Level 2 instruments were more than offset by additions during the reporting period so that ultimately the holdings of Level 1 and Level 2 instruments increased.

Valuation techniques whose inputs mean they are allocable to Level 3 are used for both assets and liabilities. Embedded derivatives from the synthetic SCP portfolios are allocated to Level 3.

Financial assets allocable to Level 3 changed as follows in the reporting period:

Assets measured at fair value based on Level 3

	Assets measured at fair value in Level 3 as of June 30, 2016						
	Financial assets at FVtPL			AfS financial assets			Total
	Trading assets €m	Hedging derivatives €m	Loans and advances to customers €m	Investment securities €m	Loans and advances to other banks €m	Other assets €m	€m
Opening balance	1	0	0	34	0	105	140
Total gains or losses	0	0	0	0	0	0	0
in profit or loss	0	0	0	–1	0	0	–1
in revaluation reserve	0	0	0	1	0	0	1
Purchases	0	0	0	21	0	34	55
Disposals	0	0	0	–6	0	0	–6
Issues	0	0	0	0	0	0	0
Settlements	0	0	0	–5	0	–38	–43
Exchange rate effects	0	0	0	0	0	0	0
Transfers out of Level 3	0	0	0	0	0	0	0
Transfers to Level 3	0	0	0	0	0	0	0
Closing balance	**1**	**0**	**0**	**44**	**0**	**101**	**146**
Total remeasurement gains/losses for assets held at the end of the reporting period	**0**	**0**	**0**	**0**	**0**	**0**	**0**

These changed as follows as of December 31, 2015:

Assets measured at fair value based on Level 3							
	Assets measured at fair value in Level 3 as of Dec. 31, 2015						
	Financial assets at FVtPL			AfS financial assets			Total
	Trading assets €m	Hedging derivatives €m	Loans and advances to customers €m	Investment securities €m	Loans and advances to other banks €m	Other assets €m	€m
Opening balance	1	0	0	74	0	27	102
Total gains or losses	0	0	0	–1	0	0	–1
in profit or loss	0	0	0	0	0	0	0
in revaluation reserve	0	0	0	–1	0	0	–1
Purchases	0	0	0	0	0	78	78
Disposals	0	0	0	0	0	0	0
Issues	0	0	0	0	0	0	0
Settlements	0	0	0	–45	0	0	–45
Exchange rate effects	0	0	0	0	0	0	0
Transfers out of Level 3	0	0	0	0	0	0	0
Transfers to Level 3	0	0	0	6	0	0	6
Closing balance	**1**	**0**	**0**	**34**	**0**	**105**	**140**
Total remeasurement gains/losses for assets held at the end of the reporting period	**0**	**0**	**0**	**–1**	**0**	**0**	**–1**

Investment securities allocated to Level 3 include structured credit products and investments in closed-end funds as well as in Visa Inc.

The fair value of the structured credit products allocated to Level 3 is measured at present using arranger/dealer quotes which are validated by means of an internal valuation technique. The internal valuation technique also takes the illiquidity of the markets for structured products into account in addition to the impact of default on expected cash flows. This is done by adding a premium to the risk-free interest rate for the same maturity when discounting the cash flows calculated. Assuming a change in arranger/dealer quotes by +/– 100 basis points, the fair value would change by +/– €0.3 million.

The shares in closed-end funds allocated to Level 3 are measured using cash flow models, which take account of the risk-adjusted planning assumptions of the respective funds. If the planning assumptions deviate by +/– 10 % from the assumptions made when calculating the fair value, this would result in a fair value change of +/– €1 million.

The investment in Visa Europe Ltd. was sold in the second quarter of 2016. From the sale, Postbank received, among other things, preferred shares in Visa Inc., which are presented under equity investments as additions to Level 3. When measuring the fair value, assumptions with respect to the conversion rate (common share conversion ratio) and the liquidity of the shares are taken into account. Any change in the assumptions with respect to the conversion rate and the liquidity of the shares of +/– 10 % would lead to a change in the fair value of +/– €1 million.

The trade receivables also allocated to Level 3 relate to commission claims in connection with insurance brokerage. The fair values are determined on the basis of the acquisition commissions to be paid for insurance brokerage, taking future cancellations/anticipated premature terminations into account. The reliable determination of the fair values of the above commissions is based on the reporting system of the product provider and contains assumptions as to the cancellation rate/anticipated premature termination of concluded insurances. Assuming a change in cancellation quotas of +/– 5 %, this would lead to a change in the fair value of +/– €8 million which, as a change in cash flows, would be recognized through profit or loss.

Since the liabilities allocated to Level 3 had a carrying amount and a fair value of €0 million as of June 30, 2016 and as of December 31, 2015, these are not presented in table form.

There were no non-recurring fair value measurements of financial instruments in the reporting period.

Fair value of financial instruments carried at amortized cost or hedge fair value

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

	June 30, 2016		Dec. 31, 2015	
	Carrying amount €m	Full fair value €m	Carrying amount €m	Full fair value €m
Assets				
Cash reserve	1,119	1,119	1,357	1,357
Loans and advances to other banks (loans and receivables)	11,926	11,938	15,875	15,898
Securities repurchase agreements	9,737	9,740	13,144	13,149
Overnight money	1,277	1,277	837	837
Loans	64	66	68	70
Registered bonds	296	306	425	440
Term deposits	500	497	1,100	1,101
Other loans and advances	52	52	301	301
Loans and advances to customers (loans and receivables)	95,732	102,378	93,988	99,502
Private mortgage lending	63,797	69,822	63,903	68,901
Home savings loans	3,003	3,003	3,140	3,140
Commercial loans	12,461	12,594	12,175	12,258
Public-sector receivables	5,756	5,694	4,621	4,549
Installment loans	6,911	7,443	6,453	6,937
Overdrafts	2,240	2,240	2,176	2,176
Promissory note loans	1,549	1,567	1,485	1,506
Other loans and advances	15	15	35	35
Allowance for losses on loans and advances (loans and receivables)	−961	−961	−924	−924
Private mortgage lending	−321	−321	−352	−352
Home savings loans	−5	−5	−5	−5
Commercial loans	−162	−162	−159	−159
Public-sector receivables	−4	−4	−4	−4
Installment loans	−322	−322	−268	−268
Overdrafts	−147	−147	−134	−134
Promissory note loans	**0**	**0**	0	0
Other loans and advances	**0**	**0**	−2	−2
Investment securities (loans and receivables)	15,443	16,007	17,408	17,998
Bonds and other fixed-income securities	15,443	16,007	17,408	17,998
Other assets (loans and receivables)	186	186	318	318
	123,445	**130,667**	**128,022**	**134,149**
Liabilities				
Deposits from other banks (liabilities at amortized cost)	13,901	14,420	15,443	15,920
Due to customers (liabilities at amortized cost)	118,471	120,469	119,150	121,184
Savings deposits	39,925	39,925	41,841	41,841
Home savings	19,155	19,155	19,341	19,341
Other liabilities	59,391	61,389	57,968	60,002
Debt securities in issue (liabilities at amortized cost)	3,377	3,876	3,446	3,898
Public-sector *Pfandbriefe*	66	73	67	74
Mortgage *Pfandbriefe*	2,401	2,477	2,471	2,551
Other debt instruments	910	1,326	908	1,273
Subordinated debt (liabilities at amortized cost)	2,634	2,601	3,239	3,497
Hybrid capital instruments	1,473	1,333	1,405	1,398
Subordinated liabilities	956	1,049	928	1,169
Profit participation certificates outstanding	184	198	884	908
Contributions by typical silent partners	21	21	22	22
Other liabilities (liabilities at amortized cost)	464	464	296	296
	138,847	**141,830**	**141,574**	**144,795**

In general, fair value is calculated for all financial instruments. The only exceptions are items payable on demand and savings deposits with an agreed withdrawal notice of one year or less. For these, the estimated fair value is the carrying amount.

(30) Derivatives

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

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

The fair values of the individual contracts were calculated using recognized valuation techniques. Postbank utilizes the available netting opportunities when derivative transactions are settled via a central counterparty.

Holdings of derivatives are composed of the following items:

	Notional amount		Positive fair values		Negative fair values	
	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m
Trading derivatives	150,854	146,926	705	556	683	665
Hedging derivatives	20,361	22,167	167	78	191	208
Total	**171,215**	**169,093**	**872**	**634**	**874**	**873**

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

			Fair value			
	Notional amount		Positive fair values		Negative fair values	
	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m
Trading derivatives						
Foreign currency derivatives	9,905	7,372	84	91	48	104
Interest rate derivatives	140,928	139,478	620	464	635	560
Equity/index derivatives	2	2	–	–	–	–
Credit derivatives	19	74	1	1	–	1
Total holdings of trading derivatives	**150,854**	**146,926**	**705**	**556**	**683**	**665**
Hedging derivatives						
Fair value hedges	20,361	22,167	167	78	191	208
Total holdings of hedging derivatives	**20,361**	**22,167**	**167**	**78**	**191**	**208**
Total holdings of derivatives	**171,215**	**169,093**	**872**	**634**	**874**	**873**

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

(31) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities that meet the conditions for offsetting set out in IAS 32.42ff. are presented on a net basis in the balance sheet.

The following tables contain the disclosures as of June 30, 2016, on the effects of offsetting on the consolidated balance sheet and the financial effects of offsetting in the case of instruments that are covered by a legally enforceable master netting arrangement or similar agreement.

	Financial assets (gross) €m	Offset recognized amounts (gross) €m	Recognized financial assets (net) €m	Effects of master netting arrangements €m	Cash collateral €m	Collateral taking the form of financial instruments €m	Net amount €m
Assets							
Loans and advances to other banks (including allowance for losses on loans and advances)	18,423	−6,497	11,926	–	–	−9,735	2,191
Trading assets	8,779	−8,009	770	−306	−143	–	321
Hedging derivatives	1,172	−1,005	167	−5	−34	–	128
Total	**28,374**	**−15,511**	**12,863**	**−311**	**−177**	**−9,735**	**2,640**

	Financial liabilities (gross) €m	Offset recognized amounts (gross) €m	Recognized financial liabilities (net) €m	Effects of master netting arrangements €m	Cash collateral €m	Collateral taking the form of financial instruments €m	Net amount €m
Equity and liabilities							
Deposits from other banks	9,643	−5,860	3,783	0	0	−3,471	312
Trading liabilities	9,386	−8,703	683	−306	−355	–	22
Hedging derivatives	1,140	−949	191	−5	−99	–	87
Total	**20,169**	**−15,512**	**4,657**	**−311**	**−454**	**−3,471**	**421**

The column headed "Offset recognized amounts (gross)" contains the amounts set off in accordance with the provisions of IAS 32.42ff. The column entitled "Effects of master netting arrangements" contains the amounts that are covered by master netting arrangements but that have not been set off because the conditions of IAS 32.42ff. have not been met. The "Cash collateral" and "Collateral taking the form of financial instruments" columns show the fair values concerned. The right to set off collateral taking the form of financial instruments and cash collateral is contingent upon the prior default of the counterparty concerned.

Offset financial assets and financial liabilities from securities repurchase agreements (reverse repos/repos) are included in the "Loans and advances to other banks (including allowance for losses on loans and advances)" and "Deposits from other banks" items.

Offset derivatives are included in the "Trading assets," "Trading liabilities," and "Hedging derivatives" line items. The cash collateral received as security for positive fair values of derivatives and pledged for negative fair values of derivatives is reported under the "Deposits from other banks" and "Loans and advances to other banks" line items.

The following tables contain the comparative figures as of December 31, 2015.

	Financial assets (gross) €m	Offset recognized amounts (gross) €m	Recognized financial assets (net) €m	Effects of master netting arrange-ments €m	Cash collateral €m	Collateral taking the form of financial instruments €m	Net amount €m
Assets							
Loans and advances to other banks (including allowance for losses on loans and advances)	21,115	–5,239	15,876	–	–	–13,095	2,781
Trading assets	7,276	–6,629	647	–241	–62	–	344
Hedging derivatives	1,414	–1,336	78	–8	–9	–	61
Total	**29,805**	**–13,204**	**16,601**	**–249**	**–71**	**–13,095**	**3,186**

	Financial liabilities (gross) €m	Offset recognized amounts (gross) €m	Recognized financial liabilities (net) €m	Effects of master netting arrange-ments €m	Cash collateral €m	Collateral taking the form of financial instruments €m	Net amount €m
Equity and liabilities							
Deposits from other banks	10,470	–5,135	5,335	–	0	–4,982	353
Trading liabilities	8,108	–7,443	665	–241	–368	–	56
Hedging derivatives	834	–626	208	–8	–115	–	85
Total	**19,412**	**–13,204**	**6,208**	**–249**	**–483**	**–4,982**	**494**

(32) Capital management, risk-weighted assets and capital ratio

Postbank satisfies the requirements of Basel III, which took effect on January 1, 2014, in the form of the Capital Requirements Regulation (CRR) and the Capital Requirements Directive IV (CRD IV), which in turn have been implemented in the *Kreditwesengesetz* (KWG – German Banking Act) and related German regulations. Numerous transitional provisions continue to apply in 2016.

Postbank's processes for calculating and managing capital resources and leverage ratio comply with all legislation, regulations and European Banking Authority (EBA) standards in the most recently amended versions. Internal calculations are always performed on a regulatory phased-in basis, as well as on a fully phased-in basis. The Bank's performance relating to own funds is monitored and managed in accordance with both views.

Postbank will be subject to additional buffer requirements for the first time in 2016. All of these buffers must be covered by Common Equity Tier 1 capital (CET1) which in terms of risk-weighted assets must be held available in addition to the existing minimum requirements. The CRR defines transitional periods during which the buffer requirements are increased step by step between 2016 and 2019. Depending on their type, the buffer requirements are defined either directly in CRD IV and/or the KWG or are defined and communicated by the competent supervisory authorities for individual banks and/or countries.

Postbank ensures compliance with the regulatory minimum capital requirements including the applicable capital buffer requirements. The amount of the capital conservation buffer has already been defined by CRD IV and is equal to 0.625 % of risk-weighted assets in 2016. The maximum capital conservation buffer of 2.5 % will be reached in 2019. BaFin has set the counter-cyclical buffer for Germany to 0 % for 2016. Based on the relevant foreign exposures, this gives a counter-cyclical capital buffer requirement of 0.004 % of RWA for Postbank. In addition, the Postbank Group as part of the Deutsche Bank Group has not yet received any notification of any further buffer requirements.

The external regulatory capital requirements constitute an absolute lower limit for Postbank's strategic management. They are embedded in the risk-appetite framework. The corresponding indicators are identified and managed at the level of the Postbank Group as well as the individual institutions within the Group which fall within the scope of the CRR.

Postbank satisfied all applicable capital requirements at all times in the first half of 2016.

The management of capital requirements is integrated in the general capital management process, which includes control from both a regulatory and an economic perspective. For further information on economic capital management, reference should be made to our explanations in Note 33.

Regulatory capital management focuses on requirements with respect to Common Equity Tier 1 (CET1) capital and additionally takes account of Tier 1 capital and own funds. In this way, the Pillar 1 requirements are addressed. The capital management system comprises the following three levels:

1. Observance of regulatory minimum ratios in accordance with CRR/CRD IV or those fixed by BaFin/ECB.

2. Monitoring and observation of the internally defined thresholds which, if fallen below, trigger capital-management measures. Thresholds have been defined for the actual capital ratios in each case, the ratios calculated in the forecast, as well as for the results of the stress test.

3. Medium-term target ratio for CET1 redefined each year by the Management Board as part of its risk strategy.

There is no regulatory minimum requirement for the leverage ratio. The Bank has defined thresholds and internal target ratios for internal management purposes. These are integrated in general capital management via the risk strategy.

The general capital management process contains various monitoring and forecasting processes for the defined indicators. As part of the multi-year planning process, a preview of expected capital and leverage ratios is conducted once a year over a period of the following five years on the basis of volume, migration, and profit/loss planning and dedicated assumptions.

The current capital and leverage ratios are calculated on a monthly basis. The current ratios and stress-testing results are submitted to the Management Board and the Supervisory Board on a quarterly basis in the overall bank risk report.

The risk strategy defines the corresponding internal thresholds which, if fallen below, trigger countermeasures and recommendations. In addition, a capital ratio forecast is prepared during the year to review the necessity of any countermeasures.

The Asset and Liability Committee is the central body responsible for monitoring and managing capital ratios as well as the leverage ratio. It develops, evaluates and decides on suggestions for control measures and monitors their effectiveness.

The Bank's regulatory own funds calculated in accordance with the CRR/CRD IV rules (regular phased-in) were as follows:

	June 30, 2016[1] €m	Dec. 31, 2015[2] €m
Credit and counterparty risk (including CVA)	37,772	39,016
Market risk positions	102	32
Operational risk	5,827	6,125
Total risk-weighted assets	43,701	45,173
Regular phased-in:		
Common Equity Tier 1 capital (CET 1)	5,716	6,217
Additional Tier 1 capital (AT 1)	241	75
Tier 1 capital	5,957	6,292
Tier 2 capital	1,133	1,102
Own funds	7,090	7,394
	%	%
CET 1 capital ratio	13.1	13.8
Tier 1 capital ratio	13.6	13.9
Total capital ratio	16.2	16.4
Fully phased-in:		
CET 1 capital ratio	11.5	11.5
Tier 1 capital ratio	11.5	11.5
Total capital ratio	15.0	15.1

The key components of Postbank's Tier 1 capital are the share capital and recognized reserves. Tier 2 capital is composed of long-term subordinated liabilities and profit participation certificates outstanding.

(33) Risk capital

The following table shows the Postbank Group's authorized risk capital, broken down by risk types, before and after factoring in correlation effects, and the risk cover amount. The figures are given as of June 30, 2016, compared with December 31, 2015.

Risk capital by risk types

Capital and risk components	Allocated risk capital	
	June 30, 2016 €m	Dec. 31, 2015 €m
Credit risk	2,800	2,800
Market risk	2,180	2,180
Operational risk	700	700
Business risk	2,670	2,670
Total before diversification	**8,350**	**8,350**
Diversification effects	1,474	1,490
Total after diversification	**6,876**	**6,860**
Unallocated risk cover amount	4,754	4,830
Total risk cover amount	**11,630**	**11,690**

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

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[1] By factoring in the interim profit as of June 30, 2016 subject to supervisory authority approval

[2] Based on the consolidated financial statements as of December 31, 2015, figures adjusted (see Note 2)

(34) Related party disclosures

With effect from January 1, 2016, Postbank reacquired investments in its five service companies and included them in the consolidated financial statements as of this date (further information on the transaction can be found in Note 3, Basis of consolidation). As a result, the relationships with these companies are no longer disclosed in this Note from the changeover date as they are eliminated in the consolidated financial statements in accordance with IFRS 10.

Related party receivables

	June 30, 2016 €m	Dec. 31, 2015 €m
Loans and advances to other banks		
Deutsche Bank AG	718	1,330
Other related parties	7	6,022
	725	**7,352**
Loans and advances to customers		
Other related parties	43	98
	43	**98**
Trading assets		
Deutsche Bank AG	183	111
	183	**111**
Investment securities		
Deutsche Bank AG	1,318	1,066
	1,318	**1,066**
Other assets		
Deutsche Bank AG	42	198
Other related parties	23	12
	65	**210**

The loans and advances to other banks primarily relate to money market transactions with Deutsche Bank AG. Loans and advances to other related banks declined due to the maturation of securities repurchase transactions (€6 billion).

The change in loans and advances to customers relating to other related parties is attributable to the expanded basis of consolidation to include the five service companies (see Note 3).

The increase in trading assets is mainly attributable to measurement effects.

The investment securities relate to the Deutsche Bank AG bonds, which rose as of the year-end due to two additional bond purchases.

The change in other assets relating to Deutsche Bank AG is largely attributable to the settlement of claims arising from the termination of the IT cooperation in the amount of €140 million.

Related party payables

	June 30, 2016 €m	Dec. 31, 2015 €m
Deposits from other banks		
Deutsche Bank AG	3,555	5,383
	3,555	**5,383**
Due to customers		
Subsidiaries	6	8
Other related parties	4	184
	10	**192**
Trading liabilities		
Deutsche Bank AG	290	220
	290	**220**
Hedging derivatives		
Deutsche Bank AG	2	3
	2	**3**
Other liabilities		
Deutsche Bank AG	44	39
DB Finanz-Holding GmbH	125	2
Other related parties	44	30
	213	**71**

The liabilities to Deutsche Bank AG primarily comprise securities repurchase transactions, the holdings of which declined considerably as of December 31, 2015, due to maturing positions.

The change in amounts due to customers relating to other related parties is attributable to the expanded basis of consolidation to include the five service companies (see Note 3).

The increase in trading liabilities is mainly attributable to measurement effects.

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

Income and expenses from related parties

	Jan. 1 – June 30, 2016 €m	Jan. 1 – June 30, 2015 €m
Interest income		
Deutsche Bank AG	7	6
Other related parties	1	6
	8	**12**
Interest expense		
Deutsche Bank AG	2	1
Other related parties	0	28
	2	**29**
Fee and commission income		
Deutsche Bank AG	15	0
Other related parties	15	11
	30	**11**
Fee and commission expense		
Deutsche Bank AG	1	1
Other related parties	**0**	**1**
	1	2
Net trading income		
Deutsche Bank AG	2	10
	2	**10**
Net income from investment securities		
Other related parties	0	11
	0	**11**
Administrative expenses		
Deutsche Bank AG	14	9
Subsidiaries	5	6
Other related parties	12	9
	31	**24**
Other income		
Deutsche Bank AG	18	15
Subsidiaries	1	1
Other related parties	3	151
	22	**167**
Other expenses		
Other related parties	0	249
	0	**249**

The decline in interest expense relating to other related parties is attributable to the expanded basis of consolidation to include the eight funding companies (four LLC and four Trust companies).

The change in other income and other expenses relating to other related parties is attributable to the expanded basis of consolidation to include the five service companies (see Note 3).

(35) Members of executive bodies

Management Board

The members of the Management Board of Deutsche Postbank AG are:
Frank Strauss, Bad Nauheim (Chairman)
Marc Hess, Bonn
Susanne Klöss-Braekler, Munich
Ralph Müller, Königstein/Taunus
Hans-Peter Schmid, Baldham
Ralf Stemmer, Königswinter
Hanns-Peter Storr, Bonn

The members of the Supervisory Board of Deutsche Postbank AG are:

1. Shareholder representatives	
Werner Steinmüller Head of Global Transaction Banking, Deutsche Bank AG, Dreieich (Chairman)	
Edgar Ernst President of the Financial Reporting Enforcement Panel, DPR e.V., Bonn	
Stefanie Heberling Cologne/Bonn/Aachen Regional Management, Deutsche Bank Privat- und Geschäftskunden AG, Wuppertal	
Tessen von Heydebreck Chairman of the Board of Trustees of Deutsche Bank Foundation, Berlin	
Katja Langenbucher Professorship for Private Law, Corporate and Financial Law, Goethe University Frankfurt am Main, Frankfurt am Main	
Karen Meyer Global Chief Operating Officer Human Resources, Deutsche Bank AG, Frankfurt am Main	since February 1, 2016
Christian Ricken Chief Operating Officer PBC, Deutsche Bank AG, Bad Homburg v. d. Höhe	until January 31, 2016
Christiana Riley CFO Corporate & Investment Banking Deutsche Bank AG, Bad Homburg	
Karl von Rohr Member of the Management Board of Deutsche Bank AG, Oberursel	
Christian Sewing Member of the Management Board of Deutsche Bank AG, Osnabrück	
Michael Spiegel Global Head of Trade Finance and Cash Management Corporates Deutsche Bank AG, London	

2. Employee representatives	
Frank Bsirske Chairman of the ver.di Trade Union, Berlin (Deputy Chairman)	
Rolf Bauermeister Head of National Postal Services Group, at ver.di Trade Union (national administration), Berlin	until March 31, 2016
Susanne Bleidt Member of the Postbank Filialvertrieb AG's General Works Council, Bell	
Timo Heider Chairman of the Group Works Council of Deutsche Postbank AG and Chairman of the General Works Council of BHW Kreditservice GmbH, Emmerthal	
Hans-Jürgen Kummetat Civil servant, Cologne	
Bernd Rose Chairman of Postbank Filialvertrieb AG/ Postbank Filial GmbH's General Works Council, Menden (Sauerland)	
Martina Scholze Trade union secretary of the ver.di Trade Union, Munich	since May 21, 2016
Eric Stadler Chairman of Betriebs-Center für Banken AG's Works Council, Markt Schwaben	
Gerd Tausendfreund Trade union secretary of the ver.di Trade Union, Nidderau	
Renate Treis Deputy Chair of Deutsche Postbank AG's General Works Council, Brühl	
Wolfgang Zimny Banking lawyer, Head of Department, Deutsche Postbank AG, Head Office, Bornheim	

RESPONSIBILITY STATEMENT

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

Bonn, July 26, 2016

Deutsche Postbank Aktiengesellschaft

The Management Board

Frank Strauss

Susanne Klöss-Braekler

Marc Hess

Susanne Klöss-Braekler

Ralph Müller

Ralph Müller

Ralf Stemmer

Hanns-Peter Storr

Hanns-Peter Storr

REVIEW REPORT

To Deutsche Postbank AG, Bonn

We have reviewed the condensed consolidated interim financial statements - comprising the statement of financial position, statement of comprehensive income, condensed statement of cash flows, statement of changes in equity and selected explanatory notes - and the interim group management report of Deutsche Postbank AG, Bonn, for the period from January 1 to June 30, 2016 which are part of the half-year financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

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

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

Düsseldorf, July 26, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

REGULATORY DISCLOSURES

Regulatory disclosures

Postbank has been part of the Deutsche Bank banking group since December 2010 and has published all information relevant to supervisory disclosures since then within the framework of the Deutsche Bank Group's Pillar III reports. 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 Interim Report and, in terms of qualitative disclosures, the section of the 2015 Annual Report in which the relevant disclosures are made:

Implementation of regulatory disclosure requirements

Pillar III disclosure topic	Relevant section of interim report
Own funds disclosures in accordance with Article 437 of the CRR and on capital requirements in accordance with Article 438 of the CRR	- Other Information, "Regulatory Disclosures"
Disclosures on capital buffers in accordance with Article 440 of the CRR	- Other Information, "Regulatory Disclosures"
Credit risk adjustment disclosures in accordance with Article 442 of the CRR and on credit risk mitigation techniques in accordance with Article 453 of the CRR, to the extent that these are not already covered by the qualitative disclosures in the 2015 Group Management Report (see below)	- Other Information, "Regulatory Disclosures"
Legal and organizational structure and principles of the proper conduct of business (section 26a of the *Kreditwesengesetz* (KWG – German Banking Act))	- Corporate Governance Report - 2015 Group Management Report, "Business and Environment" - 2015 Group Risk Report, "Organization of risk management"
Qualitative disclosures on credit risk adjustments in accordance with Article 442a) and b) of the CRR and on credit risk mitigation techniques in accordance with Article 453a) to e) of the CRR	- 2015 Group Risk Report, "Monitoring and managing credit risk"
Disclosures on remuneration policy (Article 450 of the CRR)	- 2015 Group Management Report, "Remuneration of the Management Board and the Supervisory Board"
Disclosures on leverage (Article 451 of the CRR)	- Other Information, "Regulatory Disclosures"

Information on regulatory approaches

As of the reporting date of June 30, 2016, Postbank calculated the regulatory capital requirements for the following portfolios – grouped by exposure class in accordance with the CRR – on the basis of the rules set out in the Internal Rating Approaches: central governments (countries), institutions (banks), corporates (domestic corporate customers, foreign corporate customers, commercial real estate finance (commercial mortgages)), purchased corporate loans, insurers, retail business (Deutsche Postbank AG mortgage loans, BHW mortgage loans, installment loans, overdraft facilities for self-employed individuals and business customers, purchased retail loans), equity exposures (unless covered by the exception in section 17 of the *Solvabilitätsverordnung* (SolvV – German Solvency Regulation)), securitization positions, and other non-credit obligation assets.

In addition to using the Foundation IRB Approach and the IRB Approach to calculate the capital requirements for its retail business, Postbank calculates the capital requirements for its countries, banks, insurers, corporates and commercial real estate finance (commercial mortgages) portfolios using the Advanced IRB Approach (A-IRBA). Subject to obtaining the necessary approval, the Bank plans to transfer the rating system applied to overdrafts for retail customers to the A-IRB Approach in 2016.

Postbank uses the Credit Risk Standardized Approach (CRSA) for the portfolios not calculated in accordance with the IRB approaches. These primarily relate to the following portfolios: overdrafts and collection activities in the Retail Banking segment, portfolios belonging to the other subsidiaries of Postbank with the exception of BHW mortgage loans 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, the Postbank Group only held one originator securitization with regulatory relevance, the PB Domicilio 2007-1 synthetic securitization transaction conducted by BHW Bausparkasse AG.

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

Postbank currently uses the supervisory Standardized Approach to calculate its capital requirements for market risk. The Bank quantifies capital requirements for its operational risk using the Standardized Approach; the Advanced Measurement Approach (AMA) is no longer applied.

Information on regulatory consolidation

The regulatory basis of consolidation corresponds to the consolidated group for accounting purposes as presented in Note 3 to the Interim Financial Statements 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, using credit conversion factors. On- and off-balance sheet transactions are reported at cost or at their replacement values, while derivatives are reported at their positive replacement values plus a regulatory add-on. Exposure classes for which Postbank does not have any exposures are not shown in the tables. These are the "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 €2,954 million as of the reporting date (December 31, 2015: €2,698 million). In addition, the exposure for contributions to the default fund of a central counterparty (CCP) amounted to €63 million as of the reporting date (December 31, 2015: €56 million).

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

Total amount of exposure values including average amounts per exposure class

Exposure classes	Average amounts		Total	
	July 1, 2015 – June 30, 2016 €m	Jan. 1, 2015 – Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m
IRBA governments and central banks	173	145	172	171
IRBA institutions	9,312	10,808	7,815	9,706
IRBA corporates	22,115	21,486	23,185	22,228
IRBA retail exposures	79,348	77,487	81,299	78,943
IRBA equity exposures	261	422	27	419
IRBA securitization positions	699	1,215	384	53
CRSA governments and central banks	11,251	10,882	12,637	11,107
CRSA regional governments and local authorities	8,732	8,409	9,110	8,682
CRSA other public-sector entities	2,168	2,309	2,051	2,170
CRSA multilateral development banks	894	931	827	937
CRSA international organizations	1,394	1,417	1,341	1,396
CRSA institutions	1,693	1,870	1,889	1,717
CRSA corporates	1,013	923	1,157	864
CRSA retail exposures	2,291	2,386	2,061	2,334
CRSA exposures secured by real estate property	2,003	2,568	1,222	2,467
CRSA exposures in default	210	286	103	263
CRSA covered bonds	4	12	–	–
CRSA securitization positions	243	495	–	376
CRSA UCITS	336	1,039	–	–
CRSA equity exposures	226	228	221	227
CRSA other items	–	–	–	–
Total	**144,368**	**145,316**	**145,501**	**144,060**

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

Total amount of exposure values by sector and obligor group

Exposure classes	Retail customers		Banks/ insurers/ financial services providers		Govern-ments		Commercial real estate finance		Service providers/ wholesale and retail		Industry		Other sectors		Total	
	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m
IRBA governments and central banks	–	–	–	–	172	171	–	–	–	–	–	–	–	–	172	171
IRBA institutions	–	–	7,814	9,704	1	2	–	0	0	–	–	–	–	–	7,815	9,706
IRBA corporates	296	299	2,512	2,268	0	1	7,108	6,630	7,007	7,236	4,444	4,087	1,818	1,707	23,185	22,228
IRBA retail exposures	81,299	78,943	–	–	–	–	–	–	–	–	–	–	–	–	81,299	78,943
IRBA equity exposures	–	–	0	418	–	–	–	–	13	1	–	–	14	0	27	419
IRBA securitization positions	326	–	58	53	–	–	–	–	–	–	–	–	–	–	384	53
CRSA governments and central banks	–	–	576	396	12,061	10,711	–	–	–	–	–	–	–	–	12,637	11,107
CRSA regional governments and local authorities	–	–	–	–	9,093	8,664	17	18	0	0	–	–	–	–	9,110	8,682
CRSA other public-sector entities	–	–	1,727	1,819	245	265	–	–	40	45	–	–	39	41	2,051	2,170
CRSA multilateral development banks	–	–	827	937	–	–	–	–	–	–	–	–	–	–	827	937
CRSA international organizations	–	–	828	863	513	533	–	–	–	–	–	–	–	–	1,341	1,396
CRSA institutions	–	–	1,862	1,676	–	–	–	–	–	–	–	–	27	41	1,889	1,717
CRSA corporates	2	5	55	55	–	0	222	255	624	253	145	155	109	141	1,157	864
CRSA retail exposures	2,061	2,334	–	–	–	–	–	–	–	–	–	–	–	–	2,061	2,334
CRSA exposures secured by real estate property	1,129	2,349	–	–	–	–	89	111	2	3	0	0	2	4	1,222	2,467
CRSA exposures in default	56	211	0	0	0	0	14	13	23	23	0	3	10	13	103	263
CRSA covered bonds	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
CRSA securitization positions	–	370	–	6	–	–	–	–	–	–	–	–	–	–	–	376
CRSA UCITS	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
CRSA equity exposures	–	–	51	54	–	–	–	–	15	21	–	–	155	152	221	227
CRSA other items	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total	**85,169**	**84,511**	**16,310**	**18,249**	**22,085**	**20,347**	**7,450**	**7,027**	**7,724**	**7,582**	**4,589**	**4,245**	**2,174**	**2,099**	**145,501**	**144,060**

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

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

Exposure classes	Retail customers		Banks/ insurers/ financial services providers		Govern-ments		Commercial real estate finance		Service providers/ wholesale and retail		Industry		Other sectors		Total	
	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m
IRBA retail exposures	287	280	–	–	–	–	–	–	–	–	–	–	–	–	287	280
IRBA corporates	0	0	11	11	–	–	–	29	451	600	318	449	85	93	865	1,182
CRSA corporates	–	–	0	–	–	–	0	39	29	31	24	42	8	9	61	122
CRSA retail exposures	35	36	–	–	–	–	–	–	–	–	–	–	–	–	35	36
CRSA exposures secured by real estate property	–	–	–	–	–	–	–	5	0	0	–	–	1	1	1	6
Total	**322**	**316**	**11**	**11**	**–**	**–**	**–**	**73**	**480**	**631**	**342**	**491**	**94**	**103**	**1,249**	**1,626**

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

Total amount of exposure values by geographic region

Exposure classes	Germany		Western Europe		North America		Other regions		Total	
	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m
IRBA governments and central banks	–	–	141	140	–	–	31	31	172	171
IRBA institutions	5,355	6,111	2,273	3,405	182	184	5	6	7,815	9,706
IRBA corporates	14,370	13,906	7,765	7,288	584	578	466	456	23,185	22,228
IRBA retail exposures	79,535	78,580	1,698	286	23	26	43	51	81,299	78,943
IRBA equity exposures	27	419	–	–	–	–	–	–	27	419
IRBA securitization positions	–	–	384	53	–	–	–	–	384	53
CRSA governments and central banks	1,347	865	11,224	10,174	–	–	66	68	12,637	11,107
CRSA regional governments and local authorities	9,110	8,682	–	0	–	–	–	–	9,110	8,682
CRSA other public-sector entities	1,982	2,100	69	70	–	–	–	–	2,051	2,170
CRSA multilateral development banks	–	–	827	937	–	–	–	–	827	937
CRSA international organizations	–	–	1,341	1,396	–	–	–	–	1,341	1,396
CRSA institutions	1,095	1,108	793	609	1	–	–	–	1,889	1,717
CRSA corporates	1,095	764	30	37	0	0	32	63	1,157	864
CRSA retail exposures	1,996	2,251	62	80	1	1	2	2	2,061	2,334
CRSA exposures secured by real estate property	233	270	988	2,196	0	0	1	1	1,222	2,467
CRSA exposures in default	87	122	14	136	0	0	2	5	103	263
CRSA covered bonds	–	–	–	–	–	–	–	–	–	–
CRSA securitization positions	–	–	–	376	–	–	–	–	–	376
CRSA UCITS	–	–	–	–	–	–	–	–	–	–
CRSA equity exposures	216	223	5	4	–	–	–	–	221	227
CRSA other items	–	–	–	–	–	–	–	–	–	–
Total	**116,448**	**115,401**	**27,614**	**27,187**	**791**	**789**	**648**	**683**	**145,501**	**144,060**

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	
	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m
IRBA governments and central banks	8	8	83	84	81	79	172	171
IRBA institutions	3,104	4,006	2,802	4,186	1,909	1,514	7,815	9,706
IRBA corporates	5,024	5,092	7,215	6,788	10,946	10,348	23,185	22,228
IRBA retail exposures	3,976	3,686	6,663	6,557	70,660	68,700	81,299	78,943
IRBA equity exposures	–	–	–	–	27	419	27	419
IRBA securitization positions	52	53	332	–	–	–	384	53
CRSA governments and central banks	1,328	614	7,784	7,654	3,525	2,839	12,637	11,107
CRSA regional governments and local authorities	1,473	1,050	3,672	3,612	3,965	4,020	9,110	8,682
CRSA other public-sector entities	594	627	1,093	1,173	364	370	2,051	2,170
CRSA multilateral development banks	180	137	570	636	77	164	827	937
CRSA international organizations	137	102	751	855	453	439	1,341	1,396
CRSA institutions	403	201	42	42	1,444	1,474	1,889	1,717
CRSA corporates	102	101	761	332	294	431	1,157	864
CRSA retail exposures	895	1,034	389	411	777	889	2,061	2,334
CRSA exposures secured by real estate property	569	974	170	427	483	1,066	1,222	2,467
CRSA exposures in default	103	263	–	–	–	–	103	263
CRSA covered bonds	–	–	–	–	–	–	–	–
CRSA securitization positions	–	–	–	6	–	370	–	376
CRSA UCITS	–	–	–	–	–	–	–	–
CRSA equity exposures	–	–	–	–	221	227	221	227
CRSA other items	–	–	–	–	–	–	–	–
Total	**17,948**	**17,948**	**32,327**	**32,763**	**95,226**	**93,349**	**145,501**	**144,060**

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

Exposure values for IRBA specialized lending

	June 30, 2016 €m	Dec. 31, 2015 €m
Risk weight 1 (strong)	1,489	1,398
Risk weight 2 (good)	65	46
Risk weight 3 (satisfactory)	7	22
Risk weight 4 (weak)	10	11
Risk weight 5 (defaulted)	34	40
Total	**1,605**	**1,517**

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. The decline in IRBA equity exposures is due to Postbank's reacquisition of the service companies bundled in PBC Banking Services GmbH and their subsequent reconsolidation. In addition to these equity exposure values, Postbank, as of the reporting date, had further exposures amounting to €211 million (as of December 31, 2015: €227 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 simple risk weight approach

	June 30, 2016 €m	Dec. 31, 2015 €m
Private equity exposures in sufficiently diversified portfolios (risk weight 190 %)	–	–
Exchange-traded equity exposures (risk weight 290 %)	6	–
Other equity exposures (risk weight 370 %)	21	419
Total	**27**	**419**

Information on credit risk mitigation techniques

The following two tables present the collateralized IRBA and CRSA exposure amounts. The relevant qualitative information in accordance with Article 453 of the CRR is contained in the "Collateral management and credit risk mitigation techniques" section of the chapter of the 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	
	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015[1] €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015[1] €m
IRBA governments and central banks	172	171	–	–	–	–	–	–	–	–
IRBA institutions	7,815	9,706	–	–	0	0	–	–	0	0
IRBA corporates	23,185	22,228	–	–	668	726	5,509	5,239	6,177	5,965
IRBA retail exposures	81,299	78,943	–	–	41	42	68,542	66,717	68,583	66,759
IRBA equity exposures	27	419	–	–	–	–	–	–	–	–
IRBA securitization positions	384	53	–	–	68	–	–	–	68	–
Total	**112,882**	**111,520**	**–**	**–**	**777**	**768**	**74,051**	**71,956**	**74,828**	**72,724**

[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	
	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m
CRSA governments and central banks	12,637	11,107	–	–	–	–	–	–
CRSA regional governments and local authorities	9,110	8,682	–	–	–	–	–	–
CRSA other public-sector entities	2,051	2,170	–	–	–	–	–	–
CRSA multilateral development banks	827	937	–	–	–	–	–	–
CRSA international organizations	1,341	1,396	–	–	–	–	–	–
CRSA institutions	1,889	1,717	6	–	–	–	6	–
CRSA corporates	1,157	864	0	–	35	6	35	6
CRSA retail exposures	2,061	2,334	–	–	–	–	–	–
CRSA exposures secured by real estate property	1,222	2,467	–	–	–	–	–	–
CRSA exposures in default	103	263	–	0	–	–	–	0
CRSA covered bonds	–	–	–	–	–	–	–	–
CRSA securitization positions	–	376	–	–	–	68	–	68
CRSA UCITS	–	–	–	–	–	–	–	–
CRSA equity exposures	221	227	–	–	–	–	–	–
CRSA other items	–	–	–	–	–	–	–	–
Total	**32,619**	**32,540**	**6**	**0**	**35**	**74**	**41**	**74**

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 2015 Group Management 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 12 to the 2015 Consolidated Financial Statements).

The following table shows the exposure amounts of impaired and past due exposures, the amounts of and changes in specific valuation allowances, portfolio-based valuation allowances, and provisions as of the reporting date, as well as direct writedowns of and recoveries on loans written off in the first half of 2016 and in the previous year, broken down in each case by the sectors of relevance to Postbank. The net amounts recognized represent the difference between additions to and reversals of the allowances for losses and provisions. The provisions relate primarily to undrawn commitments and guarantees.

Overall, the presentation of the allowance for losses on loans and advances – broken down by the sectors and obligor groups of relevance to Postbank – reflects Postbank's focus on the retail business. The exposure amounts 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

Exposure classes		Retail customers		Banks/ insurers/ financial services providers		Governments		Commercial real estate finance		Service providers/ wholesale and retail		Industry		Other sectors		Total	
		June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m
Exposures	Impaired exposures	1,680	1,760	52	53	8	8	219	266	72	88	98	99	42	39	2,171	2,313
	Past due exposures	136	168	–	407	–	–	11	7	0	6	0	8	4	2	151	598
Portfolios	Specific valuation allowances	550	514	–	–	4	4	88	95	27	28	63	59	32	25	764	725
	Portfolio-based valuation allowances	175	179	–	0	–	–	7	7	–	–	12	10	3	3	197	199
	Provisions	12	22	–	–	–	–	7	6	–	–	13	15	–	–	32	43
Period expense	Specific valuation allowances	71	137	–	–	–	4	2	6	–	3	5	4	7	11	85	165
	Portfolio-based valuation allowances	−5	48	–	–	–	–	1	−4	–	–	2	1	–	0	−2	45
	Provisions	−9	−5	–	−0	–	–	1	6	–	–	1	−0	–	–	−7	1

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

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

		Germany		Western Europe		Other regions		Total	
		June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m	June 30, 2016 €m	Dec. 31, 2015 €m
Exposures	Impaired exposures	1,820	1,926	337	351	14	36	2,171	2,313
	Past due exposures	145	549	6	42	0	7	151	598
Portfolios	Specific valuation allowances	659	616	105	100	–	9	764	725
	Portfolio-based valuation allowances	192	190	5	9	–	–	197	199
	Provisions	32	43	–	–	–	–	32	43

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 15 to the Interim Financial Statements.

Composition and reconciliation of Postbank's capital

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

The following table first shows the figures given in the IFRS consolidated balance sheet, which reflect the basis of consolidation for accounting purposes, and, second, the figures disclosed in the "regulatory balance sheet," which reflect 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 the figures in the regulatory balance sheet. The references in the last column point to the tables that follow, which present the composition of Postbank's own funds. These references are explained at the end of this section below the table "Transitional own funds disclosure and balance sheet references" in order to reconcile the balance sheet items used to calculate the own funds to the regulatory own fund items.

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

	IFRS balance sheet		Regulatory balance sheet		Delta		Reference
	June 30, 2016 €m	Dec. 31, 2015[1] €m	June 30, 2016 €m	Dec. 31, 2015[1] €m	June 30, 2016 €m	Dec. 31, 2015[1] €m	
Assets							
Cash reserve	1,119	1,357	1,119	1,357	0	0	
Loans and advances to other banks	11,926	15,876	11,925	15,876	–1	0	
Loans and advances to customers	99,975	98,397	99,967	98,391	–8	–6	
Allowance for losses on loans and advances	–961	–923	–961	–924	0	–1	
Trading assets	770	647	770	647	0	0	
Hedging derivatives	167	78	167	78	0	0	
Investment securities	30,900	30,768	31,108	30,976	208	208	
Intangible assets	1,930	1,902	1,500	1,473	–429	–429	g
Goodwill	1,581	1,581	1,152	1,152	–429	–429	
Other intangible assets	348	321	348	321	0	0	
Property and equipment	675	678	674	676	–1	–2	
Current tax assets	86	101	86	99	0	–2	
Deferred tax assets	144	72	137	62	–7	–10	
Other assets	1,176	1,169	1,167	1,164	–9	–5	
Assets held for sale	20	489	20	489	0	0	
Total assets	**147,927**	**150,611**	**147,679**	**150,364**	**–247**	**–247**	
Equity and liabilities							
Deposits from other banks	13,901	15,443	13,901	15,443	0	0	
Due to customers	118,471	119,150	118,548	119,234	77	84	
Debt securities in issue	3,377	3,446	3,377	3,445	0	–1	
Trading liabilities	683	665	683	665	0	0	
Hedging derivatives	191	208	191	208	0	0	
Provisions	804	703	782	680	–22	–23	
Current tax liabilities	81	110	80	109	0	–1	
Deferred tax liabilities	21	9	18	3	–3	–6	
Other liabilities	667	466	626	422	–41	–44	
Subordinated debt	2,634	3,239	2,634	3,239	0	0	h, i
thereof: Contributions by typical silent partners	20	20	20	20	0	0	i
Liabilities directly related to assets held for sale	0	0	0	0	0	0	
Equity	7,097	7,172	6,839	6,916	–258	–256	f
a) Issued capital	547	547	547	547	0	0	a
b) Share premium	2,191	2,010	2,191	2,010	0	0	b
c) Other reserves	4,212	4,004	3,957	3,761	–256	–243	
Retained earnings	4,274	4,057	4,004	3,799	–270	–257	c
AOCI	–62	–53	–47	–39	15	14	d
d) Consolidated net profit	141	606	139	593	–2	–13	e
Non-controlling interests	6	6	6	6	0	0	
Total equity and liabilities	**147,927**	**150,611**	**147,679**	**150,364**	**–247**	**–247**	

[1] On the basis of the consolidated financial statements as of December 31, 2015; figures adjusted (see Note 2 to the Consolidated Financial Statements)

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

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

The "Amount of own funds position" column contains the amount used as the basis for calculating Postbank's own funds as of the reporting date and as of the previous year-end. The next column gives the residual amounts deducted under the transitional provisions by other categories of capital, or not deducted at all, along with amounts that will not be deducted following full phase-in. The 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 June 30, 2016, is subject to supervisory authority approval for the inclusion of interim profits; the comparative figures from the disclosure as of December 31, 2015, did not include consolidated net profit.

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
		June 30, 2016 €m	Dec. 31, 2015[2] €m	June 30, 2016 €m	Dec. 31, 2015[2] €m		
Common Equity Tier 1 (CET1): instruments and reserves							
1	Capital instruments and related share premium accounts	2,738	2,557			a+b	26(1), 27, 28, 29
	thereof: issued capital[3]	547	547			a	
	thereof: share premium[3]	2,191	2,010			b	
2	Retained earnings	3,982	3,780			c	26(1) (c)
3	Accumulated other comprehensive income (and other reserves, to include unrealized gains and losses under the applicable accounting standards)	–47	–120			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	139	0			e	26(2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**6,812**	**6,217**			f	
Common Equity Tier 1 (CET1): regulatory adjustments							
7	Additional value adjustments (negative amount)	–78	–20				34, 105
8	Intangible assets (net of related tax liability) (negative amount)	–861	–596	–574	–895	g	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)	–12	–2	–8	–3		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	–110	–170	–74	–255		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[4]	–2	–1	–1	–1		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) bis (3), 79, 470, 472(11)
20a	Exposure amount of the following items which qualify for a RW of 1,250 %, where the institution opts for the deduction alternative	–	–				36(1) (k)
20b	thereof: qualifying holdings outside the financial sector (negative amount)	–	–				36(1) (k) (i), 89 bis 91
20c	thereof: securitization positions (negative amount)	–	–				36(1) (k) (ii), 243(1) (b), 244(1) (b), 258
20d	thereof: free deliveries (negative amount)	–	–				36(1) (k) (iii), 379(3)
21	Deferred tax assets that rely on future profitability and arise from temporary differences (amount above 10 % threshold, net of related tax liability, where the conditions in 38(3) are met) (negative amount)	–	–				36(1) (c), 38, 48(1) (a), 470, 472(5)
22	Amount exceeding the 15 % threshold (negative amount)	–	–				48(1)
23	thereof: direct and indirect holdings by the institution of the CET1 instruments of financial-sector entities where the institution has a significant investment in those entities	–	–				36(1) (i), 48(1) (b), 470, 472(11)
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] On the basis of the consolidated financial statements as of December 31, 2015; figures adjusted (see Note 2 to the Consolidated Financial Statements)

[3] EBA list in accordance with Article 26(3)

[4] 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]		Refe- rence	CRR reference
		June 30, 2016 €m	Dec. 31, 2015[2] €m	June 30, 2016 €m	Dec. 31, 2015[2] €m		
	Common Equity Tier 1 (CET1): regulatory adjustments						
25a	Losses for the current fiscal year (negative amount)	–	–		–		36(1) (a), 472(3)
25b	Foreseeable tax charges relating to CET1 items (negative amount)	–	–				36(1) (l)
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	–	–				
26a	Regulatory adjustments relating to unrealized gains and losses pursuant to Articles 467 and 468	−32	59				
	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	−85	−32				
	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	53	91				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)	–	−30				36(1) (j)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**−1,096**	**−759**				
29	**Common Equity Tier 1 (CET1) capital**	**5,716**	**5,458**				
	Additional Tier 1 capital (AT1): instruments						
30	Capital instruments and related share premium accounts	–	–				51, 52
31	thereof: classified as equity under applicable accounting standards	–	–				
32	thereof: classified as liabilities under applicable accounting standards	–	–				
33	Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from AT1	852	991			i	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**	**852**	**991**				
	Additional Tier 1 capital (AT1): regulatory adjustments						
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	–	–				52(1) (b), 56 (a), 57, 475(2)
38	Holdings of the AT1 instruments of financial-sector entities where those entities have reciprocal cross-holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	–	–				56(b), 58, 475(3)
39	Direct and indirect holdings 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)	−611	−1,021				
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	−611	−1.021				472, 472(3) (a), 472(4), 472(6), 472(8) (a), 472(9), 472(10) (a), 472(11) (a)
	thereof: intangible assets	−574	−894				
	thereof: negative amounts resulting from the calculation of expected loss amounts	−37	−127				
	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] On the basis of the consolidated financial statements as of December 31, 2015; figures adjusted (see Note 2 to the Consolidated Financial Statements)

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]		Refe-rence	CRR reference
		June 30, 2016 €m	Dec. 31, 2015[2] €m	June 30, 2016 €m	Dec. 31, 2015[2] €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**	**–611**	**–1,021**				
44	**Additional Tier 1 (AT1) capital**	**241**	**–**				
45	**Total Tier 1 capital (T1 = CET1 + AT1)**	**5,957**	**5,458**				
Tier 2 (T2) capital: instruments and reserves							
46	Capital instruments and the related share premium accounts	992	1,000			h, i	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	126	111			h, i	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	53	64	–15	–27	h	87, 88, 480
49	thereof: instruments issued by subsidiaries subject to phase out	–	–				486(4)
50	Credit risk adjustments	–	–				62(c) und (d)
51	**Tier 2 capital (T2) before regulatory adjustments**	**1,171**	**1,175**				
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)	–37	–127				
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	–37	–127				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	–37	–127				
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**	**–37**	**–127**				
58	**Tier 2 (T2) capital**	**1,134**	**1,047**				
59	**Total capital (TC = T1 + T2)**	**7,091**	**6,505**				
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)	446	305				
	thereof: deferred tax assets that rely on future profitability, resulting from temporary differences	446	305				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	–				475, 475(2) (b), 475(2) (c), 475(4) (b)
60	**Total risk-weighted assets**	**43,701**	**45,173**				

[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] On the basis of the consolidated financial statements as of December 31, 2015; figures adjusted (see Note 2 to the Consolidated Financial Statements)

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
		June 30, 2016 €m	Dec. 31, 2015[2] €m	June 30, 2016 €m	Dec. 31, 2015[2] €m		
Capital ratios and buffers							
61	Common Equity Tier 1 capital ratio (as a percentage of total risk exposure amount)	13.08 %	12.08 %				92(2) (a), 465
62	Tier 1 capital ratio (as a percentage of total risk exposure amount)	13.63 %	12.08 %				92(2) (b), 465
63	Total capital ratio (as a percentage of total risk exposure amount)	16.23 %	14.40 %				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))	5.13 %	4.50 %				CRD 128, 129, 130
65	thereof: capital conservation buffer requirement	0.63 %	–				
66	thereof: counter-cyclical buffer requirement	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)	7.63 %	6.08 %				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)	18	5				36(1) (h), 45, 46, 472(10), 56 (c), 59, 60, 475(4), 66 (c), 69, 70, 477(4)
73	Direct and indirect holdings by the institution of the CET1 instruments of financial-sector entities where the institution has a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	–	–				36(1) (i), 45, 48, 470, 472(11)
75	Deferred tax assets that rely on future profitability, arising from temporary differences (amount below 10 % threshold, net of related tax liability, where the conditions in Article 38(3) are met)	178	122				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	39	54				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	204	206				62
Equity instruments to which the transitional provisions apply (only applicable from January 1, 2013, to January 1, 2022)							
80	Current cap on CET1 instruments subject to phase out arrangements	–	–				484(3), 486(2) and (5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	–	–				484(3), 486(2) and (5)
82	Current cap on AT1 instruments subject to phase out arrangements	852	991				484(4), 486(3) and (5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	214	161				484(4), 486(3) and (5)
84	Current cap on T2 instruments subject to phase out arrangements	126	111				484(5), 486(4) and (5)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	88	50				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] On the basis of the consolidated financial statements as of December 31, 2015; figures adjusted (see Note 2 to the Consolidated Financial Statements)

Common Equity Tier 1 capital (row 29) primarily consists of Postbank's issued capital and the share premium (row 1), the retained earnings (row 2), other comprehensive income (row 3), and consolidated net profit (row 5a), and takes into account the prudential adjustments listed in rows 7 to 27.

Additional Tier 1 capital comprises contributions by typical silent partners and the trust preferred securities of Funding Trusts I–IV (row 33). The transitional provisions of Article 486(3) of the CRR regulate the qualification of these instruments as Additional Tier 1 capital. Under these provisions, trust preferred securities of Funding Trusts I–III will cease to qualify as Additional Tier 1 capital on December 31, 2021. Trust preferred securities of Funding Trust IV will cease to qualify as Additional Tier 1 capital as of June 29, 2017, owing to a selectable call date in connection with a step-up provision. Contributions by typical silent partners will cease to qualify as Additional Tier 1 capital owing to their maturity date of December 31, 2018. After the prudential adjustments listed in rows 37 to 42 have been factored in, Additional Tier 1 capital is disclosed in row 44.

The Tier 2 capital (row 58) comprises profit participation rights outstanding, subordinated liabilities, and 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 (row 46). The qualification of trust preferred securities of Funding Trust IV and contributions by typical silent partners as Tier 2 capital is also regulated by the transitional provisions of Article 486(4) of the CRR (row 47). Capital instruments qualifying as Tier 2 capital that were issued by Postbank's subsidiary BHW Bausparkasse AG and are held by third parties (row 48), and the prudential adjustments listed in rows 52 to 56c also count as Tier 2 capital. The prudential adjustments as of the reporting date consisted solely of deductions resulting from the transitional provisions (row 56), as of the previous year-end.

The following additional explanations relate to the individual references:

- (a+b) The Common Equity Tier 1 capital instruments and the related share premium accounts in the amount of €2,738 million as of the reporting date (December 31, 2015: €2,557 million) correspond to the issued capital in the amount of €547 million as of the reporting date (December 31, 2015: €547 million) plus the share premium in the amount of €2,191 million (December 31, 2015: €2,010 million).

- (c) The difference of €–21 million as of the reporting date (December 31, 2015: €–21 million) between the retained earnings in accordance with CRR requirements in the amount of €3,982 million (December 31, 2015: €3,763 million) and the retained earnings in the regulatory balance sheet in the amount of €4,004 million (December 31, 2015: €3,783 million) is due to the requirement to deduct the fund for home loans and savings protection.

- (d) The accumulated other comprehensive income in the amount of €–47 million (December 31, 2015: €–120 million) corresponds, as of the reporting date, to the amount of €–47 million (December 31, 2015: €–39 million) disclosed in the regulatory balance sheet.

- (e) The consolidated net profit of €139 million was included in the disclosure, subject to supervisory authority approval for the inclusion of interim profits (as of December 31, 2015, consolidated net profit in the amount of €595 million had not been included in the disclosure).

- (f) The difference of €–27 million as of the reporting date (December 31, 2015: €–699 million) between the capital reported in the regulatory balance sheet in the amount of €6,839 million (December 31, 2015: €6,916 million) and the Common Equity Tier 1 capital before prudential adjustments in the amount of €6,812 million (December 31, 2015: €6,217 million) comprises the deduction of the technical security reserve (€–21 million; December 31, 2015: €–21 million) and the ineligibility of the non-controlling interests (€–6 million; December 31, 2015: €–6 million).

- (g) The difference in the presentation of intangible assets between the amount of €1,500 million as of the reporting date (December 31, 2015: €1,473 million) shown in the regulatory balance sheet and the amount of €1,436 million (December 31, 2015: €1,490 million) given in the overview of capital amounted to €64 million (December 31, 2015: €17 million) and is due to the deduction of deferred tax liabilities.

- (h) Of the €2,634 million of subordinated debt on the balance sheet as of the reporting date (December 31, 2015: €3,239 million), a total of €1,171 million (December 31, 2015: €1,175 million) qualifies as regulatory Tier 2 capital.

- (i) The transitional provisions permit €12 million (December 31, 2015: €14 million) of the balance sheet contributions by typical silent partners in the amount of €20 million as of the reporting date (December 31, 2015: €20 million) to be counted toward Additional Tier 1 capital (see row 33) and €2 million (December 31, 2015: €3 million) to be counted toward Tier 2 capital (see reference (h) and row 47). The remaining Additional Tier 1 capital reported in row 33 (€840 million) is attributable to the trust preferred securities of Deutsche Postbank Funding Trusts I–IV that were consolidated as of June 30, 2016 (December 31, 2015: €977 million).

The Tier 2 capital in the amount of €1,171 million as of the reporting date (December 31, 2015: €1,175 million) that qualifies for regulatory purposes comprises the following items:

- €638 million (December 31, 2015: €736 million) of the qualifying Tier 2 capital instruments of Deutsche Postbank AG (amortization in the last five years of their duration) (see row 46)

- €477 million (December 31, 2015: €372 million) of the trust preferred securities of Deutsche Postbank Funding Trusts I–IV qualifying as Tier 2 capital under the transitional provisions (see rows 46 and 47)

- €2 million (December 31, 2015: €3 million) of the contributions by typical silent partners of Deutsche Postbank AG qualifying as Tier 2 capital under the transitional provisions (see reference (i) and row 47)

- €53 million (December 31, 2015: €64 million) of the instruments issued by BHW Bausparkasse AG allocated to consolidated Tier 2 capital (see row 48).

Minimum capital requirements and additional capital buffer

Since 2015, the applicable minimum Common Equity Tier 1 capital ratio has been 4.5 % of risk-weighted assets (RWA). The total minimum 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. It was introduced in the current fiscal year at 0.625 % of risk-weighted assets during the transitional phase. The institution-specific countercyclical capital buffer ratio in accordance with section 10d of the KWG is calculated as the weighted average of the countercyclical capital buffer ratios that apply in the jurisdictions where Postbank's relevant credit exposures are located. This is also subject to a transitional period of 2016 to 2019. The countercyclical capital buffer ratio for Postbank as of June 30, 2016, is 0.004 %. To date, the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Federal Financial Supervisory Authority) has not mandated a systemic risk buffer in accordance with section 10e of the KWG. Equally, BaFin has not classified Postbank as a global systemically important institution (section 10f of the KWG) or other systemically important institution (section 10g of the KWG). Therefore, Postbank is not currently subject to any other capital buffer requirements. As a result, the current combined buffer requirement for Postbank in accordance with section 10i of the KWG is a ratio of 0.629 %. Above and beyond these capital buffer requirements, the responsible supervisory authority can impose additional own funds requirements on banks that exceed the statutory minimum requirements in accordance with the supervisory review and evaluation process (SREP). The supervisory authorities have not set any such additional capital requirements on Postbank to date.

Capital profiles and agreements and prospectuses for capital instruments issued

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

Capital requirements

The following table provides an overview of Postbank's capital backing, calculated with reference to the regulatory bases of assessment, broken down by the type of risk and approach. The capital backing, taking into account the applicable transitional provisions in the CRR and the SolvV, represents the total exposures required to be included, multiplied by 8 % in each case. Total capital backing as of June 30, 2016, amounted to €3,496 million (December 31, 2015: €3,614 million).

Capital backing by type of risk and approach	June 30, 2016 €m	Dec. 31, 2015 €m
Total credit risk exposure, calculated using the Standardized Approach[1]		
Governments and central banks	–	–
Regional governments and local authorities	0	0
Public-sector entities	4	5
Multilateral development banks	–	–
International organizations	–	–
Institutions	4	14
Corporates	56	68
Retail exposures	123	139
Exposures secured by real estate property	36	70
Exposures in default	11	24
Covered bonds	–	0
UCITS	–	0
Total Standardized Approach	**234**	**320**
Total credit risk exposure, calculated on the basis of internal ratings[1]		
Foundation IRB Approach		
Governments and central banks	–	–
Institutions	40	73
Corporates	291	287
Total Foundation IRB Approach	**331**	**360**
Advanced IRB Approach		
Governments and central banks	1	1
Institutions	100	107
Corporates	605	568
Retail exposures to SMEs, secured by real estate property	0	0
Retail exposures, other than to SMEs, secured by real estate property	1,097	1,067
Qualifying revolving retail exposures	6	6
Other retail exposures to SMEs	6	6
Other retail exposures, other than to SMEs	378	358
Total Advanced IRB Approach	**2,193**	**2,113**
Other non-credit obligation assets	**191**	**149**
Total IRB Approaches	**2,715**	**2,622**
Total risk exposure for securitization positions		
Securitization positions (IRBA)	4	0
Securitization positions (Standardized Approach)	–	7
Total risks from securitization positions	**4**	**7**
Total risk exposure for equity exposures		
Equity exposures – retention of existing calculation/grandfathering	17	18
Equity exposures (simple risk weight approach under the IRBA)	8	124
Exchange-traded	–	–
Private equity exposures in sufficiently diversified portfolios	–	–
Other equity exposures	8	124
Equity exposures with regulatory risk weighting in accordance with Article 48 of the CRR	0	0
Total risks from equity exposures	**25**	**142**
Other total risk exposure amounts		
Exchange-traded debt instruments (calculated using the Standardized Approach)	–	–
Foreign exchange positions (calculated using the Standardized Approach)	8	3
Other market risk exposures (calculated using the Standardized Approach)	–	–
Total risk exposure amount for operational risk (calculated using the Standardized Approach)	466	490
Total risk exposure amount for operational risk (calculated using Advanced Measurement Approaches)	–	–
Total risk exposure amount due to credit valuation adjustments (CVAs, calculated using the Standardized Approach)	35	30
Exposure amount for default fund contributions to central counterparties (CCPs)	9	0
Other total risk exposure amounts	–	–
Total	**3,496**	**3,614**

[1] excluding securitization positions, equity exposures, and CCP default funds

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 requirement expected in 2018. 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 measurement criteria in accordance with Article 429 of the CRR will apply to derivatives, repurchase agreements, and off-balance sheet transactions in particular.

In October 2014, the provisions of Article 429 of the CRR were revised by way of Commission Delegated Regulation (EU) 2015/62. The following information on the leverage ratio reflects these new technical requirements and the Commission Implementing Regulation (EU) 2016/200 with regard to disclosure of the leverage ratio 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 are to be measured 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 in 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

		June 30, 2016 €m	Dec. 31, 2015 €m
1	Total assets as per published financial statements	147,927	150,597
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	–247	–247
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	249	369
5	Adjustment for securities financing transactions (SFTs)	146	49
6	Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	5,240	4,634
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	–1,146	–1,414
thereof: 7a	adjustments for capital deductions	–1,625	–1,728
thereof: 7b	adjustments for CTA pension funds (on-balance sheet netting)	–	–
thereof: 7c	other adjustments	479	314
8	**Leverage ratio total exposure measure**	**152,168**	**153,988**

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

		June 30, 2016 €m	Dec. 31, 2015[1] €m
On-balance sheet exposures (excluding derivates and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	137,550	136,886
2	(Asset amounts deducted in determining Tier 1 capital)	– 1,625	– 1,728
3	**Total on-balance sheet exposures (excluding derivatives, SFTs, and fiduciary assets) (sum of rows 1 and 2)**	**135,925**	**135,158**
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	514	387
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	606	616
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)	–	–
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)**	**1,121**	**1,003**
Securities financing transaction (SFT) exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	15,597	18,279
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	– 5,860	– 5,135
14	Counterparty credit risk exposure for SFT assets	146	49
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)**	**9,883**	**13,193**
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	23,905	22,089
18	(Adjustments for conversion to credit equivalent amounts)	– 18,664	– 17,455
19	**Other off-balance sheet exposures (sum of rows 17 and 18)**	**5,240**	**4,634**
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**	**5,957**	**5,458**
21	**Leverage ratio total exposure measure (sum of rows 3, 11, 16, 19, EU-19a, and EU-19b)**	**152,168**	**153,988**
Leverage ratio			
22	**Leverage ratio**	**3.91 %**	**3.54 %**
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] On the basis of the consolidated financial statements as of December 31, 2015; figures adjusted (see Note 2 to the Consolidated Financial Statements)

Postbank's leverage ratio improved during the period under review. The comparison is based on the Tier 1 capital amounts from the disclosures as of June 30, 2016[1], and December 31, 2015, whereby consolidated net profit had not been included in the disclosure as of December 31, 2015.

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)

	June 30, 2016 €m	Dec. 31, 2015 €m
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), thereof:	**137,550**	**136,886**
Trading book exposures	–	–
Banking book exposures	137,550	136,886
thereof:		
covered bonds	4,419	4,993
exposures treated as sovereigns	26,489	24,641
exposures to regional governments, multilateral development banks, international organizations, and public-sector entities not treated as sovereigns	261	291
institutions	4,113	4,727
secured by mortgages of immovable properties	73,687	73,146
retail exposures	10,295	11,113
corporates	12,336	11,363
exposures in default	1,396	1,710
other exposures (e.g., equities, securitizations, and other non-credit obligation assets)	4,553	4,902

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 (5-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.

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[1] Subject to supervisory authority approval for the inclusion of interim profits

FINANCIAL CALENDAR 2016

July 29, 2016	Interim Report as of June 30, 2016
November 9, 2016	Interim Management Statement as of September 30, 2016

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

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

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