Deutsche Bank

DB USA Corporation Pillar 3 Report as of June 30, 2019

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Introduction

Disclosures according to Pillar 3 of the Basel 3 Capital Framework

The purpose of this Report is to provide Pillar 3 disclosures for DB USA Corporation ("DB USA Corp") as required by the regulatory framework for capital & liquidity, established by the Basel Committee on Banking Supervision, also known as Basel 3. Per regulation it is not required to have Pillar 3 disclosures audited. As such the information provided in this Pillar 3 Report is unaudited.

Basis of Presentation

DB USA Corp Pillar 3 Report has been prepared in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP"), while Regulatory Capital and Risk Weighted Assets ("RWA") calculations are based on U.S. Basel 3 Standardized Approach ("U.S. Basel 3") capital rules. In this regard RWA, Regulatory Capital and associated disclosures are based on U.S. regulatory reporting requirements as defined by the Federal Reserve Bank FR Y-9C Consolidated Financial Statements for Bank Holding Companies ("FR Y-9C") and in conjunction with U.S. Basel 3 rules. Quantitative Pillar 3 disclosures, in the Pillar 3 Report follow the classification and segmentation required by the FR Y-9C reporting requirements and U.S. Basel 3 guidelines. Where appropriate, we have introduced and modified disclosure tables required by the European Banking Authority ("EBA"), in order to present information consistent with the reporting made in the FR Y-9C and the DB USA Corp audited financial statements, also prepared on a U.S. GAAP basis.

Scope of Application

DB USA Corp is the US Intermediate Holding Company ("IHC") of Deutsche Bank AG ("DB Group") that is implemented pursuant to Regulation YY: Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations, codified in 12 C.F.R. Part 252, and, in particular, Subpart O - Enhanced Prudential Standards for Foreign Banking Organizations with Total Consolidated Assets of $50 Billion or More and Combined U.S. Assets of $50 Billion or More" (the "FBO EPS Rule"). The FBO EPS Rule requires that a foreign banking organization ("FBO") having US non-branch assets of $50 billion or more establish in the US an IHC for its US subsidiaries that must be organized under the applicable US laws and operate under all applicable US regulatory requirements, including leverage and risk-based capital standards, stress testing, risk management and liquidity requirements. DB USA Corp consolidates all of DB Group subsidiaries in the U.S. which include Deutsche Bank Trust Corporation ("DBTC"), Deutsche Bank Trust Company Americas ("DBTCA"), Deutsche Bank Securities Inc. ("DBSI"), Deutsche Bank US Financial Markets Holding Corp. ("DBUSH"), Deutsche Bank Americas Holding Corp. ("DBAH") and German American Capital Corp. ("GACC").

Risk and Capital Performance

Exposures and Risk-weighted Assets

DB USA Corp RWA are calculated based on the U.S. Basel 3 Standardized Rules.

The information in the schedules below presents DB USA Corp distribution of RWA by exposure categories as reported in DB USA Corp's FR Y-9C, Schedule HC-R Regulatory Capital for the period ended June 30, 2019.

Operational Risk RWA is not applicable for banks calculating RWA under the U.S. Basel 3 Standardized Rules.

Market Risk RWA is only applicable to banks that are subject to the Market Risk Final Rule. This rule applies to US banking organizations that have significant trading activity ("Market Risk Banking Organizations"). US Market Risk Banking Organizations have aggregated trading assets and liabilities of at least $1 billion or 10% of total assets. DB USA Corp does meet the definition of a Market Risk Banking Organization and therefore is subject to the Market Risk RWA.

Variance Commentary (2018YE to 2019Q2)

The June 2019 On-balance Sheet Exposures decreased $3.7 billion as compared with December 2018 while RWA increased over the same period by $2.8 billion.

On Balance Sheet Exposures:

- $5.1 billion decrease in cash and balances due from depository institutions driven by expansion of Reverse Repos with DBSI, DB AG New York ("DBNY"), and DB Municipal Holdings, partially offset by increase in cash held by DBSI.
- $1.3 billion increase in Security Repurchase Agreements ("Repo") driven by increase in Reverse Repos with DB AG New York ("DBNY"), and DB Municipal Holdings.
- $0.7 billion increase in trading assets driven by primarily due to normal market volatility in the US Rates market and client needs.
- $(0.7) billion decrease in all other assets driven by decrease in receivables from clearing organizations ($0.7 billion), decrease in intercompany receivables ($0.3 billion), partially offset by the re-establishment of temporary difference DTAs ($0.7 billion).

RWA:

- $0.7 billion increase in RWA driven by loan originations in the Corporate Bank partially offset by reclassification of loans previously classified as High Volatility Commercial Real Estate ("HVCRE") (150 % risk weight) to other loans (100 % risk weight) due to HVCRE definition change effective Q2.
- $1.8 billion increase in RWA associated with all other assets exposures driven by the re-establishment of Timing Difference Deferred Tax Accounting ("DTA") ($743 million increase in exposure at 250% risk weight) following a change in accounting treatment for DTA.

Basel 3 Standardized Approach Exposure Amounts by Exposure Class

in USD m.	For the period ended		
US Basel 3 Standardized Approach	**31-Dec-18**	**30-Jun-19**	**Variance**
On-balance Sheet Exposures			
Cash and balances due from depository institutions	19,859	14,718	(5,141)
Securities: Available for Sale	257	259	2
Securities Purchased under agreements to Resell	61,407	62,689	1,282
Loans: Residential mortgage exposures	3,007	2,745	(262)
Loans: High volatility commercial real estate exposures	170	0	(170)
Loans: All other exposures	7,489	8,315	826
Loans: Allowance for Loan Loss	(8)	(9)	(1)
Trading Assets	20,991	21,653	662
All Other Assets: All Other	8,776	8,046	(730)
Securitization Exposures: Trading Assets	1,493	1,335	(158)
Total On-balance Sheet Exposures	**123,440**	**119,751**	**(3,689)**
Off-balance Sheet Exposures (credit equivalent amount)			
Financial standby letters of credit	1,029	967	(62)
Performance standby letters of credit	25	25	0
Commercial and similar letters of credit	2	1	(1)
Repo style transactions	32,392	32,109	(283)
Unused commitments: 1 year of less	9	101	92
Unused commitments: exceeding 1 year	1,669	1,701	32
Over-the-counter derivatives	362	1,147	785
Centrally Cleared derivatives	5,603	5,926	323
Unsettled Transactions	111	177	66
Total Off-balance Sheet Exposures	**41,202**	**42,154**	**952**

Figures may include rounding differences.

Basel 3 Standardized Approach Risk-weighted Assets by Exposure Class

in USD m.	For the period ended 31-Dec-18	30-Jun-19	Variance
On-balance Sheet Exposures	RWA	RWA	RWA
Cash and balances due from depository institutions	454	563	109
Securities: Available for Sale	59	57	(2)
Loans: Residential mortgage exposures	1,547	1,413	(134)
Loans: High volatility commercial real estate exposures	255	0	(255)
Loans: All other exposures	6,684	7,763	1,079
Trading Assets	102	90	(12)
All Other Assets	3,011	4,852	1,841
Securitization Exposures: Trading Assets	261	270	9
Total On-balance Sheet Exposures	12,373	15,008	2,635
Off-balance Sheet Exposures	RWA	RWA	RWA
Financial standby letters of credit	628	602	(26)
Performance standby letters of credit	22	22	0
Commercial and similar letters of credit	2	1	(1)
Repo style transactions	8,995	8,917	(78)
Unused commitments: 1 year or less	9	21	12
Unused commitments: exceeding 1 year	797	876	79
Over-the-counter derivatives	121	285	164
Centrally Cleared derivatives	115	119	4
Unsettled Transactions	175	103	(72)
Total Off-balance Sheet Exposures	10,864	10,946	82
Total Risk Weighted Assets, excluding Market Risk	23,237	25,954	2,717
Standardized Market Risk Weighted Assets	13,294	13,331	37
Total Risk Weighted Assets	36,531	39,285	2,754

Figures may include rounding differences.

Regulatory Capital

The calculation of DB USA Corp's regulatory capital is pursuant to the U.S. Basel 3 Standardized Rules and includes applicable deductions and filters. The information in this section is based on the regulatory principles of consolidation.

Pursuant to the effective regulations on its formation date of July 1, 2016, DB USA Corp's regulatory capital comprises Tier 1 (T1) and Tier 2 (T2) capital. Tier 1 capital is subdivided into Common Equity Tier 1 (CET1) capital and Additional Tier 1 (AT1) capital.

CET1 is comprised of the common stock issued by DB USA Corp, related surplus and retained earnings. AT1 capital is comprised of Class A and Class B Preferred Stock issued by DB USA Corp; there are no Tier 2 instruments issued by DB USA Corp. The terms of the common stock within CET1 provide for the normal payment of dividends if and when declared.

The AT1 preferred stock is voting, non-cumulative, perpetual, has no maturity date and will not be subject to redemption at the option of DB USA Corp or the holders of the preferred stock. Additionally, the preferred stock will not be subject to any mandatory redemption, sinking fund or other similar provisions. Class B ranks pari passu with Class A shares. The preferred stock has a preference over the common stock in the event of liquidation and qualifies as Tier 1 capital in accordance with regulatory capital requirements. DB USA Corp. has outstanding Class A and Class B series preferred stock issued with fixed dividend coupon rates of 8.28 % and 5.31 %, respectively. This fixed rate dividend is subject to discretionary cancelation, which results in a dividend stopper in respect of common stock. The decision whether a distribution can be made is subject to the DB USA Corp Board declaring a distribution, and receiving regulatory approvals. Beginning on September 23, 2026, the preferred stock may be converted, in whole or in part, at the option of the holder thereof into shares of common stock, at the rate of one share of common stock per each share of preferred stock.

Variance Commentary (2018YE to 2019Q2)

- $890 million increase in Regulatory Capital is driven by an increase in Capital Surplus as a result of the re-establishment of temporary difference DTAs and $50 million write-down of goodwill on restructuring announcement.

Regulatory Capital and Capital Ratios according to Basel 3 Capital Rules

	31-Dec-18	30-Jun-19	Variance
in USD m.	US Basel 3	US Basel 3	
Common Stock plus retained surplus, net of unearned employee stock ownership plan (ESOP) shares	21,989	22,809	820
Retained Earnings	(13,237)	(13,245)	(8)
Accumulated Other Comprehensive Income (AOCI) based on transition rules	(255)	(246)	9
Common Equity Tier 1 Capital, before adjustments and deductions	8,497	9,318	821
Common Equity Tier 1 Capital: Adjustments and Deductions			0
Less: Goodwill net of associated deferred tax liabilities (DTLs)	(50)	0	50
Less: Intangible Assets, net of associated DTL's	(78)	(77)	1
Less: Deferred Tax Assets (DTLs) that arise from net operating losses and tax credit carryforwards, net of valuation allowances	(5)	0	5
Total Regulatory Adjustments to Commeon Equity Tier 1 (CET1)	(133)	(77)	56
Common Equity Tier 1 Capital	8,364	9,241	877
Additional Tier 1 (AT1) Capital			
Additional Tier 1 Capital instruments plus related surplus	4,205	4,205	0
Additional Tier 1 (AT1) Capital before adjusments	4,205	4,205	0
Total Regulatory Adjustments to Additional Tier 1 (AT1) Capital	(18)	(6)	12
Additional Tier 1 (AT1) Capital	4,187	4,199	12
Tier 1 Capital (T1 = CET1 + AT1)	12,551	13,440	889
Tier 2 (T2) Capital			
Tier 2 Capital instruments plus related surplus	0	0	0
Allowance for loan and lease losses includable in Tier 2 capital	10	11	1
Tier 2 (T2) Capital before adjustments	10	11	1
Total Regulatory Adjustments to Tier 2 (T2) Capital	0	0	0
Tier 2 (T2) Capital	10	11	1
Total Regulatory Capital	12,561	13,451	890

Ratios		
Common Equity Tier 1 Capital Ratio (as a percentage of risk-weighted assets)	22.90%	23.52%
Tier 1 Capital Ratio (as a percentage of risk-weighted assets)	34.37%	34.21%
Total Capital Ratio (as a percentage of risk-weighted assets)	34.40%	34.24%
Capital Conservation Buffer	18.40%	19.02%
Leverage Ratio (as a percentage of average total consolidated assets)	9.20%	8.85%
Supplementary Leverage Ratio	8.42%	8.15%

DB USA Corp's consolidated and combined financial statements have been prepared in accordance with US GAAP, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the consolidated and combined financial statements.

The consolidated and combined financial statements of the DB USA Corp include all entities in which DB USA Corp has a controlling financial interest. DB USA Corp consolidates entities in which it has a majority voting interest when the voting interest entity is controlled through substantive voting equity interests and the equity investors bear the residual economic risks of the entity. DB USA Corp also consolidates variable interest entities (VIEs) for which DB USA Corp is deemed to be the primary beneficiary in accordance with Accounting Standards Codification (ASC) Topic 810, Consolidation. All material intercompany transactions and balances have been eliminated in consolidation. In the normal course of business, DB USA Corp's operations may include significant transactions conducted with affiliated entities. Such transactions are governed by contractual agreements between DB USA Corp and its affiliates.

DB USA Corp prepares US GAAP financial statements for both financial and regulatory reporting purposes. In certain instances, regulatory reporting instructions and guidance require that certain assets or liabilities be reported in line items that vary from those used for financial reporting purposes. In other cases, the regulatory reporting format may differ from that used for financial reporting purposes – regulatory reporting formats tend to be much more granular. In either case, when comparing the financial and regulatory financial statements on a line item basis there may be differences between various line items that arise from these differing requirements and reporting formats.

In the case of DB USA Corp, the balance sheet assets, liabilities and stockholder's equity line items used in this report are those represented in the FR Y-9C report as reported by DB USA Corp as of June 30, 2019. Below is a reconciliation of the balance sheet as reported in the FR Y-9C and that which is reported in the non-public audited financial statements.

Reconciliation of Financial and Regulatory Balance Sheet

	30-Jun-19					
in USD m.	Financial Balance Sheet	Presentation Differences				Regulatory Balance Sheet
		Equity Securities at FV under 2016-01	Trading Assets vs Financial Assets	Operating leases	Total	
Assets						
Cash and cash equivalents	14,717	-	-	-	14,717	14,717
Securities: Available for Sale	228	32	-	-	260	260
Collateralized agreements and financings	62,689	-	-	-	62,689	62,689
Loans, net of allowance for loan losses	11,051	-	-	-	11,051	11,051
Financial instruments owned, at fair value	23,154	(32)	(135)	-	22,987	22,987
Other assets	7,911	-	135	-	8,046	8,046
Total assets	119,751	-	-	-	119,751	119,751
Liabilities and Stockholders' Equity						
Deposits	20,121	-	-	-	20,121	20,121
Collateralized agreements and financing:	35,231	-	-	-	35,231	35,231
Financial instruments sold, but not yet purchased, at fair value	12,948	-	(37)	-	12,911	12,911
Borrowings	26,618	-	-	109	26,727	26,727
Other liabilities	11,306	-	37	(109)	11,235	11,235
Total liabilities	106,225	-	-	-	106,225	106,225
Stockholders' Equity						
Preferred stock	4,205	-	-	-	4,205	4,205
Common stock, par value $1.00 per share. 2,000 shares	0	-	-	-	0	0
Additional paid-in capital	22,809	-	-	-	22,809	22,809
Accumulated deficit	(13,245)	-	-	-	(13,245)	(13,245)
Accumulated other comprehensive income (loss)	(246)	-	-	-	(246)	(246)
Minority Interest	3	-	-	-	3	3
Total stockholders' Equity	13,525	-	-	-	13,525	13,525
Total liabilities and stockholder's equity	119,751	-	-	-	119,751	119,751

The presentation differences noted in the above reconciliation are primarily due to:

- Equity Securities at Fair Value under 2016-01: For the US GAAP Financial Statements, under ASU 2016-01 entities are no longer able to classify equity investments as trading or available for sale (AFS) and must be measured at Fair Value through Net Income. Equity securities at Fair Value are considered Financial Instruments Owned for US GAAP financial reporting purposes. For the FR Y-9C, these non-trading equity securities held at Fair Value under ASU 2016-01 are reported separately on HC line 2.c Equity securities with readily determinable fair values not held for trading.
- Trading vs Financial Instruments Owned: For the US GAAP Financial Statements all derivative positions are considered financial instruments and are presented in the Financial Instruments Owned/Sold captions. For the FR Y-9C, the non-trading derivatives are excluded from Trading Assets/Liabilities and are included in Other Assets/Liabilities.
- Operating Leases: Capitalization of other operating leases are treated as Other liabilities for US GAAP reporting based on ASC 842. However, they are required to be reported in line 16 Other borrowed money for Y9C based on regulatory guidelines.

Credit Risk Exposure

Credit risk exposures are calculated using the US Basel 3 Standardized Approaches capital rules. These exposures represent on-balance sheet and off-balance sheet exposures of DB USA Corp on a consolidated basis.

For on-balance sheet exposures, the table below provides the exposure amount as reported on the balance sheet as well as the amount that is subject to RWA calculations. For purposes of RWA calculations, on-balance sheet assets are generally measured at their fair value amounts, except for Secured Financing Transactions (SFT) (i.e. repurchase agreements), which are measured net of collateral.

Off-balance sheet exposures are generally converted to a Credit Equivalent Amount by multiplying the exposure or notional amount by a supervisory credit conversion factor.

Gross Exposure by Asset Class and Geographical Region

in USD m.	30-Jun-19							
On-balance Sheet Exposures	North America	Europe	Latin America	Caribbean	Asia	Africa	Other Countries	Amount Subject to RWA
Cash and balances due from depository institutions	14,445	240	0	18	13	0	0	14,717
Securities: Available for Sale	254	5	0	0	0	0	1	260
Loans	10,003	537	220	176	119	2	3	11,060
Trading Assets	1,019	2	0	13	0	0	0	1,035
Other Assets	3,121	1,399	24	825	33	0	2	5,404
Total On-balance Sheet Exposures	28,842	2,184	244	1,032	165	2	6	32,475
Off-balance Sheet Exposures								Amount Subject to RWA
Letters of credit	927	43	1	4	17	0	0	991
Repo style transactions	17,516	10,919	252	3,214	208	0	2	32,110
Unused commitments	1,620	106	0	62	16	0	0	1,803
Derivatives	5,796	1,252	0	15	9	0	0	7,072
Unsettled Transactions	147	29	0	1	0	0	0	177
Total Off-balance Sheet Exposures	26,005	12,348	252	3,297	249	0	2	42,153
Grand Total	54,847	14,532	497	4,329	414	2	8	74,628

in USD m.	31-Dec-18							
On-balance Sheet Exposures	North America	Europe	Latin America	Caribbean	Asia	Africa	Other Countries	Amount Subject to RWA
Cash and balances due from depository institutions	19,522	295	0	18	25	0	0	19,860
Securities: Available for Sale	251	6	0	0	0	0	1	257
Loans	9,395	693	337	164	73	0	4	10,666
Trading Assets	1,180	3	0	20	0	0	0	1,203
Other Assets	3,028	1,175	5	508	27	0	2	4,746
Total On-balance Sheet Exposures	33,376	2,172	343	710	125	0	7	36,732
Off-balance Sheet Exposures								Amount Subject to RWA
Letters of credit	991	44	2	4	15	0	0	1,056
Repo style transactions	21,135	10,558	151	312	233	0	3	32,392
Unused commitments	1,625	6	0	31	16	0	0	1,678
Derivatives	5,622	301	0	35	7	0	0	5,965
Unsettled Transactions	67	44	0	0	0	0	0	111
Total Off-balance Sheet Exposures	29,439	10,954	153	383	270	0	3	41,202
Grand Total	62,815	13,126	496	1,092	395	0	10	77,934

Gross Exposure by Asset Class and Residual Maturity

in USD m	30-Jun-19					
	Up to one month	Over 1 month to not more than 1 year	Over 1 year and not more than 2 years	Over 2 years and not more than 5 years	Over 5 years	Amount Subject to RWA
Cash and balances due from depository institutions	14,717	-	-	-	-	14,717
Securities: Available for Sale	-	62	93	86	18	260
Loans	535	2,470	2,473	1,933	3,650	11,060
Trading Assets	308	415	83	159	69	1,035
Other Assets	3,567	153	16	1,229	440	5,404
Total On-balance Sheet Exposures	19,127	3,100	2,664	3,407	4,177	32,475
Letters of credit	1	353	28	534	76	991
Repo-Style transactions	23,017	8,572	119	247	155	32,110
Unused Commitments	100	451	233	240	779	1,803
Derivatives	105	6,340	237	201	189	7,072
Unsettled	174	3	-	-	-	177
Total Off-balance Sheet Exposures	23,397	15,718	617	1,222	1,199	42,153
Grand Total	42,524	18,819	3,281	4,629	5,376	74,628

in USD m	31-Dec-18					
	Up to one month	Over 1 month to not more than 1 year	Over 1 year and not more than 2 years	Over 2 years and not more than 5 years	Over 5 years	Amount Subject to RWA
Cash and balances due from depository institutions	19,702	155	-	4	-	19,860
Securities: Available for Sale	11	49	93	89	16	257
Loans	244	3,344	1,551	1,891	3,636	10,666
Trading Assets	920	30	107	69	77	1,203
Other Assets	3,311	626	22	713	74	4,746
Total On-balance Sheet Exposures	24,187	4,204	1,773	2,765	3,803	36,732
Letters of credit	-	425	23	531	77	1,056
Repo-Style transactions	25,078	6,459	295	412	148	32,392
Unused Commitments	2	297	417	153	809	1,678
Derivatives	24	5,412	101	322	106	5,965
Unsettled	105	1	3	2	1	111
Total Off-balance Sheet Exposures	25,209	12,594	839	1,420	1,140	41,202
Grand Total	49,396	16,798	2,612	4,184	4,944	77,934

Gross Exposure by Asset Class and Industry

in USD m	30-Jun-19					
	Public institutions	Banks and other financial institutions	Corporations	Retail	Other	Amount Subject to RWA
Cash and balances due from depository institutions	11,963	2,751	-	-	3	14,717
Securities: Available for Sale	183	52	10	1	15	260
Loans	375	2,492	2,414	3,476	2,303	11,060
Trading Assets	916	25	62	1	31	1,035
Other Assets	232	2,864	597	12	1,700	5,404
Total On-balance Sheet Exposures	13,668	8,184	3,083	3,489	4,051	32,475
Letters of credit	5	545	116	322	3	991
Repo-Style transactions (1)	4,369	27,204	9	-	528	32,110
Unused Commitments	0	1,347	227	185	44	1,803
Derivatives	646	6,426	0	-	-	7,072
Unsettled	0	113	59	3	1	177
Total Off-balance Sheet Exposures	5,021	35,635	411	509	577	42,153
Grand Total	18,689	43,819	3,495	3,998	4,628	74,628

[1] Include Flexible Repurchase Agreements ("Flex Repos") which combine the security of owning U.S. Government Obligations, fixed interest rates, the withdrawal flexibility of a money market account and the high yield of a medium- or long-term investment. Flex Repos are generally long term because they are tied to construction projects for which bond proceeds need to be invested until payment is due for each stage of construction. In return for the added flexibility, investors in Flex Repos almost always receive slightly lower rates of return than investors with terms that are more traditional. Flex Repos are provided by DBSI, the U.S. broker dealer.

in USD m	31-Dec-18					
	Public institutions	Banks and other financial institutions	Corporations	Retail	Other	Amount Subject to RWA
Cash and balances due from depository institutions	17,663	2,195	-	-	1	19,860
Securities: Available for Sale	196	34	15	0	12	257
Loans	462	2,704	1,402	3,500	2,597	10,666
Trading Assets	1,091	57	2	0	53	1,203
Other Assets	291	2,965	335	8	1,147	4,746
Total On-balance Sheet Exposures	19,704	7,954	1,754	3,509	3,811	36,732
Letters of credit	5	525	168	350	9	1,056
Repo-Style transactions (1)	6,097	25,625	16	0	654	32,392
Unused Commitments	0	1,218	176	160	124	1,678
Derivatives	349	5,616	0	-	0	5,965
Unsettled	1	90	18	0	2	111
Total Off-balance Sheet Exposures	6,451	33,075	377	510	788	41,202
Grand Total	26,155	41,029	2,131	4,019	4,599	77,934

[1] Include Flexible Repurchase Agreements ("Flex Repos") which combine the security of owning U.S. Government Obligations, fixed interest rates, the withdrawal flexibility of a money market account and the high yield of a medium- or long-term investment. Flex Repos are generally long term because they are tied to construction projects for which bond proceeds need to be invested until payment is due for each stage of construction. In return for the added flexibility, investors in Flex Repos almost always receive slightly lower rates of return than investors with terms that are more traditional. Flex Repos are provided by DBSI, the U.S. broker dealer.

Basel 3 Standardized Approach Exposure Amounts and Risk-weighted Assets by Exposure Class and Risk Weight

in USD m.	30-Jun-19																			
US Basel 3 Standardized Approach	**US Basel 3**	**Exposure**		**by risk weighting**																
On-balance Sheet Exposures	RWA	Balance Sheet Amount	Amount Subject to RWA	0%	2%	4%	10%	20%	50%	100%	150%	250%	300%	400%	600%	625%	937.5%	1250%	Other Amount	Other RWA
Cash and balances due from depository institutions	563	14,718	14,718	11,917	0	0	0	2,796	3	1	1	0	0	0	0	0	0	0	0	0
Securities: Available for Sale	57	259	259	157	0	0	0	56	1	45	0	0	0	0	0	0	0	0	0	0
Securities Purchased under agreements to Resell	0	62,689	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans: Residential mortgage exposures	1,413	2,745	2,745	6	0	0	0	1	2,650	88	0	0	0	0	0	0	0	0	0	0
Loans: High volatility commercial real estate exposures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans: All other exposures	7,763	8,315	8,315	418	0	0	0	285	2	7,421	189	0	0	0	0	0	0	0	0	0
Loans: Allowance for Loan Loss	0	9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Trading Assets	90	21,653	1,005	916	0	0	0	0	18	69	0	0	0	0	2	0	0	0	0	0
All Other Assets: All Other	4,851	8,046	5,406	312	12	0	0	1,580	2	2,340	4	800	0	0	0	0	0	0	356	188
Securitization Exposures: Trading Assets	270	1,335	29	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	270
Total On-balance Sheet Exposures	**15,007**	**119,751**	**32,477**	**13,726**	**12**	**0**	**0**	**4,718**	**2,676**	**9,964**	**194**	**800**	**0**	**0**	**2**	**0**	**0**	**0**	**356**	**458**
Off-balance Sheet Exposures		Credit Equivalent Amount	Amount Subject to RWA	0%	2%	4%	10%	20%	50%	100%	150%	250%	300%	400%	600%	625%	937.5%	1250%	Other Exposure	Other RWA
Financial standby letters of credit	602	967	967	225	0	0	0	175	0	567	0	0	0	0	0	0	0	0	0	0
Performance standby letters of credit	22	50	25	3	0	0	0	0	0	22	0	0	0	0	0	0	0	0	0	0
Commercial and similar letters of credit	1	5	1	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0
Repo style transactions	8,917	32,109	32,109	15,948	1,047	0	0	7,466	491	7,157	0	0	0	0	0	0	0	0	0	0
Unused commitments: 1 year of less	21	505	101	0	0	0	0	100	0	1	0	0	0	0	0	0	0	0	0	0
Unused commitments: exceeding 1 year	876	3,402	1,701	752	0	0	0	24	108	817	0	0	0	0	0	0	0	0	0	0
Over-the-counter derivatives	285	1,147	1,147	0	0	0	0	1,077	0	70	0	0	0	0	0	0	0	0	0	0
Centrally Cleared derivatives	119	5,926	5,926	0	5,916	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unsettled Transactions	103	147	177	148	0	0	0	0	0	19	0	0	0	0	0	6	1	3	0	0
Total Off-balance Sheet Exposures	**10,946**	**44,258**	**42,154**	**17,076**	**6,963**	**10**	**0**	**8,842**	**599**	**8,654**	**0**	**0**	**0**	**0**	**0**	**6**	**1**	**3**	**0**	**0**
Total Risk Weighted Assets, excluding Market Risk	**25,953**		**25,953**	**0**	**140**	**0**	**0**	**2,712**	**1,638**	**18,618**	**291**	**2,000**	**0**	**0**	**12**	**38**	**9**	**38**	**0**	**458**
Standardized Market Risk Weighted Assets	**13,331**																			
Total Risk Weighted Assets	**39,284**																			

in USD m.	31-Dec-18																			
US Basel 3 Standardized Approach	**US Basel 3**	**Exposure**		**by risk weighting**																
On-balance Sheet Exposures	RWA	Balance Sheet Amount	Amount Subject to RWA	0%	2%	4%	10%	20%	50%	100%	150%	250%	300%	400%	600%	625%	937.5%	1250%	Other Amount	Other RWA
Cash and balances due from depository institutions	454	19,859	19,860	17,613	0	0	0	2,240	3	3	1	0	0	0	0	0	0	0	0	0
Securities: Available for Sale	59	257	257	154	0	0	0	54	1	48	0	0	0	0	0	0	0	0	0	0
Securities Purchased under agreements to Resell	0	61,407	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans: Residential mortgage exposures	1,547	3,007	3,007	6	0	0	0	0	2,908	93	0	0	0	0	0	0	0	0	0	0
Loans: High volatility commercial real estate exposures	255	170	170	0	0	0	0	0	0	0	170	0	0	0	0	0	0	0	0	0
Loans: All other exposures	6,684	7,489	7,489	563	0	0	0	339	0	6,468	62	0	0	0	0	0	0	0	57	55
Loans: Allowance for Loan Loss	0	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Trading Assets	102	20,991	1,203	1,102	0	0	0	0	18	81	0	0	0	0	2	0	0	0	0	0
All Other Assets: All Other	3,011	8,776	4,746	207	18	0	0	1,799	4	2,359	6	59	0	0	0	0	0	0	294	134
Securitization Exposures: Trading Assets	261	1,493	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	261
Total On-balance Sheet Exposures	**12,373**	**123,440**	**36,732**	**19,645**	**18**	**0**	**0**	**4,432**	**2,934**	**9,052**	**239**	**59**	**0**	**0**	**2**	**0**	**0**	**0**	**351**	**450**
Off-balance Sheet Exposures		Credit Equivalent Amount	Amount Subject to RWA	0%	2%	4%	10%	20%	50%	100%	150%	250%	300%	400%	600%	625%	937.5%	1250%	Other Exposure	Other RWA
Financial standby letters of credit	628	1,029	1,029	272	0	0	0	161	0	596	0	0	0	0	0	0	0	0	0	0
Performance standby letters of credit	22	25	25	3	0	0	0	0	0	22	0	0	0	0	0	0	0	0	0	0
Commercial and similar letters of credit	2	2	2	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0
Repo style transactions	8,995	32,392	32,392	15,520	1,281	0	0	8,057	353	7,181	0	0	0	0	0	0	0	0	0	0
Unused commitments: 1 year of less	9	9	9	0	0	0	0	0	0	9	0	0	0	0	0	0	0	0	0	0
Unused commitments: exceeding 1 year	797	1,669	1,669	819	0	0	0	24	68	758	0	0	0	0	0	0	0	0	0	0
Over-the-counter derivatives	121	362	362	0	0	0	0	301	0	61	0	0	0	0	0	0	0	0	0	0
Centrally Cleared derivatives	115	5,603	5,603	0	5,444	159	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unsettled Transactions	175	111	111	63	0	0	0	0	0	34	0	0	0	0	0	5	1	8	0	0
Total Off-balance Sheet Exposures	**10,864**	**41,202**	**41,202**	**16,677**	**6,725**	**159**	**0**	**8,543**	**421**	**8,663**	**0**					**5**	**1**	**8**	**0**	**0**
Total Risk Weighted Assets, excluding Market Risk	**23,237**		**23,237**	**0**	**135**	**6**	**0**	**2,595**	**1,678**	**17,715**	**359**	**148**	**0**	**0**	**12**	**31**	**9**	**100**	**0**	**450**
Standardized Market Risk Weighted Assets	**13,294**																			
Total Risk Weighted Assets	**36,531**																			

Credit risk and credit risk mitigation

The majority of credit risk mitigation techniques are applied to secured financing transactions (SFT) and derivatives. Credit risk mitigation techniques for the other products are not significant. DB USA Corp takes advantage of credit-risk mitigation benefits, as permitted under U.S. Basel III Rule, in its computation of risk-weighted assets.

For derivatives, DB USA Corp receives cash and non-cash collateral which, subject to the U.S. Basel III Rules, are applied against the computed gross credit exposures. For SFTs, DB USA Corp is frequently able to use the collateral haircut approach to recognize credit risk mitigation benefits of financial collateral. The collateral haircut approach allows DB USA Corp to only consider liquid, eligible collateral. Where the collateral haircut approach is not viable, DB USA Corp may still obtain the credit-risk mitigation benefits of the collateral simple approach, which permits DB USA Corp to substitute the risk weight of the collateral for the risk weight of the counterparty.

Netting of Secured Financing Transactions (SFT)

		30-Jun-19				
in USD m.		Gross Amount	Amount Offset in the Statement of Financial Condition (1)	Net Amount Presented in the Statement of Financial Condition	Collateral Received or Pledged (2)	Net Amount (3)
Assets:						
Collateralized agreements and financings:						
Securities purchased under agreements to resell		75,188	(36,361)	38,827	(38,827)	-
Securities borrowed		26,031	(2,169)	23,862	(23,333)	529
		—	—	—	—	—
Total	$	101,219	(38,530)	62,689	(62,160)	529
Liabilities:		—	—	—	—	—
Collateralized agreements and financings:		—	—	—	—	—
Securities sold under agreements to repurchase		64,899	(36,361)	28,538	(28,538)	-
Securities loaned		7,647	(2,169)	5,478	(5,363)	115
Total	$	72,546	(38,530)	34,016	(33,901)	115

		31-Dec-18				
in USD m.		Gross Amount	Amount Offset in the Statement of Financial Condition (1)	Net Amount Presented in the Statement of Financial Condition	Collateral Received or Pledged (2)	Net Amount (3)
Assets:						
Collateralized agreements and financings:						
Securities purchased under agreements to resell		65,674	(33,556)	32,118	(32,118)	-
Securities borrowed		30,399	(1,110)	29,289	(28,512)	777
Total	$	96,073	(34,666)	61,407	(60,630)	777
Liabilities:						
Collateralized agreements and financings:						
Securities sold under agreements to repurchase		67,300	(33,556)	33,744	(33,744)	-
Securities loaned		9,438	(1,110)	8,328	(8,328)	-
Total	$	76,738	(34,666)	42,072	(42,072)	-

Netting of Derivatives Transactions

	30-Jun-19				
	Fair value		Notional Amount		
in USD m.	Assets	Libilities	Exchange - traded	OTC	Total
Contract type					
Interest rate contracts	209	49	7,621	20,195	27,816
Credit contracts	7	6	-	1,113	1,113
Equity contracts	1,196	1,151	125,803	-	125,803
Other contracts	3	3	-	2,306	2,306
Total gross derivatives	1,415	1,209	133,424	23,614	157,038
	-	-			
Less: Counterparty netting (1)	(1,162)	(1,162)			
Net amounts presented in statement of financial condition	253	47			
Less: Cash collateral received/posted	(9)	-			
Net derivative	244	47			

	31-Dec-18				
	Fair value		Notional Amount		
in USD m.	Assets	Libilities	Exchange - traded	OTC	Total
Contract type					
Interest rate contracts	91	88	10,263	16,868	27,131
Credit contracts	8	8	-	5,877	5,877
Equity contracts	1,650	1,559	106,530	-	106,530
Other contracts	6	6	-	5,514	5,514
Total gross derivatives	1,755	1,661	116,793	28,259	145,052
Less: Counterparty netting (1)	(1,572)	(1,572)			
Net amounts presented in statement of financial condition	183	89			
Less: Cash collateral received/posted	(56)	(71)			
Net derivative	127	18			

Impairments

The allowance for credit losses represents management's estimate of probable losses that have occurred in the loan portfolio and off balance sheet positions, which comprise contingent liabilities and lending related commitments as of the date of the consolidated and combined financial statements. The allowance for credit losses of funded lending related commitments is reported as a reduction of loans on the consolidated statement of financial condition. The allowance for credit losses of undrawn lending related commitments is reported in other liabilities on the consolidated statement of financial condition.

To allow management to determine the appropriate level of the allowance for credit losses, all significant counterparty relationships are reviewed periodically, as are loans under special supervision, such as impaired loans. This review encompasses current information and events related to the counterparty, such as past due status and collateral recovery values, as well as industry, geographic, economic, political, and other environmental factors. This process results in an allowance for credit losses which consists of a specific loss component and an inherent loss component.

The specific loss component represents the allowance for impaired loans. Impaired loans represent loans for which, based on current information and events, management believes it is probable that DB USA Corp will not be able to collect all principal and interest amounts due in accordance with the contractual terms of the loan agreement. The specific loss component of the allowance is measured by the excess of the recorded investment in the loan, including accrued interest, over either the present value of expected future cash flows, including cash flows that may result from foreclosure less costs for obtaining or selling the collateral, or the market price of the loan, discounted at the loan's effective interest rate. Impaired loans are generally placed on nonaccrual status.

The inherent loss component is principally for all other loans not deemed to be impaired, but that, on a portfolio basis, are believed to have some inherent loss, which is probable of occurring and is reasonably estimable. The inherent loss allowance represents an estimate of losses inherent in the portfolio that has not yet been individually identified and reflects the imprecision and uncertainties in estimating the allowance for loan loss. This estimate of inherent losses excludes those exposures that have already been considered when establishing the allowance for smaller balance standardized homogeneous loans.

Amounts determined to be uncollectible are charged to the allowance. Subsequent recoveries, if any, are credited to the allowance. The provision for credit losses, which is charged to income, is the amount necessary to adjust the allowance for credit losses to the level determined through the process described above.

The allowance for off balance sheet positions, which is established through charges to other expenses, is determined using the same measurement techniques as the allowance for credit losses.

Variance Commentary (2018YE to 2019Q2)

Impaired loans decreased by $5 million as of June 30, 2019 compared with December 31, 2018. The decrease is primarily attributed to residential real estate loans with Private & Corporate Banking (PCB) clients. Past due loans reported by DB USA Corp as of June 2019 are immaterial.

Impaired loans, allowance for loan losses and coverage ratio by industry

	30-Jun-19			31-Dec-18		
in USD m.	Impaired Loans	Loan Loss Allowance	Impaired loan coverage ratio (%)	Impaired Loans	Loan Loss Allowance	Impaired loan coverage ratio (%)
Commercial and residential real estate activities	63	9	14%	68	8	12%
Other	3	-	0%	3	-	0%
Total	66	9	14%	71	8	11%

Impaired loans, allowance for loan losses and coverage ratio by region

in USD m.	30-Jun-19 Impaired Loans	30-Jun-19 Loan Loss Allowance	30-Jun-19 Impaired loan coverage ratio (%)	31-Dec-18 Impaired Loans	31-Dec-18 Loan Loss Allowance	31-Dec-18 Impaired loan coverage ratio (%)
North America	66	9	14%	71	8	11%
Total	66	9	14%	71	8	11%

Development of impaired loans

in USD m.	30-Jun-19 (6 months) Impaired loans Individually assessed	31-Dec-18 (12 months) Impaired loans Individually assessed
Balance, beginning of the year	71	53
Classified as impaired during the year	22	29
Transferred to not impaired during the year	25	-
Charge Offs	1	1
Disposal of impaired loans	1	7
Paydowns	-	3
Other	-	-
Balance, end of the year	**66**	**71**

Development of specific loan loss allowance

in USD m.	30-Jun-19 (6 months) Specific loan loss allowance	31-Dec-18 (12 months) Specific loan loss allowance
Balance, beginning of the period	3	-
Recoveries	-	2
Charge Offs	1	4
Provision for loan and lease losses	1	2
Other	-	3
Balance, end of the period	**3**	**3**

Supplementary Leverage Ratio

Per U.S. regulatory reporting requirements and in compliance with the FRB's Regulation YY (12 CFR 252.153), IHCs with consolidated total on-balance sheet foreign exposures in excess of USD $10 billion are required to comply with Supplemental Leverage Ratio (SLR) requirements starting in 2018. The SLR is designed to require a banking organization to hold a minimum amount of capital against total assets and off-balance sheet exposures, regardless of the riskiness of the individual assets. Thus, all categories of assets, including cash, U.S. Treasuries, and deposits at the Federal Reserve, are included in the determination of the SLR. The SLR is the ratio of an IHC's Tier 1 capital as of a quarter-end to total leverage exposure, the latter of which is calculated as the sum of:

(A)The average on-balance sheet assets calculated as of each day of the reporting quarter;

and

(B) The average off-balance sheet exposures calculated as of the last day of each of the most recent three months, minus the applicable deductions from Tier 1 capital.

The main components of total leverage exposure are:

- On-balance sheet exposures;
- Derivative exposures;
- Repo-style transactions and
- Other off-balance sheet exposures.

The SLR reporting requirements follow the classification and segmentation required by Schedule A of the FFIEC 101 report.

Variance Commentary (2018YE to 2019Q2)

The Supplementary Leverage Ratio for June 2019 is 8.15 %, 28bps decrease from December 2018.

Total SLR exposures increased $15.9 billion to $165bn as compared with December 2018.

- On-balanace sheet exposures reduced by $3.0bn
- Deductions from CET1 and AT1 capital reduced $68 million primarily from goodwill write off.
- Derivatives exposures decreased $1.0 billion largely due a reduction in the add-on for potential future exposure for commodity and equity derivative transactions, offset by a decrease in exempt exposures to central counterparties in cleared tranactions.
- Exposures from Repo-style transactions increased $18.4 billion (post FIN41 netting). Gross exposure increased $27.7 billion offset by $9.0 billion increase in netting benefits. The increase is mainly driven by i) an increase in the intercompany activity with DBNY - London Branch, ii) higher DBSI Repo client activity, and iii) a reduction in the shorts allocation.
- Other off balance sheet exposures increased $1.5 billion driven by higher average forward starting reverse repos balances.

in USD m.	30-Jun-19	31-Dec-18	Variance	Variance %
The balance sheet carrying value of all on-balance sheet assets (excluding on-balance sheet assets for derivative transactions and repo-style transactions, but including collateral)	63,857,219	66,883,433	(3,026,214)	-5%
Deductions from common equity tier 1 capital and additional tier 1 capital (report as a positive amount)	82,773	151,000	(68,227)	-45%
Total on-balance sheet exposures (item 2.1 minus item 2.2)	**63,774,446**	**66,732,433**	(2,957,987)	-4%
Replacement cost for all derivative transactions	219,156	397,155	(177,999)	-45%
Add-on amounts for potential future exposure (PFE) for all derivative transactions	7,681,383	9,273,559	(1,592,176)	-17%
Gross-up for collateral posted in derivative transactions if collateral is deducted from on-balance sheet assets	-	-	-	0%
Deduction of receivable assets for qualifying cash variation margin posted in derivative transactions (report as a positive amount)	-	-	-	0%
Exempted exposures to central counterparties (CCPs) in cleared transactions (report as a positive amount)	1,459,457	2,224,369	(764,912)	-34%
Adjusted effective notional principal amount of sold credit protection	540,199	312,032	228,167	73%
Adjusted effective notional principal amount offsets and PFE deductions for sold credit protection (report as a positive amount)	594,441	338,536	255,905	76%
Total derivative exposures (sum of items 2.4, 2.5, 2.6 and 2.9, minus items 2.7, 2.8, and 2.10)	**6,386,841**	**7,419,841**	(1,033,000)	-14%
Gross assets for repo-style transactions, with no recognition of netting	134,244,545	106,578,188	27,666,357	26%
Reduction of the gross value of receivables in reverse repurchase transactions by cash payables in repurchase transactions (report as a positive value)	46,306,847	37,329,108	8,977,739	24%
Counterparty credit risk for all repo-style transactions	1,507,065	1,764,956	(257,891)	-15%
Exposure amount for repo-style transactions where an institution acts as an agent	-	-	-	0%
Total exposures for repo-style transactions (sum of items 2.12, 2.14, and 2.15, minus item 2.13)	**89,444,763**	**71,014,036**	**18,430,727**	**26%**
Off-balance sheet exposures at gross notional amounts	17,969,012	10,840,405	7,128,607	66%
Adjustments for conversion to credit equivalent amounts (report as a positive amount)	12,631,645	7,000,439	5,631,206	80%
Total off-balance sheet exposures (item 2.17 minus item 2.18)	**5,337,367**	**3,839,967**	**1,497,400**	**39%**
Tier 1 capital (from Schedule A, item 45)	**13,439,733**	**12,551,000**	**888,733**	**7%**
Total leverage exposure (sum of items 2.3, 2.11, 2.16, and 2.19)	**164,943,417**	**149,006,277**	15,937,140	11%
Supplementary leverage ratio (item 2.20 divided by item 2.21)	**8.1481%**	**8.4231%**	**-0.2750%**	