Deutsche Bank

DB USA Corporation
Pillar 3 Report 2018

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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. On a European level these are implemented in the disclosure requirements pursuant to Part Eight of the "Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms" (Capital Requirements Regulation, or "CRR") and the "Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms" (Capital Requirements Directive 4, or "CRD 4"). Germany implemented these CRD 4 requirements into national law in Section 26a of the German Banking Act ("Kreditwesengesetz" or "KWG"). Per regulation it is not required to have Pillar 3 disclosures audited. As such the information provided in this Pillar 3 Report is unaudited.

Additional Disclosure Requirements for Significant Subsidiaries

In line with Article 13 (1) CRR significant subsidiaries and those subsidiaries which are of significance for their local market are required to disclose information to the extent applicable in respect of own funds, capital requirements, capital buffers, credit risk adjustments, remuneration policy, leverage and use of credit risk mitigation techniques on an individual or sub-consolidated basis.

In order to identify significant subsidiaries a catalogue of criteria has been developed, applied to all subsidiaries classified as "credit institution" or "investment firm" under the CRR and not qualifying for a waiver status pursuant to Section 2a KWG in conjunction with Article 7 CRR. A subsidiary is required to comply with the requirements in Article 13 CRR (as described above) if at least one criterion mentioned in the list below has been met. The criteria have been defined in relation to our business activities as well as the complexity and risk profile of the respective subsidiary. All figures referenced below are calculated on an IFRS basis, where applicable, as of December 31, 2018:

- Total Assets of € 30 billion or more (on individual or sub-consolidated basis)
- Five percent or more of our risk-weighted assets (RWA) on group level
- 20 percent or more of the gross domestic product in its respective country, in which the subsidiary is located, but at least total assets of € five billion (on individual or sub-consolidated basis)
- Institutions directly supported by the European Stability Mechanism (ESM), European Financial Stability Facility (EFSF) or similar mechanisms
- Institutions belonging to the three largest institutions in their respective countries, in which the subsidiary is located (referring to the amount of total assets)
- Classification as "local systemically important institution" by the local competent authority

As a result of the selection process described above, DB USA Corp has been identified as "significant" for the Group and hence required to provide additional disclosure requirements in accordance with Article 13 CRR:

DB USA Corp publishes the Pillar 3 disclosure report on an annual basis on its website at db.com/ir/en/reports-and-events.htm.

All financial information disclosed is presented in USD and is rounded to the nearest million, with exception to certain tables in the Remuneration section which are reported in Euro. The consolidated financial balance sheet is based on DB USA Corp financial statements prepared in accordance with U.S. generally accepted accounting principles (US GAAP). Regulatory capital and credit exposure disclosures are based on DB USA Corp Consolidated Financial Statements for Holding Companies (FR Y-9C).

Per the U.S. regulatory requirements, DB USA Corp was required to comply with Liquidity Coverage Ratio (LCR) and Supplementary Leverage Ratio (SLR) disclosure requirements beginning Q1 of 2018.

Location of Pillar 3 disclosures

The following table provides an overview of the location of the required Pillar 3 disclosures in this Pillar 3 Report.

Pillar 3 requirements topic with reference to CRR-Article	Primary location in this report
Main features of the CET1, AT1 and Tier 2 instruments, and reconciliation of filters/deductions applied to own funds and balance sheet (Article 437)	❖ “Regulatory Capital” ❖ “Reconciliation of Financial and Regulatory Balance Sheet”
Compliance to own funds requirements (Article 92)	❖ “Regulatory Capital table” table ❖ “Regulatory Capital Requirements and Risk-weighted Assets” table
Approach to assessing the adequacy of internal capital to support current and future activities (Article 438 (a)	❖ “Internal Capital Adequacy Assessment Process” section
Risk-weighted exposure amounts (Article 438 (c)-(f)	❖ “Gross exposure by asset class and geographical region” table ❖ “Gross exposure by class and residual maturity” table ❖ “Exposure values in the standardized approach by risk weight” table
Capital buffer (Article 440)	❖ “Minimum capital requirements and additional capital buffers” section. ❖ “Gross exposure by class and geographical region” table
Credit risk adjustments: information regarding exposure to credit risk and dilution risk (Article. 442)	❖ “Impairment loans, allowance for loan losses and coverage ratio by business divisions” table ❖ “Impairment loans, allowance for loan losses and coverage ratio by industry” table ❖ “Impairment loans, allowance for loan losses and coverage ratio by region” table ❖ “Impaired Loans” table
Remuneration policy (Article 450)	❖ “Remuneration policy” section
Leverage (Article 451)	❖ “Supplemental Leverage Ratio” section
Liquidity	❖ “Liquidity” section
Use of credit risk mitigation techniques (Article 453)	❖ “Credit risk management” section

Basis of Presentation

DB USA Corp Pillar 3 Report has been prepared in accordance with US GAAP, while Regulatory Capital and RWA calculations are based on U.S. Basel 3 Standardized approach capital rules. In this regard RWA, Capital and associated disclosures are based on U.S. regulatory reporting requirements as defined by the 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 US GAAP basis. We believe the information presented is consistent with the disclosure principles required of the EBA.

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).

DB Group offers a wide variety of investment, financial and related products and services to private individuals, corporate entities and institutional clients around the world, organized under two corporate divisions as of December 31, 2018: Corporate & Investment Bank (CIB) and Private & Commercial Bank (PCB).

Following the transfer of its equity interests and the initial public offering, Deutsche Asset Management (Deutsche AM) was sold by DB USA Corp on April 2, 2018.

The main products and services currently offered by DB USA Corp include:

- CIB, which engages in: Global Capital Markets, which facilitates: (i) client financing services through repo and client cash prime brokerage/securities lending for Prime Finance clients, (ii) market-making activities and secondary market liquidity to clients in U.S. cash products across Rates, Credit, Asset Backed Securities, and Equities, (iii) hedging solutions and investment products to DB clients through market-making in listed derivatives (execution, clearing and settlement), and (iv) new issue and syndication of Investment Grade, High Yield, Asset Backed Securities, equity securities and convertible bonds. Global Transaction Banking (GTB) business comprising of cash management (including overdraft facilities provided to clients), trade finance services (including letters of credit, financial supply chain management, accounts receivable purchasing, custom-made and performance-risk finance solutions for structured trade finance services and commodity trade finance services) and trust services, and (v) advisory services across Mergers & Acquisitions, Equity Capital Markets (ECM), Debt Capital Markets (DCM), Leveraged Debt Capital Markets (LDCM), as well as funding and structuring client solutions.
- Private & Commercial Bank (PCB), which provides lending including Residential Real Estate (RRE), Commercial Real Estate (CRE), structured loans and Lombard (margin) loans, deposit taking, discretionary portfolio management, trust services, and custody services to High Net Worth (HNW) and Ultra High Net Worth (UHNW) individuals.

The above corporate divisions are supported by several infrastructure functions including Risk, Finance, Operations, Technology, Compliance, Anti-Financial Crime, Legal, Human Resources and Research.

DB USA Corp integrates into the DB Group operations, policies and procedures as part of its core risk management framework as further elaborated in the next sections.

Risk Management Framework and Governance

Risk Management Framework

The risk management at DB USA Corp is integral to DB Group's risk management framework and processes

- Core risk management responsibilities are embedded in the DB USA Corp Board ("Board") and delegated to senior risk managers and senior risk management committees including the DB USA Corp Risk Committee ("RiskCo")
- We operate a Three Lines of Defense ("3LoD") risk management model, in which risk, control and reporting responsibilities are defined. The 1st Line of Defense ("1st LoD") refers to those roles in the Bank whose activities generate risks, whether financial or non-financial, and who own the risks generated in their respective organizations. The 2nd Line of Defense ("2nd LoD") refers to the risk type controller roles in the Bank who facilitate the implementation of a sound risk management framework throughout the organization. The 2nd LoD defines the risk appetite and risk management and control standards for their risk type, and independently oversees and challenges the risk taking and risk management activities of the 1st LoD. The 3rd Line of Defense ("3rd LoD") is Group Audit, which is accountable for providing independent and objective assurance on the adequacy of the design and effectiveness of the systems of internal control and risk management.
- The risk strategy is approved by the RiskCo on an annual basis and is defined based on the Risk Appetite and the Strategic and Capital Plan in order to align risk, capital and performance targets.
- Cross-risk analysis reviews are conducted to validate that sound risk management practices and a holistic awareness of risk exist.
- All material risk types, including credit risk, market risk, liquidity risk and non-financial risk, are managed via risk management processes. Modeling and measurement approaches for quantifying risk and capital demand are implemented across the material risk types.
- Monitoring, stress testing tools and escalation processes are in place for key capital and liquidity thresholds and metrics.
- Systems, processes and policies are critical components of our risk management capability.
- Recovery and contingency planning provides the escalation path for crisis management and supplies senior management with a set of actions designed to improve the capital and liquidity positions in a stress event.
- Resolution planning is the responsibility of our resolution authority, the Single Resolution Board. It provides a strategy to manage Deutsche Bank in case of default. It is designed to prevent major disruptions to the financial system or the wider economy through maintaining critical services.

We apply an integrated risk management approach that aims at Group-wide consistency in risk management standards, while allowing for adaptation to local or legal entity specific requirements

Risk Governance

DB USA Corp operations are regulated and supervised by the Federal Reserve Board (FRB). Such regulation focuses on licensing, capital adequacy, liquidity, risk concentration, conduct of business as well as organizational and reporting requirements. At the Group, the European Central Bank ("ECB") in connection with the competent authorities of EU countries which joined the Single Supervisory Mechanism via the Joint Supervisory Team, act in cooperation as primary supervisors monitoring the DB Group's compliance with the German Banking Act and other applicable laws and regulations as well as the CRR/CRD 4 framework and respective implementations into German law.

The risk management governance structure of DB USA Corp is designed to ensure clear regional accountability that is commensurate with its risk profile, structure, complexity, activities and size. The organizational structure provides clear lines of accountability for monitoring risk and capital and escalating breaches of key capital and liquidity limits and thresholds as applicable. The Chief Risk Officer, Americas has responsibility for the management of all credit, market, liquidity and non-financial risks as well as for the comprehensive control of risk and continuing development of methods for risk measurement.

DB USA Corp Risk Committee ("RiskCo")

The DB USA Corp Risk Committee ("RiskCo") is the risk committee of the Board of Directors of DB USA Corp and serves as the risk committee for DB USA Corp and the U.S. risk committee for Deutsche Bank AG`s Combined U.S. Operations (the "CUSO").

The RiskCo assists the Board in its oversight of risk-taking tolerance and management of financial and non-financial risks, including but not limited to market, credit, liquidity and operational risks, for DB USA Corp and the CUSO.

U.S. (Operations) Management Risk Committee ("U.S. MRC")

The U.S. (Operations) Management Risk Committee (U.S. MRC) supports the management of the risk profile as well as the alignment of risk appetite, liquidity and funding within DB USA Corp and the CUSO. The Committee has responsibility to oversee risk and capital management, monitor the compliance to the risk appetite and limits and act upon, or escalate any issues that fall within its remit.

The committee also supports DB USA Corp with its capital adequacy planning as well as capitalization requirements and monitors the compliance with these. The Chief Risk Officer, Americas is the Chairperson of the Committee and Deputy Chief Risk Officer, Americas and the Chief Financial Officer, Americas are the Vice-Chairpersons of the Committee.

U.S Asset and Liability Management Committee ("U.S. ALCo")

The mandate of the U.S. ALCo is to optimize the sourcing and deployment of the balance sheet and financial resources for the CUSO, within the overarching DB AG strategy set by Group and CUSO's risk appetite set by the Risk function and its local governance. Within this remit, the U.S. ALCo has the authority to work together to support CUSO in resource management and strategic positioning. Within the U.S. ALCo mandate are responsibilities to deliver integrated balance sheet management for key CUSO legal entities, allocate and steer capital, liquidity and funding resources within the framework set by the U.S. MRC, oversee resource management incentives and levers to optimize for risk-return within risk appetite, and oversee structural risk positioning as well as net interest income management and optimization. At the same time, the U.S. ALCo considers the impact of U.S. activities on the Group's resources as well as changes at the Group level affecting local resources.

Risk Culture

The risk culture at DB USA Corp is fully integrated in DB Group's risk culture framework and processes.

We promote a strong risk culture where employees at all levels are responsible for the management and escalation of risks and are empowered and encouraged to act as risk managers. We expect employees to exhibit behaviors that support a strong risk culture in line with our Code of Conduct. To promote this, our policies require that risk-related behavior is taken into account during our performance assessment and compensation processes. This expectation continues to be reinforced through communications campaigns and mandatory training courses for all DB employees. In addition, our Management Board members and senior management frequently communicate the importance of a strong risk culture to support consistent tone from the top.

A strong risk management culture helps reinforce DB USA Corp's resilience by ensuring a holistic approach to the management of risk and return throughout the organization. DB USA Corp's leadership team establishes strong risk management by implementing risk culture as one of the entity's top strategic priorities. Effective risk management practices enable DB to better serve its customers, maintain and improve its position in the market, and protect its long-term propriety and reputation. Leadership consistently communicates the Company's risk management expectations to employees, shareholders and regulators, as well as exemplifies on a daily basis the strong risk culture that DB USA Corp is committed to upholding.

Risk Appetite and Capacity

Risk appetite is a cornerstone of DB's risk culture in reinforcing risk awareness and risk related behaviors required of all DB employees.

DB has an integrated risk appetite framework which articulates, monitors and effectively controls risk across multiple dimensions – at the DB Group (global), legal entity / branch and business level – which constrains the capacity of each dimension to take risk, aligned to business planning and strategy development. The risk appetite framework leverages the limit frameworks to ensure consistency between day-to-day risk management, risk appetite & strategy.

- DB Group: Applies to all legal entities, branches and business lines, providing overarching guidance from the Group perspective.
- Legal Entity: Covers DB USA Corp as well as the other material entities in the US
- Business: Covers material businesses in DB USA Corp and describe each business' strategy, risk profile, appetite to take risk, and include the specific risk limits, thresholds and indicators in place to control business specific risks.

The Risk Appetite Statements define both qualitatively and quantitatively the types of risks and specific level of risk that each level is willing to assume within its risk capacity and in the context of the current business and operating environment to achieve its business objectives. The qualitative statements guide key risk management decisions on the aggregate level of risk that DB is able and willing to assume in order to meet its strategic objectives. The statements include risks that are acceptable, those that are undesirable as well as key risk limits and thresholds that are individually and collectively applied to guide key risk management decisions. Each of the statements are underpinned by a set of metrics (with associated limits or thresholds) and risk assessments, which are subject to timely monitoring, escalation and potential consequences.

DB USA Corp's Risk Appetite Statement is built upon liquidity / funding and capital adequacy requirements and the expectations of key stakeholders, which function as key indicators of financial health. It also further defines clear boundaries for managing the entity's risk profile across risk types. The material risks covered within the Statement are identified and regularly reviewed as part of the Risk Identification (Risk ID) process, which performs a comprehensive assessment of current, as well as new and emerging, risks driven by the business activities of the entity. Risk type specific frameworks and processes are designed to manage these material risks in accordance with its loss absorption capacity and forward looking financial and capital plans on a top down basis.

The monitoring of the Risk Appetite metrics is performed through the regular Risk & Capital Profile Report (RCP), supplemented by more specific analysis on the business or risk type level. If key risk appetite metrics are breached under either normal or stress scenarios, an escalation governance matrix is applied.

Oversight of Risk Appetite and escalation processes are managed through the DB USA Corp's governance and committee structure, including the Board, RiskCo, U.S. MRC, Americas Non-Financial Risk Council (ANFRC) and Asset and Liability Committee (ALCo).

Risk and Capital Plan

Internal Capital Adequacy Assessment Process

DB USA Corp’s internal capital adequacy assessment process (ICAAP) consists of several well established components which ensure that DB USA Corp maintains sufficient capital to cover the risks to which the bank is exposed on an ongoing basis:

- Capital projections are reviewed and approved by the local Capital Management & Stress Testing Council (CMST), Management Risk Committee (U.S. MRC) and DB USA Corp Board. The monthly Risk & Capital Profile (RCP) Report is also used as a key tool to analyze, monitor and report DB USA Corp’s risk and capital profile. It is also leveraged to oversee the development of key risk metrics compared to the established risk appetite thresholds and if necessary, escalate for management actions;
- The risk management function continually analyses and monitors the risk profile of the business to ensure adherence to the approved plan, and to thresholds set for risk appetite metrics;
- The CUSO Risk Management Framework provides documentation of the risk governance and management framework of DB USA Corp by main risk types as well as overall risk management practices in place; and
- The capital plan provides forward-looking aspects of DB USA Corp’s business and risk strategy, broken down by key business activities. This overview supports the decision making processes of the relevant governance bodies over the course of the year.

Capital and Strategic Planning

Business strategy, foundational risk management and capital management are closely linked and interrelated processes at DB Group and at DB USA Corp.

DB USA Corp's capital planning process is closely linked to the Group's annual strategy setting and business planning cycle. Each business division engages in bottom-up legal entity planning to determine whether Group and divisional targets, including allocated resources, conform to entity-level constraints and risk appetite. This process provides a feedback loop in which the bottom-up entity-level planning is aligned with the top-down Group-level planning. Treasury is responsible for capital management at both DB USA Corp and the Group, and facilitates this feedback loop through dialogue with the Group's Treasurer and Group Risk Committee (GRC).

DB USA Corp conducts an annual integrated strategic planning process, which lays out the development of our future strategic direction as an entity and for our business divisions. The strategic plan aims to create a holistic perspective on capital, funding and risk taking into account risk-return considerations. This process translates our long-term strategic targets into measurable short and medium-term financial targets, and enables intra-year performance monitoring and management. DB USA Corp aims to identify optimal growth options by considering the risks involved and the allocation of available capital resources to drive sustainable performance. Risk-specific portfolio strategies complement this framework and allow for an in-depth implementation of the risk strategy on a divisional level, addressing risk specifics including risk concentrations.

The strategic planning process consists of two phases: a top-down target setting and a bottom-up substantiation. In the top-down target setting, our key targets for profit and loss, capital supply, and capital demand as well as leverage, funding and liquidity are discussed for DB USA Corp and the business divisions that operate within the entity. In this process, targets are defined based on our global macro-economic outlook and the expected regulatory framework. These targets are approved by management and the DB USA Corp Board. In the bottom-up phase, targets are substantiated by detailed business division plans. The proposed bottom-up plans are reviewed and challenged by Finance and Risk and are discussed individually with the business heads. The specifics of the business are considered and concrete targets decided in line with DB USA Corp's strategic direction. Stress testing complements the strategic planning process by considering adverse market conditions.

Stress Testing

Stress testing is a risk measurement tool used to evaluate the potential effects of a specific event and / or a movement in a set of risk / economic factors on an institution's financial condition. It involves translating hypothetical macroeconomic scenarios and idiosyncratic events into potential losses in existing and projected exposures and business activities. The objective of stress testing is to ensure that the firm has robust and forward looking planning processes that account for the legal entity's unique risks, and sufficient capital and liquidity to continue operations throughout times of economic and financial distress. Stress testing is currently performed at DB USA Corp in accordance with the DB USA Corp Stress Testing Policy.

The RiskCo assesses that the capital and liquidity stress testing frameworks and scenarios used reflect all relevant material risks as well as local regulatory requirements, approving the process and informing the DB USA Corp Board about the local stress testing framework and results. The RiskCo also assesses DB USA Corp's financial planning against the stress test results.

Management is responsible for initiating and properly documenting remedial measures and mitigating actions based on the stress test results in the context of the risk appetite, if deemed appropriate or necessary.

DB USA Corp can identify and utilize additional types of stress testing to the extent such methods adhere to the DB USA Corp Stress Testing Policy.

Capital Stress Testing

Capital stress testing at DB USA Corp focuses on scenario analysis for Dodd-Frank Act Stress Test (DFAST) and Comprehensive Capital Analysis & Review (CCAR). The scenarios are defined both internally and by the Federal Reserve Board. The internally developed scenarios are designed to stress DB USA Corp's unique risk profile. In addition, where relevant and applicable, DB USA Corp may also incorporate idiosyncratic features into its stress testing exercises to complement the scenario testing / scenario analysis as part of DFAST / CCAR.

Capital stress testing is integrated into the financial planning process. Stress tests of material risks and financial drivers are used to determine the impact to capital under adverse and severely adverse conditions. The results are incorporated into the strategic planning process and assessment of capital limits and targets.

In addition to CCAR and DFAST stress testing, DB USA Corp management runs internal capital stress tests during Q2 and Q4. Scenarios are developed based on current or projected events or on circumstances that will provide insights into DB USA Corp's unique risk profile to assist management and the DB USA Corp Board in developing business strategy and allocating resources.

DB USA Corp took part in the CCAR 2018 stress test and received no Federal Reserve (FRB) objections to its quantitative capital plan given its ample capital and liquidity under the stressed scenario. DB USA Corp, however, received a qualitative objection to the CCAR 2018 capital plan for weaknesses in governance, model methodology, validation, data and infrastructure.

Liquidity Stress Testing

DB USA Corp's local stress test framework is in alignment with DB Group's Global Liquidity Stress Testing Framework, with local variances where applicable. DB USA Corp performs local daily liquidity stress tests to satisfy Regulation YY regulatory requirements.

Risk and Capital Management

Capital Management

Group Treasury manages the solvency, capital adequacy and leverage at the Group level and locally in each region by legal entity. Treasury implements DB USA Corp's capital strategy, which is developed by management and approved by the Board, including any issuance and repurchases of capital instruments, and limit setting. The capital management function is integrated with the Group-wide strategic planning process which lays out the development of our future strategic direction as an entity and for the business divisions operating within the entity. The capital management function is informed by a comprehensive risk identification and scenario design process, to ensure we maintain sufficient capital to face our risks and apply appropriate risk-management techniques to maintain adequate capitalization on an ongoing and forward looking basis.

Capital Adequacy Assessment

DB USA Corp manages its capital position to ensure capital is more than adequate to support its business activities and to maintain capital, risk and risk appetite commensurate with each other. DB USA Corp's capital adequacy assessment process is focused on measuring capital and liquidity and assessing whether it is sufficient given the current and future risk profile, economic environment, business outlook and regulatory requirements. DB USA Corp uses both base and stress macroeconomic and market scenario projections to manage its capital supply and demand levels over a nine-quarter projection horizon. Treasury is responsible for conducting the capital adequacy assessment and providing the necessary information for management to make recommendations to the Board regarding capital management and capital actions in line with business strategies.

DB USA Corp's capital adequacy assessment process is performed with Group-wide engagement, to ensure capital adequacy decisions are aligned with Group-wide planning and objectives as appropriate. Capital adequacy matters are discussed within Treasury, and socialized with other Group level committees such as the Group Risk Committee, a committee that also includes the Group Treasurer, Chief Financial Officer, and other senior management as members.

DB USA Corp measures capital adequacy against the Board approved risk appetite levels for post-stress capital goals, that considers not only regulatory minimums, but also the entity's risk profile, material legal entity capitalization levels, potential G-SIB surcharges, and importantly, the internal and external stakeholder expectations of our shareholder (i.e., the Group), clients, counterparties, rating agencies, creditors and regulators. Additionally, DB USA Corp maintains a stress capital buffer above its post-stress capital goals to withstand a severe economic downturn and idiosyncratic risks to the entity. The stress capital buffer is informed by (1) the level of capital consumption under an adverse economic scenario including idiosyncratic event losses as part of our enterprise stress testing process, (2) a review of DB USA Corp's liquidity and funding profile during periods of stress and inclusion of any subsequent actions needed to maintaining sufficient liquidity and funding, and (3) a review of the sensitivity analysis on capital to deviations in key assumptions and macroeconomic inputs to understand potential variability in capital supply and demand over the projection horizon.

DB USA Corp measures capital adequacy for all internal and regulatory capital and liquidity metrics defined in DB USA Corp's Capital Management Policy and Risk Appetite Statement.

Capital Instruments and Distributions

Treasury manages the issuance and repurchase of capital instruments, namely Common Equity Tier 1, Additional Tier 1 and Tier 2 capital instruments, as well as capital distributions from DB USA Corp to the Group, and upstream distributions to DB USA Corp from its operating subsidiaries. Prior to issuing or distributing capital in the form of regulatory capital instruments or common and preferred dividends, DB USA Corp adheres to the guidelines and dividend pay-out ratio defined in its capital management policy that is approved by the Board. The capital management policy sets forth the criteria to inform the size and form of distributions, as well as triggers for the suspension of distributions such as a breach of internal capital buffers.

Capital Contingency Plan

DB USA Corp's Capital Contingency Plan (CCP) reflects DB USA Corp's strategies for identifying potential or actual capital shortfalls and provides a roadmap for prompt and specific actions to restore any current or prospective deficiencies in its capital to the levels defined in DB USA Corp's Capital Management Policy.

Treasury is responsible for ensuring that DB USA Corp's CCP is integrated with the Global Crisis Management and Recovery and Resolution Planning (RRP) framework through close coordination with Non-Financial Risk Management (NFRM) and Enterprise Risk Management (ERM). In addition, the CCP is closely aligned with DB USA Corp's Contingency Funding Plan (CFP) in terms of escalations and execution of countermeasures. Countermeasures are defined as any contingency option that DB USA Corp can execute to remedy current or projected future capital shortfalls.

The CCP also defines the CCP testing framework and Treasury works with Risk to facilitate an annual test of DB USA Corp's CCP primarily to ensure that roles and responsibilities are up-to-date and the countermeasures remain operationally viable.

Capital Plan

DB USA Corp maintains and submits the Capital Plan submission to the FRB on an annual basis. The Capital Plan is a comprehensive assessment and documentation of capital adequacy and the capital planning process, prepared for the Board and submitted to the FRB. The capital adequacy assessment, proposed capital distributions, and capital contingency plan are included in the Capital Plan submission.

The Capital Plan provides management and the Board with a comprehensive assessment of the business strategy and risks as well as the risk appetite. DB USA Corp complies with the FRB's capital plan final rule requirement by including (1) an assessment of the expected uses and sources of capital over the planning horizon (at least nine projected quarters) that reflects its size, complexity, risk profile, and scope of operations, assuming both expected and stressful conditions; (2) a detailed description of DB USA Corp's process for assessing capital adequacy; (3) DB USA Corp's capital management policy; and (4) a discussion of any baseline changes to DB USA Corp's business plan that is likely to have a material impact on capital adequacy or liquidity.

Risk Identification and Assessment

The Risk Identification Process is the process of identifying, measuring and quantifying material residual risks that arise from its business mix and associated exposures, as well as the complexity of its operations. Risk identification is a critical prerequisite for sound foundational risk management. The Risk ID Process is designed to be deeply integrated into the entire Risk Management function of DB USA Corp and is involved in a range of use cases including capital planning, risk appetite, reporting and day-to-day risk management.

DB USA Corp follows a structured Risk Identification process to refresh its legal entity level risk inventory on a quarterly basis, the output of which is an inventory of material risks specific and unique to DB USA Corp. The Risk ID process is detailed, structured and well-governed, resulting in a comprehensive inventory of material risks at the legal entity level.

DB USA's Risk ID process is centered on the capture of a granular and tangible list of descriptive risks to populate the entity's risk inventory. To ensure the Risk ID process is consistent and sustainable, it is important to first establish a sound methodology for risk identification leveraging several tools, which are reviewed and refreshed on a periodic basis. These tools include:

- A standard data model and template for collecting risks, including the nature of the specific risk and an assessment of the materiality of the risk
- A common materiality grid to classify the materiality of a given risk based on an assessment of the likelihood of the risk materializing as well as its potential severity across P&L, liquidity, regulatory and reputational impact
- A standard risk type taxonomy, used as a tool to check for comprehensiveness during the risk identification process as well as to categorize risks that emerge from the exercise

To ensure comprehensiveness and completeness of the Risk Inventory, each business segment will capture and assess material descriptive risks that they deem to be most relevant and critical to their businesses. These individual business assessments will then

go through an aggregation and synthesis process before they are supplemented by a top down entity-level review via targeted workshops with subject matter experts, with particular focus paid to affiliate, macro / emerging and cross risks, as these risks typically arise at the entity level as opposed to in any individual business segment.

The final output of these workshops is the Legal Entity Inventory, which is then submitted for review and challenge to various regional governance committees including but not limited to the U.S. (Operations) Management Risk Committee, the Americas Executive Council and finally DB USA's Board of Directors for approval.

A key requirement of a robust risk management framework is also that material risks are actively monitored given the rapid evolution of risks during periods of financial and / or operational stress. Beyond the quarterly refresh process that are multiple mechanisms in place to ensure that the risk profile of DB USA Corp is regularly monitored and new and emerging risks are highlighted to Senior Management within the region (e.g. Risk & Capital Profile reporting, Americas Weekly Risk Report). The Risk Type Control functions also monitor on an ongoing basis their portfolio and leverage and escalate issues if required.

Credit Risk Management

Credit risk arises from all transactions where actual, contingent or potential claims against any counterparty, borrower, obligor or issuer (which we refer to collectively as "counterparties") exist, including those claims that we plan to distribute. These transactions are typically part of our non-trading lending activities (such as loans and contingent liabilities) as well as our direct trading activity with clients (such as OTC derivatives). These also include traded bonds and debt securities. We manage the respective positions within our market risk and credit risk frameworks.

Based on the annual risk identification and materiality assessment, Credit Risk is grouped into five categories, namely default / migration risk, country risk, transaction / settlement risk (exposure risk), mitigation (failure) risk and concentration risk.

- **Default / Migration Risk** is the risk that a counterparty defaults on its payment obligations or experiences material credit quality deterioration increasing the likelihood of a default.
- **Country Risk** is the risk that otherwise solvent and willing counterparties are unable to meet their obligations due to direct sovereign intervention or policies.
- **Transaction / Settlement Risk (Exposure Risk)** is the risk that arises from any existing, contingent or potential future positive exposure.
- **Mitigation Risk** is the risk of higher losses due to risk mitigation measures not performing as anticipated.
- **Concentration Risk** is the risk of an adverse development in a specific single counterparty, country, industry or product leading to a disproportionate deterioration in the risk profile of Deutsche Bank's credit exposures to that counterparty, country, industry or product.

DB USA Corp manages credit risk based on credit risk management principles and policies set by DB Group, as well as policies and procedures developed by U.S. Credit Risk Management (CRM) to meet US regulatory guidance. U.S. CRM is part of the 2nd line of defense controlling credit risk and is organized in alignment with the divisions of the Bank.

U.S. CRM is led by the Chief Credit Officer (CCO) Americas, who reports to the Chief Risk Officer, Americas regionally and the Global Head of CRM globally. The CCO Americas is responsible for establishing, implementing and maintaining DB USA Corp credit risk appetite and credit risk governance framework that support the business goals of DB USA Corp and its legal entities.

We measure, manage / mitigate and report / monitor our credit risk using the following philosophy and principles:

- Our credit risk management function is independent from our business divisions and in each of our divisions, credit decision standards, processes and principles are consistently applied.
- A key principle of credit risk management is client credit due diligence. Our client selection is achieved in collaboration with our business division counterparts who stand as a first line of defense.
- We aim to prevent undue concentration and tail-risks (large unexpected losses) by maintaining a diversified credit portfolio. Client, industry, country & product-specific concentrations are assessed and managed against our risk appetite.
- We maintain underwriting standards aiming to avoid large undue credit risk on a counterparty and portfolio level. In this regard we assume unsecured cash positions and actively use hedging for risk mitigation purposes. Additionally, we strive to secure our

derivative portfolio through collateral agreements and may additionally hedge concentration risks to further mitigate credit risks from underlying market movements.
- Every new credit facility and every extension or material change of an existing credit facility (such as its tenor, collateral structure or major covenants) to any counterparty requires credit approval at the appropriate authority level. We assign credit approval authorities to individuals according to their qualifications, experience and training, and we review these periodically.

DB USA Corp adheres to the DB Group credit authority scheme & all DB USA Corp credit decisions must be made by DB Group credit officers with the appropriate levels or categories of credit authority delegation. Furthermore, a DB USA Corp credit decision requires an approval from a U.S. based credit officer to ensure that the credit exposure meets the legal entity risk appetite.

Credit Risk Measurement

To determine the risk weighted assets for regulatory capital requirement purposes, DB USA Corp measures credit risk using the standardized approach in line with US Basel 3 Standardized Approach capital rules. The standardized approach measures credit risk pursuant to fixed risk weights, which are predefined by the regulator.

Managing and Mitigation of Credit Risk

Managing Credit Risk on Counterparty Level

Credit-related counterparties are principally allocated to credit officers within credit teams which are aligned to types of counterparty (such as financial institutions, corporates or private individuals) or economic area (e.g. emerging markets) and dedicated rating analyst teams. The individual credit officers have the relevant expertise and experience to manage the credit risks associated with these counterparties and their associated credit related transactions. It is the responsibility of each credit officer to undertake ongoing credit monitoring for their allocated portfolio of counterparties. We also have procedures in place intended to identify at an early stage credit exposures for which there may be an increased risk of loss.

In instances where we have identified counterparties where there is a concern that the credit quality has deteriorated or appears likely to deteriorate to the point where they present a heightened risk of loss in default, the respective exposure is generally placed on a “watch list”. We aim to identify counterparties that, on the basis of the application of our risk management tools, demonstrate the likelihood of problems well in advance in order to effectively manage the credit exposure and maximize the recovery. The objective of this early warning system is to address potential problems while adequate options for action are still available. This early risk detection is a tenet of our credit culture and is intended to ensure that greater attention is paid to such exposures.

Credit limits are established by the Credit Risk Management function via the execution of assigned credit authorities. This also applies to settlement risk that must fall within limits pre-approved by Credit Risk Management considering risk appetite and in a manner that reflects expected settlement patterns for the subject counterparty. Credit approvals are documented by the signing of the credit report by the respective credit authority holders and retained for future reference.

Credit authority is generally assigned to individuals as personal credit authority according to the individual’s professional qualification, experience and training. All assigned credit authorities are reviewed on a periodic basis to help ensure that they are commensurate with the individual performance of the authority holder.

Where an individual’s personal authority is insufficient to establish required credit limits, the transaction is referred to a higher credit authority holder or where necessary to an appropriate credit committee.

Mitigation of Credit Risk on Counterparty Level

In addition to determining counterparty credit quality and our risk appetite, we also use various credit risk mitigation techniques to optimize credit exposure and reduce potential credit losses. Credit risk mitigants are applied in the following forms:

- Comprehensive and enforceable credit documentation with adequate terms and conditions.
- Collateral held as security to reduce losses by increasing the recovery of obligations.
- Risk transfers, which shift the loss arising from the probability of default risk of an obligor to a third party including hedging executed by our Credit Portfolio Strategies Group.

- Netting & collateral arrangements which reduce the credit exposure from derivatives and securities financing transactions.

Collateral

DB USA Corp’s subsidiaries regularly agree on collateral to be received from or to be provided to customers in contracts that are subject to credit risk. Collateral is security in the form of an asset or third-party obligation that serves to mitigate the inherent risk of credit loss in an exposure, by either substituting the counterparty default risk or improving recoveries in the event of a default. While collateral can be an alternative source of repayment, it generally does not replace the necessity of high quality underwriting standards and a thorough assessment of the debt service ability of the counterparty.

We segregate collateral received into the following two types:

- Financial and other collateral, which enables us to recover all or part of the outstanding exposure by liquidating the collateral asset provided, in cases where the counterparty is unable or unwilling to fulfil its primary obligations. Cash collateral, securities (equity, bonds), collateral assignments of other claims or inventory, equipment (i.e. plant, machinery and aircraft) and real estate typically fall into this category. All financial collateral is regularly, mostly daily, revalued and measured against the respective credit exposure. The value of other collateral, including real estate, is monitored based upon established processes that includes regular revaluations by internal and/or external experts.
- Guarantee collateral, which complements the counterparty’s ability to fulfil its obligation under the legal contract and as such is provided by third parties. Letters of credit, insurance contracts, export credit insurance, guarantees, credit derivatives and risk participations typically fall into this category. Guarantee collateral with a non-investment grade rating of the guarantor is limited.

Our processes seek to ensure that the collateral we accept for risk mitigation purposes is of high quality. This includes seeking to have in place legally effective and enforceable documentation for realizable and measureable collateral assets which are evaluated regularly by dedicated teams. The assessment of the suitability of collateral for a specific transaction is part of the credit decision and must be undertaken in a conservative way, including collateral haircuts that are applied. We have collateral type specific haircuts in place which are regularly reviewed and approved. In this regard, we strive to avoid “wrong-way” risk characteristics where the borrower’s counterparty risk is positively correlated with the risk of deterioration in the collateral value. For guarantee collateral, the process for the analysis of the guarantor’s creditworthiness is aligned to the credit assessment process for counterparties.

Netting and Collateral Arrangements for Derivatives and Securities Financing Transactions

Netting is applicable to both exchange traded derivatives and over-the-counter (“OTC”) derivatives. Netting is also applied to securities financing transactions as far as documentation, structure and nature of the risk mitigation allow netting with the underlying credit risk.

All exchange traded derivatives are cleared through central counterparties (“CCPs”), which interpose themselves between the trading entities by becoming the counterparty to each of the entities. Where legally required or where available and to the extent agreed with our counterparties, we also use CCP clearing for our OTC derivative transactions.

The rules and regulations of CCPs typically provide for the bilateral set off of all amounts payable on the same day and in the same currency (“payment netting”) thereby reducing our settlement risk. Depending on the business model applied by the CCP, this payment netting applies either to all of our derivatives cleared by the CCP or at least to those that form part of the same class of derivatives. Many CCP rules and regulations also provide for the termination, close-out and netting of all cleared transactions upon the CCP’s default (“close-out netting”), which reduced our credit risk. In our risk measurement and risk assessment processes we apply close-out netting only to the extent we have satisfied ourselves of the legal validity and enforceability of the relevant CCP’s close-out netting provisions.

In order to reduce the credit risk resulting from OTC derivative transactions, where CCP clearing is not available, DB USA Corp regularly seeks the execution of standard master agreements (such as master agreements for derivatives published by the International Swaps and Derivatives Association, Inc. (ISDA)) with our counterparts. A master agreement allows for the close-out netting of rights and obligations arising under derivative transactions that have been entered into under such a master agreement upon the counterparty’s default, resulting in a single net claim owed by or to the counterparty. For parts of the derivatives business (i.e. foreign exchange transactions) we also enter into master agreements under which payment netting applies in respect to transactions covered by such master agreements, reducing our settlement risk. In our risk measurement and risk assessment processes we apply close-out netting only to the extent we have satisfied ourselves of the legal validity and enforceability of the master agreement in all relevant jurisdictions.

Also, we enter into credit support annexes (“CSA”) to master agreements in order to further reduce our derivatives-related credit risk. These annexes generally provide risk mitigation through periodic, usually daily, margining of the covered exposure. The CSAs also

provide for the right to terminate the related derivative transactions upon the counterparty's failure to meet a margin call. As with netting, when we believe the annex is enforceable, we reflect this in our exposure measurement.

Certain CSAs to master agreements provide for rating-dependent triggers, where additional collateral must be pledged if a party's rating is downgraded. We also enter into master agreements that provide for an additional termination event upon a party's rating downgrade. These downgrade provisions in CSAs and master agreements usually apply to both parties but in some agreements may apply to us only. We analyze and monitor our potential contingent payment obligations resulting from a rating downgrade in our stress testing approach for liquidity risk on an ongoing basis.

Concentrations within Credit Risk Mitigation

On a portfolio level, significant concentrations of credit risk could result from having material exposures to a number of counterparties with similar economic characteristics, or who are engaged in comparable activities, where these similarities may cause their ability to meet contractual obligations to be affected in the same manner by changes in economic or industry conditions. Our portfolio management framework supports a comprehensive assessment of concentrations within our credit risk portfolio in order to keep concentrations within acceptable levels. In addition to underwriting risk, we also focus on concentration of transactions with specific risk dynamics (including risk to commercial real estate and risk from securitization positions).

Asset Quality

Non-Accrual Loans

Loans are placed on non-accrual status if either the loan has been in default as to payment of principal or interest for 90 days or more and the loan is neither well secured nor in the process of collection, or the accrual of interest should be ceased according to CRM's judgment as to collectability of contractual cash flows, i.e. when doubt exists as to the collectability of the remaining recorded investment in a loan then non-accrual status should be applied.

When a loan is placed on non-accrual status, the recorded investment in the loan includes accrued interest. Cash receipts of interest on non-accrual loans are recorded as a reduction of principal. All non-accrual loans in the US must be assigned a default rating (regulatory and internal) to remain in line with the Bank's current global guidelines.

Past Due Loans

Loans are considered to be past due if contractually agreed payments of principal and/or interest remain unpaid by the borrower, except if those loans are acquired through consolidation. The latter are considered to be past due if payments of principal and/or interest, which were expected at a certain payment date at the time of the initial consolidation of the loans, are unpaid by the borrower.

Troubled Debt Restructuring

Loans that have been renegotiated in such a way that the Bank, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider, are to be disclosed as Troubled Debt Restructurings.

A troubled debt restructuring may include one or any combination of the following three forms when the borrower is in financial difficulty:

- Modification of terms of a debt, such as one or a combination of any of the following;

   a. Reduction (absolute or contingent) of the stated interest rate for the remaining original life of the debt;
   b. Extension of the maturity date or dates at a stated interest rate lower than the current market rate for new debt with similar risk;
   c. Reduction (absolute or contingent) of the face amount or maturity amount (principal amount) of the debt as stated in the loan agreement;
   d. Reduction (absolute or contingent) of accrued interest.

- Transfer of assets to the creditor to fully or partially satisfy the borrower's debt.
- Issuing or granting of an equity interest to the creditor by the debtor to satisfy a debt fully or partially, except for convertible debt.

Impaired Loans

Credit Risk Management regularly assesses whether there is objective evidence that a loan or group of loans is impaired. A loan or group of loans is impaired and impairment losses are incurred if:

- There is objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the asset and up to the balance sheet date (a "loss event"). When making our assessment we consider information on such events that is reasonably available up to the date the financial statements are authorized for issuance and in line with the requirements.
- The loss event had an impact on the estimated future cash flows of the financial asset or the group of financial assets, and
- A reliable estimate of the loss amount can be made.

Credit Risk Management's loss assessments are subject to regular review in collaboration with Group Finance. The results of this review are reported to and approved by Group Finance and Risk Senior Management.

Impairment Loss and Allowance for Loan Losses

If there is evidence of impairment the impairment loss is generally calculated on the basis of discounted expected cash flows using the original effective interest rate of the loan. If the terms of a loan are renegotiated or otherwise modified because of financial difficulties of the borrower without qualifying for de-recognition of the loan, the impairment loss is measured using the original effective interest rate before modification of terms. We reduce the carrying amount of the impaired loan by the use of an allowance account and recognize the amount of the loss in the consolidated statement of income as a component of the provision for credit losses. We record increases to our allowance for loan losses as an increase of the provision for loan losses in our income statement. Charge-offs reduce our allowance while recoveries, if any, are credited to the allowance account. If we determine that we no longer require allowances which we have previously established, we decrease our allowance and record the amount as a reduction of the provision for loan losses in our income statement. When it is considered that there is no realistic prospect of recovery and all collateral has been realized or transferred to us, the loan and any associated allowance for loan losses is charged off (i.e. the loan and related allowance for loan losses are removed from balance sheet).

While we assess the impairment for our corporate credit exposures individually, we assess the impairment of our smaller-balance standardized homogeneous loans collectively.

Our collectively assessed allowance for non-impaired loans reflects allowances to cover for incurred losses that have neither been individually identified nor provided for as part of the impairment assessment of smaller-balance homogeneous loans.

Market Risk Management

Market risk arises from the uncertainty concerning changes in market prices and rates, the correlations among instruments and their levels of volatility. The following types of market risk are identified:

- Interest rate risk;
- Foreign exchange risk;
- Commodity price risk;
- Traded credit risk;
- Equity price risk; and,
- Cross asset and other market Risk.

DB USA Corp encounters market risk in both its trading and non-trading activities, by making markets and by taking positions.

MRM & Risk Methodology are responsible for implementing a framework to identify, measure and assess, validate, limit, and report on market risk in DB USA Corp. The framework and related processes ensure that market risks are taken pursuant to the Risk Appetite of DB USA Corp, and are reported and escalated as expected, acting independently of business management and with effective challenge. These processes also contribute to appropriate engagement with regulatory authorities.

Market Risk Identification

The management of market risk at Deutsche Bank is underpinned by a robust, comprehensive and rigorous risk identification framework to ensure that all material market risks are known. The framework supports a comprehensive risk arising from its exposures and business mix, including those exposures that may become apparent only under stress.

Market Risk Measurement

MRM & Risk Methodology demonstrate coverage of all relevant risks and employ approved risk metrics and measurement approaches appropriate to each risk to quantify potential losses. MRM & Risk Methodology employ stress testing and measures which capture portfolio-specific risks and strategies. Regulatory capital determinations are based upon Market Risk's calculation of risk weighted assets (RWAs) according to the requirements of the US Basel 3 rules. Inputs into this RWA calculation include US Basel 3 regulatory VaR, SVaR, Standardized Charges, and Non Securitized Debt and Equity, as well as the Simplified Supervisory Formula Approach (SSFA). At the DB USA Corp level, as well as across the legal entity and business levels, MRM & Risk Methodology measure and report VaR, sensitivities and other key metrics on a daily basis.

Market Risk Monitoring

As a key control function, MRM & Risk Methodology ensure that DB USA Corp remains within the overall risk appetite set out by the Board by establishing limits and monitoring market risk at different levels of aggregation (e.g. country, index, issuer) to capture the specific dynamics. MRM & Risk Methodology continuously monitor DB USA Corp's market risk levels including when they are below the relevant risk limit through the use of the market risk management metrics. Limits may be, and in certain cases are required to be, set against these metrics. DB USA Corp is integrated into DB Group's global limit framework, which is defined, monitored and controlled by Group MRM & Risk Methodology.

DB USA Corp market risk measures (e.g. VaR, sensitivities & other key metrics) are monitored against the established limits on a daily basis, if applicable. Risk reports are sent daily to businesses and senior management with high level risk information also embedded within the monthly Risk and Capital Profile submitted to the U.S. MRC and RiskCo.

Risk exposure includes directional or outright positions and also basis and concentrations in asset classes, risk factors or related risk dimensions. Dimensions are defined as slices of risk beneath the aggregate which can exhibit differences in pricing and as such are representative of a meaningful subset of risk. Concentration risk arises when positions with similar dimensions (characteristics) increase to a significant size, such that adverse development of a limited number of risk factors could lead to a significant loss for the Corporation. Basis risk occurs when the value of one risk factor or dimension does not move in line with another, for example when there is variation in the relationship between the value of a futures contract and that of the underlying exposure.

Market Risk Managers are responsible for monitoring and managing these risks considering absolute size, liquidity (time to exit position under normal or distressed market conditions) and the level of concentrations in crowded trades. Risks are managed through the use of limits in many cases, in constant dialogue with Front Office Senior Management.

It is also the responsibility of each trading desk and business unit to manage their risk exposures, adhere to the approved exposure limits and hence to mitigate market risks appropriately. This can be achieved by using different hedging techniques to reduce relevant exposure. The ultimate responsibility for implementing any required hedging strategy lies with individual business unit management or, in the case of macro-hedges, with central management. MRM & Risk Methodology can undertake a review of the hedging strategies that are put in place in order to ensure that the risks of the underlying exposures and the hedging positions are fully understood and adequately represented in market risk systems.

Liquidity Risk Management

Liquidity risk concentrations can be found along products, regions, currencies, tenors and clients, and may represent the potential inability to meet all payment obligations when due, or to only meet these obligations at excessive costs. The principal objective of liquidity management is to ensure DB USA Corp's ability to meet payment obligations when they come due.

Treasury's core functions with respect to liquidity risk are to implement the Liquidity Management Framework (LMF) to identify, measure, monitor, and control liquidity risk under normal market conditions and under periods of stress. Treasury's Liquidity Management (LM) function operates within the LMF to ensure the ability of DB USA Corp to meet all payment obligations when they come due. Treasury manages the liquidity profile of DB USA Corp and execution of all measures required to keep the liquidity risk profile within the approved Risk Appetite.

Liquidity Risk Management (LRM) Americas serves as an Independent Review Function organized in alignment with the business divisions operating in the DB Americas region and is accountable for overseeing and evaluating the effectiveness of the liquidity risk management activities performed by Treasury Americas. To this end, LRM serves as the second line of defense within the context of liquidity risk for the Americas region, and directly supports the CRO Americas in overseeing the liquidity risk management framework for DB USA Corp.

In this role, LRM establishes and reviews the liquidity risk appetite for DB USA Corp and proposes, sets and monitors related limits. Specifically, it reviews DB USA Corp liquidity risk limits on a regular basis and proposes necessary changes to rule-making authorities for approval following the process as described in the Liquidity Risk Management Policy - Americas. It also regularly monitors the individual liquidity risk models developed by Treasury to measure and manage DB USA Corp's liquidity risk profile. LRM utilizes policies, procedures and quantitative metrics to execute the above risk management functions.

Liquidity Risk Monitoring

At the Group level, the liquidity management approach starts at the intraday level, managing the daily payment queue, forecasting cash flows and factoring in access to collateral and central banks to safeguard Group's liquidity position (i.e. operational liquidity management). It then covers tactical liquidity risk management dealing with access to secured and unsecured funding sources as well as the liquidity characteristics of the asset inventory. The tactical toolbox also includes a liquidity stress test analysis to evaluate the impact of sudden stress events on DB Group's liquidity profile and to ensure that the Group is always equipped to withstand severe market related, idiosyncratic and combined stress events. Finally, the strategic perspective considers the maturity profile of assets and liabilities on the balance sheet (i.e. Funding Matrix) and the issuance strategy. The issuance strategy is concentrated in different regional hubs. Fund transfer prices are set to reflect DB Group's cost of funds in the markets, as well as the liquidity risk embedded in the various asset and liability products, and to ensure an efficient liquidity risk based allocation of funding to all business portfolios.

Several tools are used to measure and manage short and long-term liquidity risk at a Group level:

- Ongoing forecasting is produced on both a daily and weekly basis to understand how its liquidity and funding positions may be impacted by expected changes in cash levels. On a daily basis, Treasury will forecast expected changes in cash utilization based on regular dialogue with key businesses and their planned activity. On a weekly basis Treasury will take the current cash forecast, and quantify the stress test impact of the businesses forecasted cash utilization, based upon stress treatment of the underlying asset/liability activity. In addition, Treasury will incorporate the expected impact of any known methodology/regulatory changes.

- Strategic liquidity planning is employed to project liquidity position such as stress testing and Basel III LCR, and to define the strategic liquidity plan (i.e. Strategic Liquidity Reserve and related costs, limits on wholesale funding exposures and profiles, annual funding plan and related costs) that allows for business planning within the Bank's liquidity risk appetite and regulatory requirements. It is fully integrated into the strategic planning process.
- Liquidity stress testing analyses DB USA Corp's ability to withstand predefined stress events under the condition that the net liquidity position within a 12 month horizon should exceed the approved liquidity risk appetite as set out in all scenarios. It is employed to determine limits and liquidity buffers. DB incorporates regulatory constraints at the DB USA Corp level towards Intra-Group-Funding into stress testing.
- Secured and unsecured Wholesale Funding (WSF) limits are derived from the stress test under the most severe scenario. Limits and utilization are used to analyze and monitor short-term liquidity position, identify concentrations in funding gaps and prevent excessive dependence on overnight and other short-dated funding sources. Cash flow details are captured daily and aggregated by tenor and product.

Within DB USA Corp, Treasury utilizes a subset of the tools referenced above, tailored to the specific nature and needs of DB USA Corp and its underlying entities and specified in the Individual Liquidity Adequacy Assessment Process (ILAAP).

The Liquidity Dashboard is a daily report comprising a set of key metrics (Risk Appetite and Tolerance and Early Warning Indicators) used to monitor and manage liquidity.

Treasury employs a range of tools and actions to mitigate liquidity risk including maintaining a Strategic Liquidity Reserve that encompasses portfolios of central bank-eligible securities and other measures that ensure DB USA Corp can raise funds at very short notice under stressed market conditions and that are not encumbered by any other business purpose regularly reviewed by the Group Risk Committee (GRC), an internal transfer pricing framework approved by the GRC to ensure that: (i) assets are priced in accordance with their underlying liquidity risk; (ii) liabilities are priced in accordance with their funding maturity; and (iii) contingent liquidity exposures are priced in accordance with the cost of providing for commensurate liquidity reserves to fund unexpected cash requirements; and Issuance of debt instruments in accordance with the annual funding plan approved by the DB USA Corp Board.

Non-Financial Risk Management

Non-Financial Risk ("NFR") refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

DB Group established the Non-Financial Risk Management ("NFRM") function to comprehensively assess, monitor and manage non-financial risks in the company.

NFRM has developed a multi-tiered taxonomy to describe the range of specific risks covered, to provide categorization of risk issues and to support reporting.

At the top level, these are the risk themes that are represented below:

Risk Themes Covered by NFRM

- Theft & Fraud
- Client Focused Activities
- Market Focused Activities
- Anti-money Laundering ("AML"), Sanctions, Bribery & Corruption
- Legal
- Employment Practices
- Risk Management
- Vendor
- Accounting, Financial Reporting & Tax
- Information Security & Technology
- Data & Records
- Business Continuity & Physical Safety
- Transaction Processing

- Product Governance
- Governance & Regulatory
- Model

Measurement and Monitoring

NFRM use a number of mechanisms to measure and monitor the level of NFR.

Internal / External Incident Data: NFRM identifies, collects, categorizes and reports on internal and external loss incidents and near misses attributable to control failures in the global dbIRS system. NFRM also works with business and infrastructure functions to perform Lessons Learned and Read Across reviews identify means to strengthen the control environment in light of prior incidents.

Risk & Control Assessment (RCA): An ongoing process in which the business proactively identifies and analyzes relevant non-financial risks and assesses the effectiveness of the controls to mitigate those risks. Scenarios are developed as the output of RCA to complement the representative Non-Financial Risk coverage for inclusion in capital planning.

Transformation Risk Assessments: An ongoing process in which DB assesses and manages the non-financial risks associated with material change initiatives / programs.

New Product Approval: Risk Management has implemented a comprehensive New Product Approval (NPA) / New Transaction Approval (NTA) framework with clear responsibilities allocated across DB Group to manage the risks associated with the introduction of new products and changes to existing products. Proposals to launch new businesses or new products / services must be reviewed & approved in accordance with the Americas Regional NPA & NTA Policy as applicable. The approval process involves review & sign-off by the various control functions and senior business management. The NPA / NTA process aims to ensure that: (i) the Bank is operationally ready to commence new products / services; (ii) new products / services adhere to internal policies & standards; & (iii) residual non-financial risks associated with new products / services are identified & controlled.

Reputational Risk

The reputation of DB USA Corp is founded on trust from its employees, clients, shareholders, regulators and from the public in general. Isolated events can undermine that trust and negatively impact DB USA Corp's reputation and it is therefore of utmost importance that it is protected, which is the responsibility of every employee.

DB USA Corp defines reputational risk as the risk of possible damage to DB USA Corp's brand and reputation, and the associated risk to earnings, capital, or liquidity arising from any association, action, or inaction which could be perceived by stakeholders to be inappropriate, unethical, or inconsistent with DB USA Corp's values and beliefs. DB USA Corp seeks to minimize reputational impacts by promoting sustainable standards that will enhance profitability and minimize the risk that any association, action or inaction is perceived by stakeholders to be inappropriate, unethical or inconsistent with DB's values and beliefs.

Governance and Organizational Structure

The Americas Non-Financial Risk Management Council (ANFRC) oversees, governs and coordinates the non-financial risks facing the Combined U.S. Operations (CUSO) and the Americas region. It is co-chaired by the Head of Non-Financial Risk Management Americas and by the COO of CIB Americas. Its members include senior business and infrastructure function leaders as well as senior 2nd LoD partners from Compliance, Anti-Financial Crime, Model Risk, Human Resources and Legal.

The Americas Reputational Risk Committee (ARRC) oversees and manages matters that may negatively impact the reputation of DB USA Corp. The ARRC acts as an escalation point from risk management processes including NPA / NTA, AML / KYC programs and Vendor / Outsourcing reviews.

The Head of NFRM Americas supports the 1st LoD Risk Owners in an effort to improve risk management, strengthen controls, and enable profitable growth in the region within the risk appetite. The Head of NFRM Americas provides independent assessments and challenges to the 1st LoD Risk Owners with respect to risks and controls, policies, standards, remediation strategies, control framework and governance.

The monthly RCP report is a key reporting component for non-financial risk within DB USA Corp. The report contains key risk developments, information related to Operational Risk Events, including Losses, Near Misses, Timing Events and other key metrics related to top non-financial risks.

Model Risk Management

Model risk is the potential for adverse consequences from incorrect or misused model outputs and reports using these outputs. Model risk can lead to financial loss, poor business or strategic decision making, or damage our reputation. The term 'model' refers to a quantitative method, system, or approach that applies statistical, economic, financial, or mathematical theories, techniques, and assumptions to process input data into quantitative estimates.

Model risk is managed across Pricing models, Risk & Capital models, and Other models:

- Pricing models are used to generate asset and liability fair value measurements reported in official books and records and/or risk sensitivities which feed Market Risk Management (MRM) processes;
- Risk & Capital models are related to risks used for regulatory or internal capital requirements, e.g. VaR, IMM, Stress tests, etc.;
- Other models are those outside of the Bank's Pricing and Risk & Capital models.

Model risk appetite is aligned to the Group's qualitative statements, ensuring that model risk management is embedded in a strong risk culture and that risks are minimized to the extent possible.

The management of model risk includes:

- Performing robust independent model validation that provides effective challenge to the model development process and includes identification of conditions for use, methodological limitations that may require adjustments or overlays, and validation findings that require remediation;
- Establishing a strong model risk management and governance framework, including senior forums for monitoring and escalation of model risk related topics;
- Creating Bank-wide model risk related policies, aligned to regulatory requirements with clear roles and responsibilities for key stakeholders across the model life cycle; and
- Providing an assessment of the model risk control environment and reporting to the Board on a periodic basis.

The U.S. regional framework supplements the DB Group model governance framework. Model Risk for DB USA Corp is managed by the U.S. Model Risk Management Committee (U.S. MRMC).

Compliance Risk Management

Compliance risk is the risk of incurring criminal or administrative sanctions, material financial loss or damage to DB USA Corp's reputation as a result of failing to comply with laws, regulations, rules, self-regulatory organizational standards, codes of conduct, ethics and standards of good / best practice.

Compliance Risk Monitoring

Compliance, as a Second Line of Defense ("2nd LoD") independent control function, establishes an overarching framework of controls designed to manage compliance risk throughout DB USA Corp, performing tasks such as:

- Minimizing negative reputational impacts, including damage to relationships with regulators, of activities failing to comply with laws and internal policies;
- Ensuring business activities are supported by appropriate, documented and sustainable processes and controls;
- Maintaining an effective risk management framework that includes setting and monitoring relevant minimum control standards;
- Establishing a compliance risk-specific governance framework designed to facilitate management of compliance risk.

Anti-Financial Crime Risk Management

Financial Crime risk is the risk of incurring criminal or administrative sanctions, material financial loss or damage to DB USA Corp's reputation as a result of failure to comply with laws, regulations, rules, self-regulatory organizational standards, codes of conduct / ethics and standards of practices.

Anti-Financial Crime ("AFC"), as a Second Line of Defense ("2nd LoD") control function, establishes an overarching framework of controls designed to manage financial crimes-related risk throughout DB USA Corp. AFC operates as an independent control function within the Bank to perform such 2nd LoD tasks as:

- Maintaining an effective risk management framework that includes setting and monitoring relevant control standards;
- Defining the risk management framework and processes for which it is assigned responsibility; and
- Establishing an AFC risk-specific governance framework designed to facilitate management of financial crimes risk.

Risk and Capital Performance

Variance Commentary

Balance Sheet (Exposures): The December 2018 Balance Sheet decreased $24.8 billion as compared with December 2017, which were a result of strategic initiatives to decrease overall balance sheet in the Americas. These reductions were primarily reflected in (i) Cash placed at the Federal Reserve Bank (decrease $6 billion), (ii) Collateralized transactions (decreased $12.5 billion) within CIB, (iii) Customer Receivables (decreased $2.2 billion) within CIB, and (iv) Other Assets (decreased $1.6 billion) within CIB.

Risk Weighted Assets (RWA): The December 2018 RWA decreased $7.4 billion as compared with December 2017 consistent with the reductions in Balance Sheet exposures. These reductions were primarily reflected in (i) Repo Style Transaction exposures (decreased $6 billion) and (ii) Other assets (decreased $1.2 billion) within CIB.

Regulatory Capital: The December 2018 Common Equity Tier 1 capital increased $1.1 billion as compared with December 2017. These increases were primarily due to (i) the sale of the Asset Management business and related decrease in capital deductions for Goodwill and Intangibles Assets ($557 million), (ii) Increase in Retained Earnings arising mainly from Net Income earned in 2018 ($310 million) and (iii) increase in Common Stock Surplus pertaining to shares issued under ESOP ($235 million).

Regulatory Capital

The calculation of DB USA Corp's regulatory capital is pursuant to the US Basel 3 capital 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.

During 2018, the Corporation paid dividends in the amount of $166 million on the Class A series preferred stock.

Capital Transition Provisions

Transition 1: The following transition applies to:

- Net Operating Loss Deferred Tax Assets;
- Securitization gain on sale;
- Defined benefit pension fund net assets

Transition Year	Percentage deduction from/or adjustment applied to CET 1 Capital	Percentage deduction from/or adjustment applied to Tier 1 Capital
Calendar year 2014	20%	80%
Calendar year 2015	40%	60%
Calendar year 2016	60%	40%
Calendar year 2017	80%	20%
Calendar year 2018 and thereafter	100%	0%

The adjustment to Tier 1 Capital represents an adjustment to AT 1 Capital.

Transition 2: Intangible assets other than goodwill. 100% risk weight is applied to amounts not deducted from CET1.

Calendar Year	Percentage of the deductions from CET 1 Capital
2014	20%
2015	40%
2016	60%
2017	80%
2018 and thereafter	100%

Transition 3: Accumulated Other Comprehensive Income (AOCI)

DB USA Corp is required to determine the AOCI transition amount, which is the aggregate amount of:

- Unrealized gains on available-for-sale securities that are preferred stock classified as an equity security under US GAAP or available-for-sale equity exposures, plus
- Net unrealized gains or losses on available-for-sale securities that are not preferred stock classified as an equity security under US GAAP or available-for-sale equity exposures, plus
- Any amounts recorded in AOCI attributed to defined benefit postretirement plans resulting from the initial and subsequent application of the relevant US GAAP standards that pertain to such plans (excluding, at DBUS Corp's option, the portion relating to pension assets deducted from CET 1 Capital), plus
- Accumulated net gains or losses on cash flow hedges related to items that are reported on the balance sheet at fair value included in AOCI, plus
- Net unrealized gains or losses on held-to-maturity securities that are included in AOCI.

If the transition AOCI adjustment amount is positive, the appropriate amount must be deducted from CET 1 capital in accordance with the table below. If the transition AOCI adjustment amount is negative, the appropriate amount must be added back to CET 1 capital in accordance with the table below.

Calendar Year	Percentage of the transition AOCI adjustment amount to be applied to CET 1 Capital
2014	80%
2015	60%
2016	40%
2017	20%
2018 and thereafter	0%

Transition 4: The following transition applies to:

- Non-significant investments
- Significant common stock investments
- Significant non-common stock investments
- Temporary DTAs

Calendar Year	Percentage of additional deductions from Regulatory Capital
2014	20%
2015	40%
2016	60%
2017	80%
2018 and thereafter	100%

Transition 5: Minority interest

Minority interest outstanding as of January 1, 2014 that exceeds minority interest includable in CET 1, AT1 or Tier 2 capital in accordance with Section 8 (surplus minority interest) and minority interest outstanding as of January 1, 2014 that does not meet the qualifying criteria for AT 1 or Tier 2 capital instruments may be included in regulatory capital during the transition period in accordance with the table below.

Calendar Year	Inclusion percentage
2014	80%
2015	60%
2016	40%
2017	20%
2018 and thereafter	0%

Minimum capital requirements and additional capital buffers

The CET1 minimum, T1 minimum, and Total capital minimum requirements applicable to DB USA Corp are 4.5%, 6.0%, and 8.0% of RWA respectively.

Failure to meet minimum capital requirements can result in supervisory measures such as restrictions of profit distributions or limitations on certain businesses such as lending. DB USA Corp complied with the regulatory capital adequacy requirements in 2018.

In addition to these minimum capital requirements, the capital conservation buffer (CCB) establishes capital buffer percentages above regulatory minimums, which must be maintained in order to avoid restrictions on capital distributions and executive compensation. The CCB is fixed at 2.5% above minimum capital requirements and phased in at 0.625% per year starting 2016 and became fully effective starting January 1, 2019. It is composed of CET1 Capital to be maintained above the minimum capital ratios, and is applicable to DB USA Corp.

Additionally, as an advanced approaches banking organization, DB USA Corp may be required to meet the countercyclical capital buffer (CCyB) if deemed applicable by the Federal Reserve Board (FRB). The CCyB is a macroprudential tool that can be used to increase the resilience of the financial system by raising capital requirements on internationally active banking organizations when there is an elevated risk of above-normal future losses and when the banking organizations for which capital requirements would be raised by the buffer are exposed to or are contributing to this elevated risk--either directly or indirectly. The CCyB could also help moderate fluctuations in the supply of credit. The CCyB is designed to be released when economic conditions deteriorate, in order to support lending and economic activity more broadly.

For 2018, the FRB affirmed the CCyB at the current level of 0%. In making this determination, the FRB followed the framework detailed in the FRB Board’s policy statement for setting the CCyB for private-sector credit exposures located in the U.S. Any decisions by the FRB Board to increase the CCyB amount will generally be effective 12 months from the date of announcement with a cap at 2.5% of RWA which is phased in consistently with the CCB.

Regulatory capital, RWA and capital ratios according to US Basel 3 Capital Rules

	31-Dec-17	31-Dec-18
in USD m.	US Basel 3	US Basel 3
Common Stock plus retained surplus, net of unearned employee stock ownership plan (ESOP) shares	21,754	21,989
Retained Earnings	(13,547)	(13,237)
Accumulated Other Comprehensive Income (AOCI) based on transition rules	(281)	(255)
Common Equity Tier 1 Capital, before adjustments and deductions	7,926	8,497
Common Equity Tier 1 Capital: Adjustments and Deductions		
Less: Goodwill net of associated deferred tax liabilities (DTLs)	(238)	(50)
Less: Intangible Assets, net of associated DTL's	(444)	(78)
Less: Deferred Tax Assets (DTLs) that arise from net operating losses and tax credit carryforwards, net of valuation allowances	(8)	(5)
Total Regulatory Adjustments to Commeon Equity Tier 1 (CET1)	(690)	(133)
Common Equity Tier 1 Capital	7,236	8,364
Additional Tier 1 (AT1) Capital		
Additional Tier 1 Capital instruments plus related surplus	4,205	4,205
Additional Tier 1 (AT1) Capital before adjusments	4,205	4,205
Total Regulatory Adjustments to Additional Tier 1 (AT1) Capital	(61)	(18)
Additional Tier 1 (AT1) Capital	4,144	4,187
Tier 1 Capital (T1 = CET1 + AT1)	11,380	12,551
Tier 2 (T2) Capital		
Tier 2 Capital instruments plus related surplus	0	0
Allowance for loan and lease losses includable in Tier 2 capital	11	10
Tier 2 (T2) Capital before adjustments	11	10
Total Regulatory Adjustments to Tier 2 (T2) Capital	0	0
Tier 2 (T2) Capital	11	10
Total Regulatory Capital	11,391	12,561
Ratios		
Common Equity Tier 1 Capital Ratio (as a percentage of risk-weighted assets)	16.53%	22.90%
Tier 1 Capital Ratio (as a percentage of risk-weighted assets)	26.00%	34.37%
Total Capital Ratio (as a percentage of risk-weighted assets)	26.02%	34.40%
Capital Conservation Buffer	12.03%	18.40%
Leverage Ratio (as a percentage of average total consolidated assets)	7.17%	9.20%
Supplementary Leverage Ratio	-	8.42%

Reconciliation of Financial and Regulatory Balance Sheet

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 grandular. In either case, when comparing the fiancial 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 December 31, 2018. 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.

	31-Dec-18					
in USD m.	Financial Balance Sheet	Presentation Differences				Regulatory Balance Sheet
		Margin Loans	Non-Trading Equity Securities	Non-Trading Interest Rate Swaps	Total	
Assets						
Cash and cash equivalents	19,859	-	-	-	-	19,859
Securities: Available for Sale	226	-	31	-	31	257
Collateralized agreements and financings	61,407	-	-	-	-	61,407
Loans, net of allowance for loan losses	10,601	57	0	-	57	10,657
Financial instruments owned, at fair value	22,552	0	(31)	(37)	(68)	22,484
Other assets	8,795	(57)	0	37	(19)	8,776
Total assets	123,440	-	-	-	-	123,440
Liabilities and Stockholders' Equity						
Deposits	16,852	-	-	-	-	16,852
Fed funds purchased	1,011					1,011
Collateralized agreements and financing:	42,072	-	-	-	-	42,072
Financial instruments sold, but not yet purchased, at fair value	9,146	-	-	(71)	(71)	9,075
Borrowings	29,405	-	-	-	-	29,405
Other liabilities	12,249	-	-	71	71	12,320
Total liabilities	110,736	-	-	-	-	110,736
Stockholders' Equity						
Preferred stock	4,205	-	-	-	-	4,205
Common stock, par value $1.00 per share. 2,000 shares	0	-	-	-	-	0
Additional paid-in capital	21,989	-	-	-	-	21,989
Accumulated deficit	(13,237)	-	-	-	-	(13,237)
Accumulated other comprehensive income (loss)	(255)	-	-	-	-	(255)
Minority Interest	3	-	-	-	-	3
Total stockholders' Equity	12,704	-	-	-	-	12,704
Total liabilities and stockholder's equity	123,440	-	-	-	-	123,440

Figures may include rounding differences.

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

- Margin Loans: Pursuant to the AICPA Audit and Accounting Guide for Brokers and Dealers, margin balances are captured as Receivable from, and Payables to, Broker-dealers, Clearing Organizations and Customers (See Sections 4.29 and 4.44). The FR Y-9C does not have the same disclosure requirements and as a result, there is a presentation difference between the two statements of financial condition.

- Non-Trading Equity Securities: under revised US GAAP guidance, ASU 2016-01 effective January 2018, equity investments previously reported as available for sale must be measured at Fair Value with changes reflected through net income. Equity securities at Fair Value are considered Financial Instruments Owned ar Fair Value for US GAAP financial reporting purposes. Money market funds are short-term, liquid investments and are therefore reported as Cash Equivalents on the US GAAP Financial Statements. The FR Y-9C does not have the same disclosure requirements and as a result, there is a presentation difference between the two statements of financial condition.
- Non-Trading Interest Rate Swaps: Pursuant to the AICPA Audit and Accounting Guide for Brokers and Dealers, all derivative positions are considered financial instruments and are presented in the Financial Instruments Owned/Sold captions. The FR Y-9C does not have the same disclosure requirements and as a result, there is a presentation difference between the two statements of financial condition.

Exposures and Risk-weighted Assets

DB USA Corp RWA are calculated based on the US Basel 3 Standardized Approach capital rules.

For banks calculating RWA under the Standardized Approach, general risk weights are applied for each type of exposure to determine the credit risk RWA amount. Banks are required to calculate exposures amounts for all on-balance sheet exposures, over-the-counter transactions, off-balance sheet commitment trade related contingency, guarantees, repo-style transactions, standby letters of credit, forward agreements and other similar transactions.

These exposure amounts are then multiplied by the supervisory risk weight appropriate to the exposure, based on the exposure type and the counterparty, eligible guarantor or financial collateral. Some of the risk weights applicable to DB USA Corp include:

Exposure Type	Basel III Standardized Approach Risk Weight
Cash	0% risk weight
Exposures to, and portions of exposures that are directly and unconditionally guaranteed by, the US government, its agencies and the Federal Reserve, including deposits guaranteed by the FDIC and National Credit Union Administration	0% risk weight
Portions of exposures that are conditionally guaranteed by the US government, its agencies and the Federal Reserve, including depsosits partially guaranteed by the FDIC and National Credit Union Administration	20% risk weight
Exposures to foreign governments and their central banks - risk weights range from 0% to 100% based on OECD Country Risk Classification (CRC); defaulted exposures are subject to 150% risk weight.	risk weights range from 0% to 100% based on OECD Country Risk Classification (CRC); defaulted exposures are subject to 150% risk weight
Exposures to certain supranational entities and multilateral development banks	0% risk weight
Exposures to US government sponsored entities	20% risk weight
Exposures to US public sector entities, including states and municipalities	20% risk weight for general obligations; 50% for revenue obligations
Exposures to foreign public sector entities	risk weights range from 20% to 100% depending on the type of obligation and the home country's CRC; defaulted exposures are subject to 150% risk weight.
Exposures to US depository institutions and credit unions	20% risk weight.
Exposures to foreign banks	risk weights range from 0% to 150% based on OECD CRC; defaulted exposures are subject to 150% risk weight
Exposures to qualifying securities firms	100% risk weight
Corporate exposures	100% risk weight
Retail exposures	100% risk weight
Residential mortgage exposures	50% risk weight for qualifying first-lien mortgages; 100% for all other
High-volatility commercial real estate (HVCRE) loans	150% risk weight
Past due exposures	150% risk weight
Collateralized transactions, including derivatives and secured financing transactions	risk weights vary depending on collateral approach - Simple Approach (generally a 20% floor) or Collateral Haircut Approach
OTC Derivatives	risk weights vary depending on type of contract, counterparty, collateral and netting eligibility; exposure calculated using the Counterparty Exposure Method (CEM)
Cleared transactions	risk weight is either 2% or 4% of trade exposure to qualified central clearing counterparties
Equity exposures	risk weights range from 0% to 600% depending on type of equity exposure
Unsettled transactions	risk weights range from 100% to 1,250% depending on number of days outstanding after settlement date

The information in the schedule 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 December 31, 2018. Average RWA is calculated by reference to the four quarters ended December 31, 2018.

Operational Risk RWA is not applicable for banks calculating RWA under the US Basel 3 Standardized Approach.

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.

Basel 3 Standardized Approach Risk-weighted Assets by Exposure Class

in USD m. For the year ended	31-Dec-17	31-Dec-18	
	At the end of the period	At the end of the period	Average over the period
On-balance Sheet Exposures	RWA	RWA	RWA
Cash and balances due from depository institutions	524	454	472
Securities: Available for Sale	117	59	94
Securities Purchased under agreements to Resell	0	0	0
Loans: Held for Sale	0	0	0
Loans: Residential mortgage exposures	1,715	1,547	1,598
Loans: High volatility commercial real estate exposures	255	255	255
Loans: Exposures past due 90 days or more or on nonaccrual	0	0	0
Loans: All other exposures	6,216	6,684	6,014
Loans: Allowance for Loan Loss	0	0	0
Trading Assets	134	102	138
All Other Assets	4,254	3,011	3,486
Securitization Exposures: Trading Assets	0	261	65
Total On-balance Sheet Exposures	13,216	12,373	12,122
Off-balance Sheet Exposures			
Financial standby letters of credit	611	628	625
Performance standby letters of credit	49	22	29
Commercial and similar letters of credit	8	2	2
Repo style transactions	14,970	8,995	9,743
Unused commitments: 1 year or less	0	9	3
Unused commitments: exceeding 1 year	813	797	801
Over-the-counter derivatives	629	121	325
Centrally Cleared derivatives	203	115	155
Unsettled Transactions	173	175	101
Total Off-balance Sheet Exposures	17,456	10,864	11,783
Total Risk Weighted Assets, excluding Market Risk	30,671	23,237	23,905
Standardized Market Risk Weighted Assets	13,419	13,294	15,171
Total Risk Weighted Assets	44,090	36,531	39,076

in USD m.	For the quarter ended				For the year ended
US Basel 3 Standardized Approach	31-Mar-18	30-Jun-18	30-Sep-18	31-Dec-18	31-Dec-18
On-balance Sheet Exposures	At the end of the period	At the end of the period	At the end of the period	At the end of the period	Average over the period
Cash and balances due from depository institutions	24,252	18,103	21,344	19,859	20,890
Securities: Available for Sale	527	250	249	257	321
Securities Purchased under agreements to Resell	60,999	56,121	63,923	61,407	60,612
Loans: Held for Sale	0	0	0	0	0
Loans: Residential mortgage exposures	3,235	3,155	3,074	3,007	3,118
Loans: High volatility commercial real estate exposures	170	170	170	170	170
Loans: Exposures past due 90 days or more or on nonaccrual	0	0	0	0	0
Loans: All other exposures	9,983	8,982	6,577	7,489	8,258
Loans: Allowance for Loan Loss	(8)	(11)	(6)	(8)	(8)
Trading Assets	22,603	20,339	20,771	20,991	21,176
All Other Assets: All Other	11,541	8,658	8,620	8,776	9,399
Securitization Exposures: Trading Assets	1,445	2,088	1,757	1,493	1,696
Total On-balance Sheet Exposures	**134,747**	**117,855**	**126,479**	**123,440**	**125,630**
Off-balance Sheet Exposures (credit equivalent amount)					
Financial standby letters of credit	915	870	882	1,029	924
Performance standby letters of credit	46	29	29	25	32
Commercial and similar letters of credit	1	0	4	2	2
Repo style transactions	37,429	27,421	32,830	32,392	32,518
Unused commitments: 1 year of less	1	1	1	9	3
Unused commitments: exceeding 1 year	838	1,027	1,078	1,669	1,153
Over-the-counter derivatives	2,051	1,443	1,014	362	1,218
Centrally Cleared derivatives	9,369	7,425	7,149	5,603	7,387
Unsettled Transactions	0	0	102	111	53
Total Off-balance Sheet Exposures	**50,650**	**38,216**	**43,089**	**41,202**	**43,289**

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. Below is a summary of some of the conversion factors used in calculating DB USA Corp RWA's.

Credit risk includes counterparty risk which relates to contracts with a counterparty such as in securities financing transactions (SFT) and derivatives, and the risk that the counterparty fails or defaults on the amount owed on such contracts when payment is due.

Calculating the Credit-equivalent amount of derivative contracts subject to bilateral netting agreements

The credit-equivalent amount of contracts that are subject to a bilateral netting agreement is calculated by adding (i) the Net Current Exposure of the derivative contract, and (ii) the sum of the estimates of Gross Potential Future Credit Exposures on all individual contracts subject to a bilateral netting agreement, adjusted to reflect the effects of the bilateral netting agreement.

The Net Current Exposure is the sum of all positive and all negative mark-to-market (MTM) values of the individual derivative contracts subject to the bilateral netting agreement. If the net sum of the MTM values is positive, then the Net Current Exposure is equal to that sum. If the net sum of the MTM values is zero or negative, then the Net Current Exposure is zero.

Gross Potential Future Credit Exposure, or A_{gross} is calculated by summing the estimates of Gross Potential Future Credit Exposure for each individual contract subject to the bilateral netting agreement, then adjusting it to reflect the effects of the bilateral netting agreement.

The effects of the bilateral netting agreement on Gross Potential Future Credit Exposure are recognized through the application of a formula that results in an adjusted add-on amount (A_{net}). The formula, which employs the ratio of Net Current Exposure to Gross Current Exposure (NGR), is expressed as:

$$A_{net} = (0.4 \times A_{gross}) + 0.6\,(NGR \times A_{gross})$$

Contracts not subject to bilateral netting agreements

The credit equivalent amount of a derivative contract not subject to a bilateral netting agreement is equal to the sum of (i) the Current Exposure of the derivative contract; and (ii) the Potential Future Credit Exposure of the derivative contract.

The Current Exposure, also referred to as the Positive Replacement Cost, is determined by the MTM value of the derivative contract. If the MTM is positive, then the Current Exposure is equal to the MTM of the derivative contract. If the MTM is zero or negative, then the Current Exposure is zero. The MTM of the derivative contract is not measured on a netted basis where there is an absence of a bilateral netting agreement but rather evaluated on an individual contract-by-contract basis.

The Potential Future Credit Exposure of a derivative contract, including those derivative contracts with a zero or negative MTM, is estimated by multiplying the notional amount of the derivative contract by a Credit-conversion Factor.

The Credit conversion Factors are as follows (rates are in percentages):

Remaining Maturity	Interest Rate Products	Exchange Rate and Gold Products	Credit (investment grade reference asset)	Credit (noninvestment grade reference asset)	Equity Products	Precious metals (except gold)	Other
One year or less	0.0	1.0	5.0	10.0	6.0	7.0	10.0
Over one year to five years	0.5	5.0	5.0	10.0	8.0	7.0	12.0
Over five years	1.5	7.5	5.0	10.0	10.0	8.0	15.0

Off-balance sheet items conversion factors

Exposure Type	Basel III Standardized Approach Conversion Factor
Unused portion of a commitment that is unconditionally cancellable by the banking organization	0% conversion factor
Amount of a commitment with an original maturity of one year or less that is not unconditionally cancellable by the banking organization	20% conversion factor
Self-liquidating trade-related contingent items, with an original maturity of one year or less	20% conversion factor
Amount of a commitment with an original maturity of more than one year that is not unconditionally cancellable by the banking organization	50% conversion factor
Transaction-related contingent items (performance bonds, bid bonds, warranties, and standby letters of credit)	50% conversion factor
Guarantees, repurchase agreements, securities lending and borrowing transactions, credit-enhancing representations and warranties that are not securitization exposures, financial standby letters of credit and forward agreements	100% conversion factor

Gross Exposure by Asset Class and Geographical Region

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

in USD m.	31-Dec-17						
On-balance Sheet Exposures	North America	Europe	Latin America	Caribbean	Asia	Other Countries	Amount Subject to RWA
Cash and balances due from depository institutions	26,968	540	0	0	24	0	27,532
Securities: Available for Sale	322	4	0	0	0	1	327
Loans	9,875	3,289	102	0	51	5	13,322
Trading Assets	274	0	0	0	0	0	274
Other Assets	3,886	1,865	1	0	137	2	5,891
Total On-balance Sheet Exposures	41,325	5,698	103	0	212	8	47,346
Off-balance Sheet Exposures							Amount Subject to RWA
Letters of credit	949	18	4	0	0	0	971
Repo style transactions	31,626	7,733	0	185	542	245	40,331
Unused commitments	894	0	0	0	0	0	894
Derivatives	8,847	3,272	17	58	12	0	12,206
Total Off-balance Sheet Exposures	42,316	11,023	21	243	554	245	54,402
Grand Total	83,641	16,721	124	243	766	253	101,748

Gross Exposure by Asset Class and Residual Maturity

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	0	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

in USD m	31-Dec-17					
	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	27,467	24	-	41	-	27,532
Securities: Available for Sale	89	70	38	117	12	327
Loans	3,435	1,600	1,551	2,897	3,839	13,322
Trading Assets	199	15	0	36	24	274
Other Assets	3,978	65	4	1,065	778	5,891
Total On-balance Sheet Exposures	35,168	1,775	1,593	4,155	4,654	47,346
Letters of credit	11	467	40	57	395	971
Repo-Style transactions (1)	30,911	8,379	378	424	239	40,331
Unused Commitments	891	-	0	-	3	894
Derivatives	-	10,398	879	654	275	12,206
Total Off-balance Sheet Exposures	31,813	19,244	1,297	1,135	912	54,402
Grand Total	66,981	21,019	2,891	5,291	5,566	101,748

[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.

Gross Exposure by Asset Class and Industry

in USD m	31-Dec-18								
	Central governments or central banks	Regional governments or local authorities	Multilateral development banks	International organizations	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	161	2	33	-	34	15	0	12	257
Loans	428	1	-	34	2,704	1,402	3,500	2,597	10,666
Trading Assets	1,072	18	0	-	57	2	0	53	1,203
Other Assets	285	3	3	0	2,965	335	8	1,147	4,746
Total On-balance Sheet Exposures	19,610	24	36	34	7,954	1,754	3,509	3,811	36,732
Letters of credit	-	-	5	-	525	168	350	9	1,056
Repo-Style transactions (1)	4,934	1,163	-	-	25,625	16	0	654	32,392
Unused Commitments	-	0	-	-	1,218	176	160	124	1,678
Derivatives	349	0	-	-	5,616	0	-	0	5,965
Unsettled	-	1	-	-	90	18	0	2	111
Total Off-balance Sheet Exposures	5,283	1,164	5	-	33,075	377	510	788	41,202
Grand Total	24,892	1,188	41	34	41,029	2,131	4,019	4,599	77,934

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

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**																			

in USD m. — 31-Dec-17

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	524	27,532	27,534	25,032				2,471	3	27	1	0	0	0	0	0	0	0	0	0
Securities: Available for Sale	117	327	327	167				52	15	80	13	0	0	0	0	0	0	0	0	0
Securities Purchased under agreements to Resell	0	73,253	0	0				0	0	0	0	0	0	0	0	0	0	0	0	0
Loans: Residential mortgage exposures	1,715	3,387	3,387	6				1	3,330	50	0	0	0	0	0	0	0	0	0	0
Loans: High volatility commercial real estate exposures	255	170	170	0				0	0	0	170	0	0	0	0	0	0	0	0	0
Loans: All other exposures	6,216	9,765	9,765	419				240	0	5,879	7	0	0	0	0	0	0	0	3,220	278
Loans: Allowance for Loan Loss	0	9	0	0				0	0	0	0	0	0	0	0	0	0	0	0	0
Trading Assets	134	22,558	274	200				0	0	62	0	0	0	0	12	0	0	0	0	0
All Other Assets: All Other	4,254	11,265	5,891	227				1,536	3	3,640	3	0	0	0	3	0	0	0	479	283
Securitization Exposures: Trading Assets	0	0	0	0				0	0	0	0	0	0	0	0	0	0	0	0	0
Total On-balance Sheet Exposures	**13,216**	**148,248**	**47,348**	**26,051**	**0**	**0**	**0**	**4,300**	**3,351**	**9,738**	**194**	**0**	**0**	**0**	**15**	**0**	**0**	**0**	**3,699**	**561**
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	611	915	915	294	0	0	0	13	0	608	0					0	0	0	0	0
Performance standby letters of credit	49	50	50	0	0	0	0	1	0	49	0					0	0	0	0	0
Commercial and similar letters of credit	8	6	6	0	0	0	0	0	0	2	4					0	0	0	0	0
Repo style transactions	14,970	40,331	40,331	18,418	1,476	0	0	6,727	229	13,481	0					0	0	0	0	0
Unused commitments: 1 year of less	1	1	1	0	0	0	0	0	0	1	0					0	0	0	0	0
Unused commitments: exceeding 1 year	813	893	893	4	0	0	0	33	100	756	0					0	0	0	0	0
Over-the-counter derivatives	629	2,618	2,618	0	0	0	0	2,485	3	130	0					0	0	0	0	0
Centrally Cleared derivatives	203	9,337	9,337	0	9,203	120	0	0	0	14	0					0	0	0	0	0
Unsettled Transactions	173	0	251	169	0	0	0	0	0	73	0					2	0	7	0	0
Total Off-balance Sheet Exposures	**17,456**	**54,151**	**54,402**	**18,885**	**10,679**	**120**	**0**	**9,259**	**332**	**15,114**	**4**					**2**	**0**	**7**	**0**	**0**
Total Risk Weighted Assets, excluding Market Risk	**30,671**		**30,671**	**0**	**214**	**5**	**0**	**2,712**	**1,842**	**24,852**	**297**	**0**	**0**	**0**	**90**	**13**	**0**	**88**	**0**	**561**
Standardized Market Risk Weighted Assets	**13,419**																			
Total Risk Weighted Assets	**44,090**																			

Basel 3 Standardized Approach Risk-weighted Assets by Line of Business

in USD m.	31-Dec-17 Risk Weighted Assets at the end of the period
Corporate & Investment Bank	33,408
FIC	19,532
Equity	11,540
Other	2,336
PCB	8,120
Asset Management	718
Other Corporate Items	1,844
Total	**44,090**

in USD m.	31-Dec-18 Risk Weighted Assets at the end of the period
Corporate & Investment Bank	27,607
FIC	16,718
Equity	7,217
Other	3,671
PCB	7,302
Other Corporate Items	1,622
Total	**36,531**

CIB Other includes Global Transaction Banking (GTB) of USD 1,351m in 2017 and USD 2,828m in 2018.

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 all 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. Base 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

Netting of SFT’s meeting the definition of Repo-style transactions is permitted under U.S. Basel III rules.

The following table presents the netting of SFT’s and related collateral amounts. Securities borrowed and securities loaned balances with the same counterparties are reported net by counterparty, pursuant to the provisions of ASC 210-20. As of December 31, 2018, DB USA Corp‘s securities borrowed and securities loaned balances reflected $1,110 million of netting pursuant to ASC 210-20.

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)
	31-Dec-18				
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)	-

(1) Amounts relate to master netting agreements and collateral agreements which have been determined by DB USA Corp to be legally enforceable in the event of default and where certain other criteria are met in accordance with applicable offsetting accounting guidance. There are no amounts which were eligible for netting pursuant to ASC 210-20 that DB USA Corp did not net.
(2) Securities collateral is reflected at its fair value, but has been limited to the net exposure on the consolidated statement of financial condition in order to exclude any over-collateralization. These amounts do not reflect any cash collateral.
(3) Includes amounts subject to enforceable master netting agreements that have not met the requirements for offsetting in accordance with applicable accounting guidance but are eligible for offsetting to the extent an event of default has occurred.

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)
	31-Dec-17				
Assets:					
Collateralized agreements and financings:					
Securities purchased under agreements to resell	63,797	(33,332)	30,465	(30,465)	-
Securities borrowed	42,768	(981)	41,787	(40,354)	1,433
Total	$ 106,565	(34,313)	72,252	(70,819)	1,433
Liabilities:					
Collateralized agreements and financings:					
Securities sold under agreements to repurchase	67,686	(33,332)	34,354	(34,354)	-
Securities loaned	14,960	(981)	13,979	(13,017)	962
Total	$ 82,646	(34,313)	48,333	(47,371)	962

(1) Amounts relate to master netting agreements and collateral agreements which have been determined by DB USA Corp to be legally enforceable in the event of default and where certain other criteria are met in accordance with applicable offsetting accounting guidance. There are no amounts which were eligible for netting pursuant to ASC 210-20 that DB USA Corp did not net.
(2) Securities collateral is reflected at its fair value, but has been limited to the net exposure on the consolidated statement of financial condition in order to exclude any over-collateralization. These amounts do not reflect any cash collateral.
(3) Includes amounts subject to enforceable master netting agreements that have not met the requirements for offsetting in accordance with applicable accounting guidance but are eligible for offsetting to the extent an event of default has occurred.

Netting of derivatives transactions

Substantially all of DB USA Corp's derivatives transactions are entered into for trading purposes, to facilitate customer transactions, or as a means of risk management of firm inventory positions. Risk exposures are managed through diversification, by controlling position sizes and by established hedges in related securities or derivatives.

Netting of derivatives with qualifying master netting agreement is permitted under U.S. Basel 3 rules.

The following table sets forth the gross fair value, net fair value and notional amount of DB USA Corp's derivative contracts by major product type.

	31-Dec-18				
	Fair value		Notional Amount		
in USD m.	Assets	Lilibities	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			

(1) Amounts relate to master netting agreements and collateral agreements which have been determined by DB USA Corp to be legally enforceable in the event of default and where certain other criteria are met in accordance with applicable offsetting accounting guidance.

	31-Dec-17				
			Notional Amount		
in USD m.	Derivative Assets	Derivative Lilibities	Exchange - traded	OTC	Total
Derivative contract type					
Interest rate contracts	82	105	4,584	16,777	21,361
Credit contracts	31	66	-	2,872	2,872
Equity contracts	2,005	2,284	171,042	-	171,042
Foreign exchange contracts	9	9	17	-	17
Other contracts	33	35	-	8,644	8,644
Total gross fair value/notional amount of derivatives	2,160	2,499	175,643	28,293	203,936
Less: Counterparty netting (1)	(1,999)	(1,999)			
Subtotal	161	500			
Less: Securities collateral received/pledged	(11)	(290)			
Less: Cash collateral received/pledged	-	(134)			
Total derivative assets/liabilities	150	76			

(1) Amounts relate to master netting agreements and collateral agreements which have been determined by DB USA Corp to be legally enforceable in the event of default and where certain other criteria are met in accordance with applicable offsetting accounting guidance.

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

DB USA Corp's impaired loans and specific allowance for loan losses increased by $18 million and $3 million respectively, as of December 31, 2018 compared with December 31, 2017. The increases are primarily attributed to residential real estate loans with Private & Corporate Banking (PCB) clients. Past due loans reported by DB USA Corp as of December 31, 2018 are immaterial.

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

	31-Dec-17			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	53	9	17%	68	8	12%
Other	-	-	-	3	-	0%
Total	53	9	17%	71	8	11%

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

	31-Dec-17			31-Dec-18		
in USD m.	Impaired Loans	Loan Loss Allowance	Impaired loan coverage ratio (%)	Impaired Loans	Loan Loss Allowance	Impaired loan coverage ratio (%)
North America	53	9	17%	71	8	11%
Total	53	9	17%	71	8	11%

Development of impaired loans

	31-Dec-17	31-Dec-18
in USD m.	Impaired loans Individually assessed	Impaired loans Individually assessed
Balance, beginning of the year	106	53
Classified as impaired during the year	26	29
Transferred to not impaired during the year	1	-
Charge Offs	17	1
Disposal of impaired loans	31	7
Paydowns	30	3
Balance, end of the year	**53**	**71**

Development of specific loan loss allowance

	31-Dec-17	31-Dec-18
in USD m.	Specific loan loss allowance	Specific loan loss allowance
Balance, beginning of the year	20	-
Recoveries	6	2
Charge Offs	18	4
Provision for loan and lease losses	(8)	2
Other	-	3
Balance, end of the year	**-**	**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.

in USD m.	31-Dec-18
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)	66,883,433
Deductions from common equity tier 1 capital and additional tier 1 capital (report as a positive amount)	151,000
Total on-balance sheet exposures (item 2.1 minus item 2.2)	**66,732,433**
Replacement cost for all derivative transactions	397,155
Add-on amounts for potential future exposure (PFE) for all derivative transactions	9,273,559
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)	2,224,369
Adjusted effective notional principal amount of sold credit protection	312,032
Adjusted effective notional principal amount offsets and PFE deductions for sold credit protection (report as a positive amount)	338,536
Total derivative exposures (sum of items 2.4, 2.5, 2.6 and 2.9, minus items 2.7, 2.8, and 2.10)	**7,419,841**
Gross assets for repo-style transactions, with no recognition of netting	106,578,188
Reduction of the gross value of receivables in reverse repurchase transactions by cash payables in repurchase transactions (report as a positive value)	37,329,108
Counterparty credit risk for all repo-style transactions	1,764,956
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)	**71,014,036**
Off-balance sheet exposures at gross notional amounts	10,840,405
Adjustments for conversion to credit equivalent amounts (report as a positive amount)	7,000,439
Total off-balance sheet exposures (item 2.17 minus item 2.18)	**3,839,967**
Tier 1 capital (from Schedule A, item 45)	**12,551,000**
Total leverage exposure (sum of items 2.3, 2.11, 2.16, and 2.19)	**149,006,277**
Supplementary leverage ratio (item 2.20 divided by item 2.21)	**8.4231%**

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) is intended to promote the short-term resilience of a bank's liquidity risk profile over a 30 day stress scenario. The ratio is defined as the amount of High Quality Liquid Assets (HQLA) that could be used to raise liquidity, measured against the total volume of net cash outflows, arising from both actual and contingent exposures, projected over a 30 calendar-day period of significant stress. Banks are also required to take into account potential maturity mismatches between contractual outflows and inflows during the 30 day stress period.

The Enhanced Prudential Standards for Foreign Banking Organizations (FBOs) require DB USA Corp, DB's U.S. top-tier holding company, to comply with the LCR public disclosure requirements effective April 1, 2018.

The following table presents DB USA Corp's average LCR, and average unweighted and weighted amounts of HQLA, cash outflows and cash inflows, for the quarters ended June 30, September 30 and December 31, 2018.

For details please refer to DB USA Corp's quarterly U.S. LCR Disclosures publicly disclosed on DB's website.

in USD m.	For the quarter ended	Average Unweighted Amount 30-Jun-18	Average Unweighted Amount 30-Sep-18	Average Unweighted Amount 31-Dec-18	Average Weighted Amount 30-Jun-18	Average Weighted Amount 30-Sep-18	Average Weighted Amount 31-Dec-18
HIGH-QUALITY LIQUID ASSETS [1]							
1	**Total eligible high-quality liquid assets (HQLA), of which:**	**26,258**	**27,029**	**28,086**	**26,258**	**27,029**	**28,086**
2	Eligible level 1 liquid assets	26,258	27,029	28,086	26,258	27,029	28,086
3	Eligible level 2A liquid assets	-	-	-	-		-
4	Eligible level 2B liquid assets	-	-	-	-		-
CASH OUTFLOW AMOUNTS							
5	**Deposit outflow from retail customers and counterparties, of which:**	**813**	**641**	**667**	**133**	**107**	**102**
6	Stable retail deposit outflow	37	5	57	1	-	2
7	Other retail funding outflow	563	497	475	56	50	48
8	Brokered deposit outflow	213	139	135	76	57	52
9	**Unsecured wholesale funding outflow, of which:**	**22,676**	**20,444**	**19,245**	**10,545**	**11,233**	**11,602**
10	Operational deposit outflow	14,800	10,793	8,719	3,697	2,695	2,177
11	Non-operational funding outflow	7,207	9,129	10,526	6,184	8,021	9,425
12	Unsecured debt outflow	669	522	-	664	517	-
13	**Secured wholesale funding and asset exchange outflow**	**95,322**	**72,397**	**87,539**	**20,903**	**15,446**	**15,719**
14	**Additional outflow requirements, of which:**	**3,965**	**4,033**	**4,228**	**2,340**	**2,399**	**2,566**
15	Outflow related to derivative exposures and other collateral requirements	1,810	1,752	1,752	1,810	1,752	1,746
16	Outflow related to credit and liquidity facilities including unconsolidated structured transactions and mortgage commitments	2,155	2,281	2,476	530	647	820
17	**Other contractual funding obligation outflow**	**-**	**-**	**36**	**-**	**-**	**36**
18	Other contingent funding obligations outflow	72	62		64	53	
19	**TOTAL CASH OUTFLOW**	**122,848**	**97,577**	**111,715**	**33,985**	**29,238**	**30,025**
CASH INFLOW AMOUNTS							
20	**Secured lending and asset exchange cash inflow**	**113,477**	**90,456**	**96,069**	**19,874**	**13,705**	**13,813**
21	**Retail cash inflow**	**14**	**94**	**13**	**7**	**47**	**7**
22	**Unsecured wholesale cash inflow**	**1,633**	**1,591**	**1,907**	**1,624**	**1,578**	**1,859**
23	**Other cash inflows, of which:**	**65**	**64**	**265**	**65**	**64**	**265**
24	Net derivative cash inflow	59	61	99	59	61	99
25	Securities cash inflow	-	-	166	-	-	166
26	Broker-dealer segregated account inflow	-	-	-	-	-	-
27	Other cash i nflow	6	3		6	3	
TOTAL CASH INFLOW		**115,189**	**92,205**	**98,254**	**21,570**	**15,394**	**15,944**
29	**HQLA AMOUNT [1]**				**26,258**	**27,029**	**28,086**
30	**TOTAL NET CASH OUTFLOW AMOUNT EXCLUDING THE MATURITY MISMATCH ADD-ON**				**12,415**	**13,844**	**14,081**
31	**MATURITY MISMATCH ADD-ON**				**80**	**32**	**56**
32	**TOTAL NET CASH OUTFLOW AMOUNT**				**12,495**	**13,876**	**14,137**
33	**LIQUIDITY COVERAGE RATIO (%)**				**210%**	**195%**	**199%**

(1) *HQLA figures have been adjusted for the trapped HQLA at the U.S. subsidaries*

(2) *Numbers may not add due to rounding*

Remuneration Policy

Employee Compensation Report

Deutsche Bank Group (the bank) generally implements its compensation policies on a group-wide basis, so that the compensation policies and decisions as described below also apply to the employees of the DB USA Corp. For a consolidated view at Group level including all consolidated entities please refer to the "Employee Compensation Report" for 2018 as part of Deutsche Bank AG's Annual Report 2018.

Overview on Compensation Decisions for 2018

For the determination of the total amount of Variable Compensation (VC) for 2018, the Management Board of Deutsche Bank AG considered many factors such as affordability and performance at both the Group and divisional level. The assessment of performance has been complemented by the consideration of other important aspects including the ongoing focus on achieving the bank's strategic objectives, regulatory requirements, the impact of competitive positioning on retaining and motivating employees, and a sustainable balance between shareholder and employee interests as required by the bank's Compensation Strategy.

The SECC has monitored Group affordability throughout 2018 and confirmed that the bank's capital and liquidity positions remained comfortably above regulatory minimum requirements throughout the year. As such, the Management Board of Deutsche Bank AG confirmed that the Group affordability parameters were met and the total amount of VC for performance year 2018 may be awarded.

In the context of the above considerations and taking into account the risk-adjusted financial performance of Deutsche Bank AG, the Management Board of Deutsche Bank AG has determined a total amount of performance-based VC for 2018 (including the Individual VC Component, the Group VC Component, Recognition Awards, and VC for Postbank units). As part of the overall 2018 VC awards granted in March 2019, the Group VC Component was awarded to all eligible employees in line with the assessment of the four defined KPIs, as outlined in the chapter Group Compensation Framework. The Management Board of Deutsche Bank AG determined a payout rate of 70 % for 2018.

DB USA Corp: Compensation awards for 2018 – all employees

	2018	2017
in USD m. (unless stated otherwise)[1]	Group Total	Group Total
Number of employees (full-time equivalent)	7,598	8,326
Total compensation	2,500	2,499
Fixed Pay	1,785	1,764
Variable Pay	715	735

[1] The table may contain marginal rounding differences.

Regulatory Environment

Ensuring compliance with regulatory requirements is an overarching consideration in our Group Compensation Strategy. We strive to be at the forefront of implementing regulatory requirements with respect to compensation and will continue to work closely with our prudential supervisor, the European Central Bank (ECB), to be in compliance with all existing and new requirements.

As an EU-headquartered institution, Deutsche Bank is subject to the CRR and Capital Requirements Directive 4 (CRD 4) globally, as transposed into German national law in the German Banking Act and InstVV. We adopted the rules in its current version for all of Deutsche Bank's subsidiaries and branches world-wide to the extent required in accordance with Section 27 InstVV. As a Significant

Institution within the meaning of InstVV, Deutsche Bank identifies all employees whose work is deemed to have a material impact on the overall risk profile (Material Risk Takers or MRTs) in accordance with criteria stipulated under the Commission Delegated Regulation (EU) No. 604/2014. MRTs are identified at a Group level and at the level of Significant Institutions.

Taking into account more specific sectorial legislation and in accordance with InstVV, some of Deutsche Bank's subsidiaries (in particular within the DWS Group) fall under the local transpositions of the Alternative Investments Fund Managers Directive (AIFMD) or the Undertakings for Collective Investments in Transferable Securities Directive (UCITS). We also identify Material Risk Takers in these subsidiaries. Identified employees are subject to the remuneration provisions outlined in the Guidelines on sound remuneration policies under AIFMD/UCITS published by the European Securities and Markets Authority (ESMA).

Deutsche Bank also takes into account the regulations targeted at employees who engage directly or indirectly with the bank's clients (for instance the local transpositions of the Markets in Financial Instruments Directive II – MiFID II). These provisions resulted in the implementation of a specific compensation policy, a review of compensation plans and the identification of employees deemed to be Relevant Persons to ensure that they act in the best interest of clients.

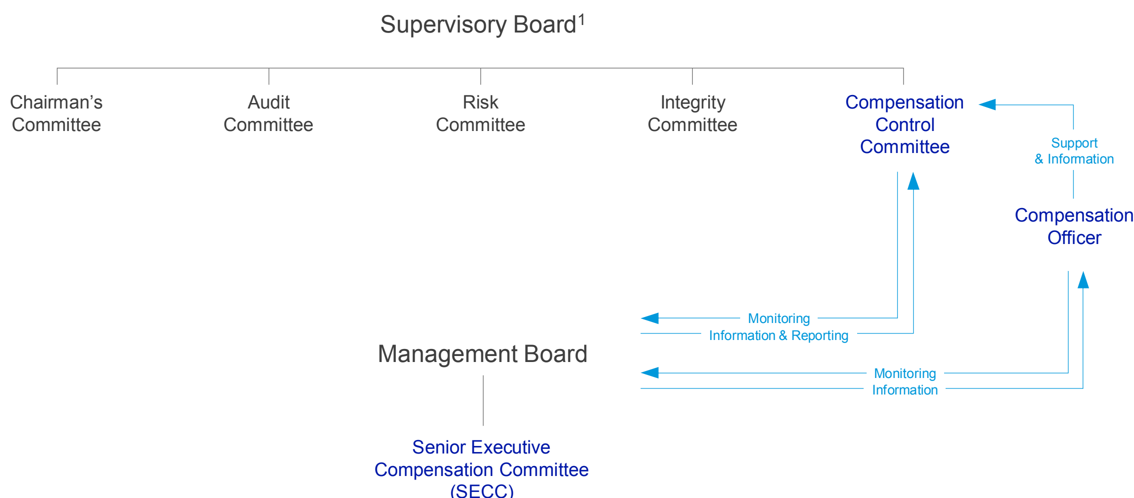
Where applicable, Deutsche Bank is also subject to specific rules and regulations implemented by local regulators. Many of these requirements are aligned with the InstVV. However, where variations are apparent, proactive and open discussions with regulators have enabled us to follow the local regulations whilst ensuring any impacted employees or locations remain within the bank's overall Group Compensation Framework. This includes, for example, the identification of Covered Employees in the United States under the requirements of the Federal Reserve Board. In any case, we apply the InstVV requirements as minimum standards globally.

Compensation Governance

Deutsche Bank has a robust governance structure enabling it to operate within the clear parameters of the Compensation Strategy and the Compensation Policies. In accordance with the German two-tier board structure, the Supervisory Board of Deutsche Bank AG governs the compensation of the Management Board members while the Management Board of Deutsche Bank AG oversees compensation matters for all other employees in the Group. Both the Supervisory Board and the Management Board are supported by specific committees and functions, in particular the Compensation Control Committee (CCC) and the Senior Executive Compensation Committee (SECC), respectively.

In line with their responsibilities, the bank's control functions are involved in the design and application of the bank's remuneration systems, in the identification of MRTs and in determining the total amount of VC. This includes assessing the impact of employees' behavior and the business-related risks, performance criteria, granting of remuneration and severances as well as ex-post risk adjustments.

Reward Governance structure



[1] Does not comprise a complete list of Supervisory Board Committees of Deutsche Bank AG.

Compensation Control Committee (CCC)

The Supervisory Board of Deutsche Bank AG has setup the CCC to support in establishing and monitoring the structure of the compensation system for the Management Board Members of Deutsche Bank AG, considering, in particular, the effects on the risks and risk management in accordance with the InstVV. Furthermore, the CCC monitors the appropriateness of the compensation system for the employees of Deutsche Bank Group, as established by the Management Board and the SECC. The CCC checks regularly whether the total amount of variable compensation is affordable and set in accordance with the InstVV. The CCC also assesses the impact of the compensation systems on the management of risk, capital and liquidity and seeks to ensure that the compensation systems are aligned to the business and risk strategies. Furthermore, the CCC supports the Supervisory Board in monitoring the MRT identification process and whether the internal control functions and the other relevant areas are properly involved in the structuring of the compensation systems.

The CCC consists of the Chairperson of the Supervisory Board and three further Supervisory Board Members, two of which are employee representatives. The Committee held five meetings in the calendar year 2018.

Compensation Officer

The Management Board of Deutsche Bank AG, in cooperation with the CCC, has appointed a Group Compensation Officer to support the Supervisory Boards of Deutsche Bank AG and of the bank's Significant Institutions in Germany in performing their compensation related duties. The Compensation Officer is involved in the conceptual review, development, monitoring and the application of the employees' compensation systems on an ongoing basis. The Compensation Officer performs his monitoring obligations independently and provides an assessment on the appropriateness of design and practices of the compensation systems for employees at least annually. He supports and advises the CCC regularly.

Senior Executive Compensation Committee (SECC)

The SECC is a delegated committee established by the Management Board of Deutsche Bank AG which has the mandate to develop sustainable compensation principles, to prepare recommendations on Total Compensation levels and to ensure appropriate compensation governance and oversight. The SECC establishes the Group Compensation Strategy and Compensation Policy. The SECC also utilizes quantitative and qualitative factors to assess Group and divisional performance as a basis for compensation decisions and makes recommendations to the Management Board regarding the total amount of annual variable compensation and its allocation across business divisions and infrastructure functions.

In order to maintain its independence, only representatives from infrastructure and control functions who are not aligned to any of the business divisions are members of the SECC. In 2018, the SECC's membership comprised of the Chief Administration Officer and the Chief Financial Officer as Co-Chairpersons, as well as the Chief Risk Officer (all of whom are Management Board Members), the

Global Head of Human Resources as well as an additional representative from both Finance and Risk as voting members. The Compensation Officer, the Deputy Compensation Officer and one of the Global Co-Heads of HR Performance & Reward were nonvoting members. The SECC generally meets on a monthly basis and it had 21 meetings with regard to the compensation process for performance year 2018.

Compensation Strategy

Deutsche Bank recognizes that its compensation system plays a vital role in supporting its strategic objectives. It enables us to attract and retain the individuals required to achieve our bank's objectives. The Group Compensation Strategy is aligned to Deutsche Bank's business strategy, risk strategy, and to its corporate values and beliefs.

Five key objectives of our compensation practices

- To support the delivery of the bank's client-focused, global bank strategy by attracting and retaining talent across its full range of diverse business models and country locations
- To support the long-term, sustainable performance and development of the bank and a corresponding risk strategy
- To promote and support long-term performance based on cost discipline and efficiency
- To ensure that the bank's compensation practices are safe, by way of risk-adjusting performance outcomes, preventing inappropriate risk taking, ensuring sustained compatibility with capital and liquidity planning, and complying with regulation
- To apply and promote the bank's corporate values of integrity, sustainable performance, client centricity, innovation, discipline and partnership

Core remuneration principles

- Align compensation to shareholder interests and sustained bank-wide profitability, taking account of risk
- Maximize sustainable performance, both at the employee and the bank-wide level
- Attract and retain the best talent
- Calibrate compensation to reflect different divisions and levels of responsibility
- Apply a simple and transparent compensation design
- Ensure compliance with regulatory requirements

The Group Compensation Policy informs our employees about the implementation of the Compensation Strategy, governance processes as well as compensation structures and practices. All relevant documents are available to employees via our intranet site.

Group Compensation Framework

Our compensation framework emphasizes an appropriate balance between Fixed Pay (FP) and Variable Compensation (VC) – together Total Compensation (TC). It aligns incentives for sustainable performance at all levels of Deutsche Bank whilst ensuring the transparency of compensation decisions and their impact on shareholders and employees. The underlying principles of our compensation framework are applied to all employees equally, irrespective of differences in seniority, tenure or gender.

Pursuant to CRD 4 and the requirements subsequently adopted in the German Banking Act, Deutsche Bank is subject to a ratio of 1:1 with regard to fixed-to-variable remuneration components, which was increased to 1:2 with shareholder approval on May 22, 2014 with an approval rate of 95.27 %, based on valid votes by 27.68 % of the share capital represented at the Annual General Meeting of Deutsche Bank AG. Nonetheless, the bank has determined that employees in specific infrastructure functions should continue to be subject to a ration of at least 1:1 while Control Functions as defined by InstVV are subject to a ratio of 2:1 with regard to fixed-to-variable remuneration components.

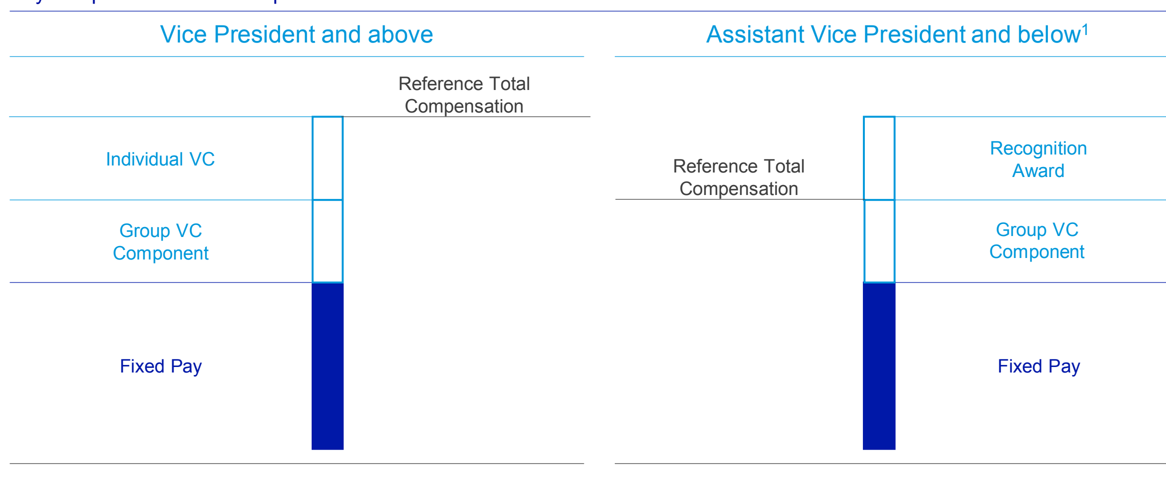
The bank has assigned a Reference Total Compensation (RTC) to eligible employees that describes a reference value for their role. This value provides our employees orientation on their FP and VC. Actual individual TC can be at, above or below the Reference Total

Compensation, based on Group affordability, and performance expectations having been satisfied at Group, divisional and individual levels, as determined by Deutsche Bank at its sole discretion.

Fixed Pay is used to compensate employees for their skills, experience and competencies, commensurate with the requirements, size and scope of their role. The appropriate level of FP is determined with reference to the prevailing market rates for each role, internal comparisons and applicable regulatory requirements. FP plays a key role in permitting us to meet our strategic objectives by attracting and retaining the right talent. For the majority of our employees, FP is the primary compensation component with a share of greater than 50 % of TC.

Variable Compensation reflects affordability and performance at Group, divisional, and individual level. It allows us to differentiate individual performance and to drive behavior through appropriate incentive systems that can positively influence culture. It also allows for flexibility in the cost base. VC generally consists of two elements – the Group VC Component and the Individual VC Component. The Individual VC Component is delivered either in the form of Individual VC (generally applicable for employees at the level of Vice President (VP) and above) or as Recognition Award (generally applicable for employees at the level of Assistant Vice President (AVP) and below). In cases of negative performance contributions or misconduct, an employee's VC can be reduced accordingly and can go down to zero. VC is granted and paid out subject to Group affordability. Under our compensation framework, there continues to be no guarantee of VC in an existing employment relationship. Such arrangements are utilized only on a very limited basis for new hires in the first year of employment and are subject to the bank's standard deferral requirements.

Key components of the compensation framework



[1] Some Assistant Vice Presidents and below in select entities and divisions are eligible for the Individual VC Component in lieu of the Recognition Award.

The Group VC Component is based on one of the overarching goals of the compensation framework – to ensure an explicit link between VC and the performance of the Group. To assess our annual achievements in reaching our strategic targets, the four Key Performance Indicators (KPIs) utilized as the basis for determining the 2018 Group VC Component were: Common Equity Tier 1 (CET 1) Capital Ratio (fully loaded), Leverage Ratio, Adjusted Costs, and Post-Tax Return on Tangible Equity (RoTE). These four KPIs represent important metrics for the capital, risk, cost and the revenue profile of our bank and provide an indication of the sustainable performance of Deutsche Bank.

Individual VC takes into consideration a number of financial and nonfinancial factors, including the applicable divisional performance, the employee's individual performance, conduct, and adherence to values and beliefs, as well as additional factors such as the comparison of pay levels with the employee's peer group and retention considerations.

Recognition Awards provide the opportunity to acknowledge and reward outstanding contributions made by the employees of lower seniority levels in a timely and transparent manner. Generally, the overall size of the Recognition Award budget is directly linked to a set percentage of FP for the eligible population and it is currently paid out twice a year, based on a review of nominations and contributions in a process managed at the divisional level.

Employee benefits complement Total Compensation and are considered FP from a regulatory perspective, as they have no direct link to performance or discretion. They are granted in accordance with applicable local market practices and requirements. Pension expenses represent the main element of the bank's benefits portfolio, globally.

In the context of InstVV, severance payments are considered VC. The bank has updated its severance framework to ensure full alignment with the respective new InstVV requirements.

Limited to extraordinary circumstances, the bank reserves the right to grant Retention Awards to help induce select employees which are at risk of leaving and that are critical to the bank's future, to remain at the bank. Retention Awards are generally linked to certain critical events in which the bank has a legitimate interest in retaining the employee for a defined period of time. This serves to minimize operational, financial or reputational risk. These awards are considered VC in a regulatory sense and are generally subject to the same requirements as other VC elements.

Determination of performance-based Variable Compensation

Deutsche Bank applies a methodology when determining VC that reflects the risk-adjusted performance and is primarily driven by (i) Group affordability, i.e. what can Deutsche Bank award in alignment with regulatory requirements, and (ii) performance, i.e. what should we award in order to provide an appropriate compensation for performance, while protecting the long-term health of the franchise.

Group affordability is assessed to determine that relevant parameters are meeting the current and projected future regulatory and strategic goals. The affordability parameters used are fully aligned with our Risk Appetite Framework and ensure that the bank's capital as well as liquidity position and planning, its risk-bearing capacity, the combined capital buffer requirements, and results are adequately taken into account.

When assessing Group and divisional performance, we reference a range of considerations. The performance is assessed in context of divisional financial and – based on Balanced Scorecards – nonfinancial targets. The financial targets are subject to appropriate risk-adjustment, in particular by referencing the degree of future potential risks to which Deutsche Bank may be exposed, and the amount of capital required to absorb severe unexpected losses arising from these risks. For the infrastructure functions, the performance assessment is mainly based on the achievement of cost targets and the Balanced Scorecards. While the allocation of VC to infrastructure functions depends on the overall performance of Deutsche Bank, it is not dependent on the performance of the division(s) these functions, particularly independent control functions, oversee.

At the level of the individual employee, we have established Variable Compensation Guiding Principles, which detail the factors and metrics that have to be taken into account when making Individual VC decisions. Our managers must fully appreciate the risk-taking activities of individuals to ensure that VC allocations are balanced and risk-taking is not inappropriately incentivized. The factors and metrics to be considered include, but are not limited to, individual performance based on quantitative and qualitative aspects, culture and behavioral considerations, and disciplinary sanctions. Managers of Material Risk Takers must specifically document the factors and risk metrics considered when making Individual VC decisions, and demonstrate how these factors influenced their decision. Generally, performance is assessed based on a one year period. However, for Management Board members of Significant Institutions, the performance across three years is taken into account.

Variable Compensation Structure

Our compensation structures are designed to provide a mechanism that promotes and supports long-term performance of our employees and our bank. Whilst a portion of VC is paid upfront, these structures require that an appropriate portion is deferred to ensure alignment to the sustainable performance of the Group.

At the same time, we believe that the use of shares or share-based instruments for deferred VC is an effective way to align compensation with Deutsche Bank's sustainable performance and the interests of shareholders. By using Deutsche Bank shares, the value of the individual's VC is linked to Deutsche Bank's share price over the deferral and retention period.

We continue to go beyond regulatory requirements with the amount of VC that is deferred and Deutsche Bank's minimum deferral periods. Whilst ensuring lower compensated employees are not subject to deferrals, we ensure an appropriate amount of deferred VC for higher earners. We start to defer parts of variable compensation for Material Risk Takers where VC is set at or above € 50,000. For non-MRTs, deferrals start at higher levels of VC. The VC threshold for MRTs requiring at least 60 % deferral is set at € 500,000. Furthermore, Directors and Managing Directors in the Corporate & Investment Bank (CIB) with Fixed Pay in excess of € 500,000 are subject to a VC deferral of 100 %. Material Risk Takers are on average subject to deferral rates in excess of the minimum 40 % (60 % for Senior Management) as required by InstVV.

As detailed in the table below, deferral periods range from three to five years, dependent on employee groups.

Overview on 2018 Award Types (excluding DWS Group)

Award Type	Description	Beneficiaries	Deferral Period	Retention Period	Proportion
Upfront: Cash VC	Upfront cash portion	All eligible employees	N/A	N/A	InstVV MRTs: 50 % of upfront VC Non-MRTs: 100 % of upfront VC
Upfront: Equity Upfront Award (EUA)	Upfront equity portion (linked to Deutsche Bank's share price over the retention period)	All InstVV MRTs with VC >= € 50,000	N/A	Twelve months	50 % of upfront VC
Deferred: Restricted Incentive Award (RIA)	Deferred cash portion	All employees with deferred VC	Equal tranche vesting over CIB: four years Sen.Mgmt.[1]: five years Other: three years	N/A	50 % of deferred VC
Deferred: Restricted Equity Award (REA)	Deferred equity portion (linked to Deutsche Bank's share price over the vesting and retention period)	All employees with deferred VC	Equal tranche vesting over CIB: four years Sen.Mgmt.[1]: five years Other: three years	Twelve months for InstVV MRTs	50 % of deferred VC

N/A – Not applicable
[1] Senior Management, for the purposes of performance year 2018 annual awards, is defined as Deutsche Bank's Senior Leadership Cadre, plus Management Board members of Significant Institutions and their direct reports (excl. non-management/-strategic roles) – excluding DWS Executive Board. All Senior Management employees are also considered InstVV MRTs.

Our employees are not allowed to sell, pledge, transfer or assign a deferred award or any rights in respect to the award. They may not enter into any transaction having an economic effect of hedging any variable compensation, for example offsetting the risk of price movement with respect to the equity-based award. Our Human Resources and Compliance functions, supported by the Compensation Officer, work together to monitor employee trading activity and to ensure that all our employees comply with this requirement.

Ex-post Risk Adjustment of Variable Compensation

We believe that the future conduct and performance of our employees are key elements of deferred VC. As a result, all deferred awards are subject to performance conditions and forfeiture provisions as detailed below.

Overview on Deutsche Bank Group performance conditions and forfeiture provisions of Variable Compensation

Provision	Description	Forfeiture
DB Group's Common Equity Tier 1 Capital Ratio and Liquidity Coverage Ratio	If at the quarter end prior to vesting and delivery the Group CET 1 Capital Ratio, or the Liquidity Coverage Ratio are below a certain threshold	Next tranche of deferred award due for delivery (100 % of all undelivered Equity Upfront Awards)[1]
Group IBIT	If the Management Board determines that prior to delivery Group IBIT is negative	Next tranche of deferred award due for delivery
Divisional IBIT	If the Management Board determines that prior to delivery Divisional IBIT is negative	Next tranche of deferred award due for delivery (applies only to MRTs in Business Divisions)
Forfeiture Provisions[2]	– In the event of an internal policy or procedure breach, breach of any applicable laws or regulations, or a Control Failure – If any award was based on performance measures or assumptions that are later deemed to be materially inaccurate – Where a Significant Adverse Event occurs, and the Participant is considered sufficiently proximate – If forfeiture is required to comply with prevailing regulatory requirements	Up to 100 % of undelivered awards
Clawback	In the event an InstVV MRT participated in conduct that resulted in significant loss or regulatory sanction; or failed to comply with relevant external or internal rules regarding appropriate standards of conduct	100 % of award which has been delivered, before the second anniversary of the last vesting date for the award

[1] For award types subject to cliff-vesting, the whole award will be forfeited if at quarter end prior to vesting or settlement the Group CET 1 Capital Ratio, or the Liquidity Coverage Ratio are below the threshold. For Equity Upfront Awards, the Group CET 1 Capital Ratio, or the Liquidity Coverage Ratio are only assessed at the quarter end prior to delivery.
[2] Forfeiture provisions here are not a complete list, other provisions apply as outlined in the respective plan rules.

Employee Groups with specific Compensation Structures

For some areas of the bank, compensation structures apply that deviate, within regulatory boundaries, in some aspects from the Group Compensation Framework outlined previously.

Control Functions

In line with InstVV, the bank has defined control functions that are subject to specific regulatory requirements. These control functions comprise Risk, Compliance, Anti-Financial Crime, Group Audit, parts of Human Resources, and the Compensation Officer and his Deputy. To prevent conflicts of interests, the parameters used to determine the Individual VC Component of these control functions do not follow the same parameters being used for the business they oversee. Based on their risk profile, these functions are subject to a fixed-to-variable pay ratio of 2:1.

In addition, for some additional corporate functions that perform control roles (including Legal, Group Finance, Group Tax, Regulation, and other parts of Human Resources), the bank has determined a voluntary application of a fixed-to-variable pay ratio of 1:1.

Material Risk Taker Compensation Disclosure

For DB USA Corp, 448 employees were identified as Material Risk Takers according to CRD IV for financial year 2018, compared to 478 employees for 2017. The remuneration elements for all MRTs identified according to CRD IV are detailed in the table below in accordance with CRD IV and Article 450 CRR.

Aggregate remuneration for Material Risk Takers according to InstVV

					2018
	Business units				
in € m. (unless stated otherwise)	CIB	PCB	Independent Control Functions	Corporate Functions	Group Total
Number of MRTs (headcount)	**397**	**18**	**18**	**15**	**448**
Number of MRTs (FTE)	358	17	17	14	407
thereof: Senior Management	7	0	0	1	8
Total Pay	**506**	**27**	**11**	**14**	**559**
Total Fixed Pay	**296**	**14**	**9**	**9**	**328**
thereof:					
in cash (incl. pension contributions)	296	14	9	9	328
Total Variable Pay for period	**210**	**13**	**2**	**5**	**231**
thereof:					
in cash	107	7	1	3	117
in shares or share-based instruments	103	7	1	3	113
in other types of instruments	0	0	0	0	0
Total Variable Pay for period, deferred	**190**	**8**	**1**	**3**	**202**
thereof:					
in cash	95	4	0	1	101
in shares or share-based instruments	95	4	0	1	101
in other types of instruments	0	0	0	0	0
Total amount of variable pay still outstanding at the beginning of the year that was deferred in previous years	**581**	**33**	**4**	**10**	**628**
thereof:					
vested	24	2	0	0	25
vested and paid/delivered	23	2	0	0	25
unvested	558	32	4	10	603
Deferred Variable Pay awarded, paid out or reduced during period					
awarded during period	289	10	3	4	306
paid out during period	151	20	3	5	179
reduced through explicit risk adjustments	2	0	0	0	2
Number of beneficiaries of guaranteed variable remuneration (hiring bonuses)	**1**	**0**	**0**	**0**	**1**
Total amount of guaranteed variable pay (hiring bonuses)	0	0	0	0	0
Total amount of severance payments granted during period	3	0	0	0	4
Number of beneficiaries of severance payments granted during period	**37**	**1**	**0**	**2**	**40**
Highest severance payment granted to an individual during period	0	0	0	0	0

[1] The table may contain marginal rounding differences. Employees are allocated to columns based on their primary role.
[2] Supervisory Board includes the Supervisory Board members at year-end. Employee representatives solely identified due to their Supervisory Board role are considered with their compensation for the Supervisory Board role only.
[3] Management Board includes the board members at year-end. Independent Control Functions include Chief Risk Officer, Group Audit, Compliance, Anti-Financial Crime. Corporate Functions comprise any infrastructure function which is neither captured as an Independent Control Function nor part of any division.
[4] Senior Management is defined as Deutsche Bank's Senior Leadership Cadre, plus Management Board members of Significant Institutions and their direct reports (excl. non-management/-strategic roles) – excluding DWS Executive Board. All Senior Management employees are also considered InstVV MRTs.
[5] Fixed Pay in cash includes base salary, allowances and material benefits (pension expenses).
[7] Total Variable Pay for period includes Deutsche Bank's year-end performance-based VC awards for 2018 and other VC commitments in the relevant period, as well as severance payments. Buyouts and Long-term Incentive Plans are not included.
[8] Includes penalty (malus) and clawback.
[9] Severance payments are generally paid out in the year in which they have been granted.

Remuneration of high earners

Incl. Pension & severance in €	2018 Number of employees
Total Pay	
1,000,000 to 1,499,999	119
1,500,000 to 1,999,999	57
2,000,000 to 2,499,999	22
2,500,000 to 2,999,999	11
3,000,000 to 3,499,999	9
3,500,000 to 3,999,999	10
4.000,000 to 4,499,999	1
4,500,000 to 4,999,999	2
5,000,000 to 5,999,999	4
6,000,000 to 6,999,999	2
Total	**237**

Excl. Pension & severance in €	2017 Number of employees
Total Pay	
1,000,000 to 1,499,999	90
1,500,000 to 1,999,999	65
2,000,000 to 2,499,999	32
2,500,000 to 2,999,999	19
3,000,000 to 3,499,999	13
3,500,000 to 3,999,999	4
4.000,000 to 4,499,999	5
4,500,000 to 4,999,999	3
5,000,000 to 5,999,999	1
6,000,000 to 6,999,999	1
7,000,000 to 7,999,999	2
Total	**235**

[1] In total, 237 employees received a Total Pay including Pension & Severance of € 1 million or more for 2018.