DEUTSCHE BANK SECURITIES INC.
(An Indirect Wholly Owned Subsidiary of
Deutsche Bank AG)

Consolidated Statement of Financial Condition

June 30, 2015

Unaudited

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(In millions, except share data)

Assets		
Cash and cash equivalents (includes cash equivalents at fair value of $33)	$	876
Cash and securities segregated for benefit of customers (includes securities at fair value of $4,643)		5,442
Collateralized agreements and financings:		
Securities purchased under agreements to resell (includes $19,221 at fair value)		40,090
Securities borrowed (includes $20,194 at fair value)		48,226
		88,316
Financial instruments owned, at fair value (includes securities pledged as collateral of $32,290)		42,734
Receivables:		
Customers		2,026
Noncustomers		24,051
Brokers, dealers, and clearing organizations		2,024
		28,101
Property, plant, and equipment (net of accumulated depreciation of $626)		559
Other assets (includes $242 of securities received as collateral at fair value)		2,354
Total assets	$	168,382
Liabilities and Stockholder’s Equity		
Collateralized agreements and financings:		
Securities sold under agreements to repurchase (includes $12,245 at fair value)	$	68,954
Securities loaned (includes $1,149 at fair value)		34,016
		102,970
Payables:		
Customers		15,957
Noncustomers		396
Brokers, dealers, and clearing organizations		3,925
Loans		5,179
		25,457
Financial instruments sold, but not yet purchased, at fair value		18,379
Other liabilities (includes $242 of obligation to return securities as collateral at fair value)		3,170
Total liabilities		149,976
Commitments, contingencies and guarantees		—
Subordinated liabilities		6,723
Stockholder’s equity:		
Common stock, par value $1.00 per share. 2,000 shares authorized, issued, and outstanding		—
Additional paid-in capital		14,508
Accumulated deficit		(2,825)
Total stockholder’s equity		11,683
Total liabilities and stockholder’s equity	$	168,382

See accompanying notes to unaudited consolidated statement of financial condition.

(1) Organization

Deutsche Bank Securities Inc. (the Company) is a wholly owned subsidiary of DB U.S. Financial Markets Holding Corporation (the Parent), a wholly owned subsidiary of DB USA Corporation (DBUSA), which is a direct, wholly owned subsidiary of Deutsche Bank AG (the Bank), a German corporation. The Company is registered as a securities broker-dealer and investment advisor with the Securities and Exchange Commission (SEC), and futures commission merchant (FCM) with the Commodities Futures Trading Commission (CFTC). The Company is a member of the Financial Industry Regulatory Authority (FINRA), the Securities Investor Protection Corporation (SIPC), the National Futures Association (NFA) and other self regulatory organizations.

In its capacity as a broker-dealer and FCM, the Company clears securities and derivatives products for its customers, affiliates or itself on various exchanges of which the Company is a member. The Company provides trade execution services for a broad range of domestic and international clients and provides securities brokerage and investment advisory services to private clients and institutions. The Company provides a variety of capital raising, market making and brokerage services for its government, financial institution and corporate clients, including fixed income and equity sales and trading, emerging markets activities, equity market research and investment banking. The Company is also a primary dealer in U.S. government securities.

The Company, like other securities firms, is directly affected by general economic and market conditions, including fluctuations in volume and price levels of securities, changes in interest rates, and demand for investment banking, securities brokerage, and other services, all of which have an impact on the Company's consolidated statement of financial condition as well as its liquidity.

(2) Significant Accounting Policies

(a) Basis of Presentation

The Company's consolidated statement of financial condition has been prepared in accordance with U.S. generally accepted accounting principles (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 statement of financial condition. The most important of these estimates and assumptions relate to fair value measurements and the provision for potential losses that may arise from litigation and regulatory proceedings and tax audits. Although these and other estimates and assumptions are based on the best available information, actual results could be different from these estimates.

The consolidated statement of financial condition includes the accounts of the Company and its wholly owned subsidiaries and other entities in which the Company has a controlling financial interest. The Company's policy is to consolidate all entities in which it owns more than 50% of the outstanding voting stock unless it does not control the entity. The Company also consolidates any variable interest entities (VIEs) when it has determined that the Company has the power to direct activities of the VIE that most significantly impacts the VIE's economic performance or a right to absorb a majority of the VIE's expected losses, or expected residual returns, or both. All material intercompany transactions and balances have been eliminated in consolidation.

In the normal course of business, the Company's operations may include significant transactions conducted with affiliated entities. Such transactions are governed by contractual agreements between the Company and its affiliates. Due to the level of interaction with affiliates, the Company's results from operations may not necessarily be indicative of results that would have existed had the Company operated as a standalone entity.

At June 30, 2015, substantially all of the Company's assets and liabilities were carried at fair value or at amounts which approximate such values. Assets and liabilities recorded at fair value include cash equivalents, financial instruments owned, financial instruments sold, but not yet purchased and certain collateralized agreements and financings. Assets and liabilities recorded at contractual amounts that approximate fair value include certain collateralized agreements and financings, other receivables and payables and subordinated liabilities. The fair values of such items are not materially sensitive to shifts in market interest rates because of the limited term to maturity of many of these instruments and/or their variable interest rates.

(b) Cash and Cash Equivalents

The Company defines cash equivalents as highly liquid securities and interest-earning deposits with original maturities of three months or less.

(c) Cash and Securities Segregated for Benefit of Customers

Cash and securities segregated for benefit of customers include cash and securities segregated in compliance with federal and other regulations and represent funds deposited by customers and funds accruing to customers as a result of trades or contracts. Also included are funds segregated and held in separate accounts in accordance with Section 4d(2), Regulation 30.7 and Regulation 4(d)(f) of the Commodity Exchange Act (CEA).

(d) Financial Instruments

Financial instruments owned, at fair value and financial instruments sold, but not yet purchased, at fair value are reflected in the consolidated statement of financial condition at fair value on a trade-date basis.

(Continued)

(e) Other Financial Assets and Financial Liabilities at Fair Value

In addition to financial instruments owned, at fair value and financial instruments sold, but not yet purchased, at fair value, the Company has elected to account for certain of its other financial assets and financial liabilities at fair value under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 825-10 (*Fair Value Option*). The primary reasons for electing the fair value option are to reflect economic events in earnings on a timely basis, to mitigate volatility in earnings from using different measurement attributes and to address simplification and cost-benefit considerations. Such financial assets and financial liabilities accounted for at fair value include certain collateralized agreements and financings and the debt related to consolidated VIEs, if any.

(f) Fair Value Measurements

The fair value of financial instruments is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. See note 3 for further information about fair value measurements.

(g) Collateralized Agreements and Financings

Collateralized agreements and financings consist of the following:

- *Reverse Repurchase and Repurchase Agreements* – securities purchased under agreements to resell (reverse repurchase agreements) and securities sold under agreements to repurchase (repurchase agreements) are accounted for as collateralized financing transactions and are recorded at their contractual amounts, plus accrued interest. The Company's policy is to obtain possession or control of collateral with a market value equal to or in excess of the principal amount loaned under reverse repurchase agreements. To ensure that the market value of the underlying collateral remains sufficient, collateral is valued daily, and the Company may require counterparties to deposit additional collateral or return collateral pledged, when appropriate. Substantially all repurchase and reverse repurchase activities are transacted under master netting agreements that give the Company the right, in the event of default, to liquidate collateral held and offset receivables and payables with the same counterparty.

  As noted above, certain reverse repurchase and repurchase agreements are carried in the consolidated statement of financial condition at fair value under the fair value option. Reverse repurchase and repurchase agreements are generally valued based on inputs with reasonable levels of price transparency and are generally classified within Level 2 of the fair value hierarchy.

Reverse repurchase and repurchase balances with common unaffiliated counterparties are reported net by counterparty, when applicable, pursuant to the provisions of ASC 210-20 (*Offsetting*) with the respective interest receivables and payables also being reported net by counterparty. Net presentation is permitted when certain conditions are met including the existence of a legally enforceable master netting agreement. At June 30, 2015, the Company's reverse repurchase and repurchase balances reflected approximately $19.7 billion of netting pursuant to ASC 210-20.

In accordance with ASC 860-30 (*Secured Borrowing and Collateral*), $43.5 billion of U.S. government securities are pledged as collateral under repurchase agreements which the counterparty is permitted to sell or repledge. Additionally, $45.5 billion of U.S. government and corporate securities have been pledged as collateral under agreements to repurchase for which the counterparty does not have the right to sell or repledge.

- *Securities Borrowed and Loaned* – securities borrowed and loaned transactions are recorded at the amount of cash collateral advanced or received. Securities borrowed transactions require the Company to provide the counterparty with collateral in the form of cash, letters of credit, or other securities. The Company receives collateral in the form of cash or other securities for securities loaned transactions. On a daily basis, the Company monitors the market value of securities borrowed or loaned against the collateral value and the Company may require counterparties to deposit additional collateral or return collateral pledged, when appropriate.

  As these arrangements generally can be terminated on demand, they exhibit little, if any, sensitivity to changes in interest rates. Certain securities borrowed and loaned transactions are recorded at fair value under the fair value option. These securities borrowed and loaned transactions are generally valued based on inputs with reasonable levels of price transparency and are classified within Level 2 of the fair value hierarchy.

  Securities borrowed and securities loaned balances with common counterparties are reported net by counterparty when these contracts have explicit maturity dates, pursuant to the provisions of ASC 210-20. At June 30, 2015, the Company's securities borrowed and securities loaned balances reflected approximately $344.3 million of netting pursuant to ASC 210-20.

(h) Receivables and Payables – Customers

Receivables from and payables to customers include amounts due on cash and margin transactions. At June 30, 2015, margin receivables and margin payables with the same customer are netted on the consolidated statement of financial condition in the amount of $12.9 billion. Securities owned by customers, including those that collateralize margin or similar transactions, are not reflected on the consolidated statement of financial condition.

(i) Receivables and Payables – Noncustomers

Receivables from and payables to noncustomers include amounts due on cash and margin transactions of banks and broker dealers trading for their own account through the Company. These amounts represent transactions made predominantly with affiliates. Securities owned by noncustomers, including those that collateralize margin or similar transactions, are not reflected on the consolidated statement of financial condition.

(j) Payables – Loans

Loans payable are presented on the consolidated statement of financial condition at their outstanding unpaid principal balances. These loans are predominantly made with affiliates.

(k) Foreign Currency Translation

Assets and liabilities denominated in non-U.S. dollar currencies are translated into U.S. dollar equivalents using period-end spot foreign exchange rates.

(l) Share-Based Compensation

The Bank has a share ownership program granting certain employees of the Company special stock awards and incentives as part of their total compensation. The cost of employee services received in exchange for a share-based award is generally measured based on the grant-date fair value of the award in accordance with ASC 718 (*Share Based Payments*). Share-based employee awards that require future service are amortized over the relevant service period.

(m) Exchange Memberships

Exchange memberships are recorded at cost, less impairment, and are included in other assets on the accompanying consolidated statement of financial condition.

(n) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and amortization. Depreciation of furniture, fixtures, equipment, and computer software is computed using the straight-line method over their estimated useful lives of three to seven years. Buildings are depreciated on a straight-line basis over their estimated remaining useful lives of 26 years. Leasehold improvements are amortized on a straight-line basis over the terms of the leases or the estimated useful lives of the improvements, whichever is shorter.

(o) Income Taxes

The results of the Company’s operations are included in the consolidated U.S. federal income tax return, and certain combined and unitary state tax returns of Deutsche Bank AG New York Branch

(DBNY). In addition, the Company files tax returns in certain states on a stand-alone basis. Pursuant to a tax sharing agreement, income taxes are computed on a separate company basis and the Company is reimbursed on a current basis by an affiliate of DBNY for the value of any federal taxable losses of the Company.

The Company provides for income taxes on all transactions that have been recognized in the consolidated statement of financial condition in accordance with ASC 740, (*Income Taxes)*. Accordingly, deferred taxes are adjusted to reflect the tax rates at which future taxable amounts will likely be settled or realized. The effects of tax rate changes on future deferred tax liabilities and deferred tax assets, as well as other changes in income tax laws, are recognized in the period during which such changes are enacted. Deferred tax assets are recognized subject to management's judgment that realization is more likely than not. Deferred tax assets and liabilities are included in other assets and liabilities, respectively, on the consolidated statement of financial condition.

(p) Variable Interest Entities

VIEs are entities that lack one or more of the characteristics of a voting interest entity. A controlling financial interest in a VIE is present when an enterprise has a variable interest, or a combination of variable interests, that provides the enterprise with (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The enterprise with a controlling financial interest, known as the primary beneficiary, consolidates the VIE. The Company determines whether it is the primary beneficiary of a VIE by performing an analysis that principally considers: (i) the VIE's purpose and design, including the risks the VIE was designed to create and pass through to its variable interest holders, (ii) the VIE's capital structure, (iii) the terms between the VIE and its variable interest holders and other parties involved with the VIE, (iv) which variable interest holders have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, (v) which variable interest holders have the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE and (vi) related party relationships. The Company reassesses its initial evaluation of an entity as a VIE upon the occurrence of certain reconsideration events. The Company reassesses its determination of whether the Company is the primary beneficiary of a VIE upon changes in facts and circumstances that could potentially alter the Company's assessment.

(q) Related Party Transactions

The Company has related party transactions with certain of its subsidiaries and affiliates. These transactions, which are primarily short-term in nature, include cash accounts, collateralized financing transactions, margin accounts, derivative trading, charges for operational support and the borrowing and lending of funds, and are entered into in the ordinary course of business.

(r) Recent Accounting Developments

Revenues (Topic 606) from Contracts with Customers. In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *"Revenue Recognition from Contracts with Customers"*. The amendments in this ASU affect any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The ASU's core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The Company is currently assessing the impact of this ASU.

Compensation – Stock Compensation (Topic 718) - Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. In June 2014, the FASB issued ASU 2014-12, *"Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period"*. The amendments in this ASU require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Topic 718, Compensation – Stock Compensation, as it relates to awards with performance conditions that affect vesting to account for such awards. The performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. This ASU is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Adoption of this ASU is not expected to have a material impact on the Company's financial condition.

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Consolidation (Topic 810) - Amendments to the Consolidation Analysis. In February 2015, the FASB issued ASU 2015-02, "*Consolidation*". The amendments in this ASU are intended to improve targeted areas of consolidation guidance for legal entities such as limited partnerships and securitization structures. The new standard changes the way reporting entities evaluate whether (a) they should consolidate limited partnerships and similar entities, (b) fees paid to a decision maker or service provider are variable interests in a VIE, and (c) variable interests in VIE held by related parties of the reporting entities require the reporting entity to consolidate the VIE. This ASU is effective for the annual reporting periods beginning after December 15, 2015 and interim periods within that reporting period. The Company is currently assessing the impact of this ASU.

Fair Value Measurement (Topic 820) - Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). In May 2015, the FASB issued ASU 2015-07, "*Fair Value Disclosure for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent).*" The amendments in this ASU remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. This ASU is effective for the annual reporting periods beginning after December 15, 2015 and interim periods within that reporting period. A reporting entity should apply the amendments retrospectively to all periods presented. Adoption of this ASU is not expected to have a material impact on the Company's financial condition.

(3) Fair Value Measurements

ASC 820 (Fair Value Measurement and Disclosures) defines fair value, establishes a consistent framework for measuring fair value and requires disclosures about fair value measurements. The standard also prioritizes the inputs to valuation techniques used to measure fair value based on whether such inputs are observable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Basis of Fair Value Measurement

Level 1 Quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Thus, an item may be classified as Level 3 even though there may be some significant inputs that are readily observable.

The hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuation where possible. The Company defines active markets for equity instruments based on the average daily trading volume both in absolute terms and relative to the market capitalization for the instrument. The Company defines active markets for debt instruments based on both the average daily trading volume and the number of days with trading activity.

Credit risk is an essential component of fair value. Cash products (e.g., bonds) and derivative instruments (particularly those with significant future projected cash flows) trade in the market at levels which reflect credit considerations. The Company manages its exposure to credit risk as it does other market risks and will price, economically hedge, facilitate and intermediate trades which involve credit risk.

When appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads and credit considerations. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

Financial instruments are generally classified within Level 1 or Level 2 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Instruments classified within Level 1 of the fair value hierarchy are required to be carried at quoted market prices, even in situations where the Company holds a large position and a sale could possibly impact the quoted price. Certain financial instruments are classified within Level 3 of the fair value hierarchy because they trade infrequently and therefore have little or no price transparency. Level 3 valuations are generally based on pending transactions, subsequent financing of issuer or comparable issuer and/or pricing models that generally includes at least one significant unobservable input involving management assumption such as property type differences, cash flows, performance, and other input.

The transaction price is typically used as the initial best estimate of fair value. Accordingly, when a pricing model is used to value such an instrument, the model is adjusted so that the model value at inception links to the transaction price. This valuation is adjusted when changes to inputs and assumptions are corroborated by evidence such as transactions in similar instruments, completed or pending third-party transactions in the underlying investment or comparable entities, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. For positions that are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or nontransferability. Such adjustments are generally based on available market evidence where available. In the absence of such evidence, management's best estimate is used.

Management judgment is required to value financial instruments classified within Level 3 of the fair value hierarchy. In particular, management's judgment is required to determine the appropriate risk-adjusted discount rate for financial instruments with little or no price transparency as a result of decreased volumes and lower levels of trading activity. In such situations, the Company's valuation is adjusted to approximate rates which market participants would likely consider appropriate for relevant credit and liquidity risks. Due to the level of management judgment and estimate used in the valuation of financial instruments included within Level 3 of the fair value hierarchy, it is possible that other market participants could determine a materially different estimate of fair value for such instruments.

The following are the different types of the Company's financial instruments and their related classification in the fair value hierarchy:

U.S. Treasury securities

U.S. Treasury bills, notes and bonds are classified as Level 1 of the fair value hierarchy and are valued based on quoted market prices in active markets. Treasury strips are generally categorized as Level 2 of the fair value hierarchy as they are typically valued based on pricing sources with reasonable level of price transparency or derived from a treasury curve.

U.S. Government agency obligations

U.S. Government agency obligations comprise three main categories consisting of agency-issued debt, agency mortgage pass-through securities, and agency collateralized mortgage obligation (CMOs). Actively traded and quoted U.S. government agency obligations are generally categorized in level 1 of the fair value hierarchy while less actively traded US government agency obligations whereby the fair values are based upon model derived prices to quoted market prices and trade data for identical or comparable securities are generally categorized as level 2 of the fair value hierarchy. While agency-issued debt can be either Level 1 or Level 2 depending upon how they are valued (i.e., quoted prices versus model derived), agency mortgage pass through securities and agency CMOs, are valued based on broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency and are generally categorized as Level 2.

Other mortgage-backed securities

Private label mortgage-backed securities are valued based on price or spread data obtained from observed transactions when position-specific external price data are not observable, the fair value determination may require benchmarking to similar instruments and/or analyzing expected credit losses, default, and recovery rates. In evaluating the fair value of each security, the Company considers security collateral-specific attributes including payment priority, credit enhancement levels, type of collateral, delinquency rates, and loss severity. Market standard models may be deployed to perform the valuation.

Private label mortgage-backed securities are generally categorized in level 2 of the fair value hierarchy. If external prices or significant spread inputs are unobservable or if the comparability assessment involves significant subjectivity related to property type differences, cash flows, performance, and other inputs, then the securities are categorized in Level 3 of the fair value hierarchy.

Asset-backed securities

Asset-backed securities include, but are not limited to; securities backed by auto loans, credit card receivables, aircraft loans and student loans and are generally categorized within Level 2 of the fair value hierarchy. Valuations were determined using the Company's own trading activities for identical or similar instruments. If external prices or significant spread inputs are unobservable or if the comparability assessment involves significant subjectivity related to property type differences, cash flows, performance, and other inputs, then the securities are categorized in Level 3 of the fair value hierarchy.

Other debt securities

Other debt securities consist mainly of corporate bonds (including High Yield bonds). Corporate bonds that are measured primarily based on pricing data from observed market transactions of comparable size adjusted for bond or credit default swap spreads are generally classified as Level 2. If pricing or spread data is not available, valuation techniques (i.e., cash flow models) with unobservable inputs are used and the securities are classified as Level 3.

Equities

Exchange-traded equity securities are generally valued based on quoted prices from the exchange and are categorized as Level 1. Exchange-traded funds are classified as Level 1 if valuation is based upon prices from exchanges and Level 2 if valuation is based upon the fund's net asset value.

Non-exchange traded equity securities (i.e., private equity) are measured primarily using valuation prices observed through market comparables and are categorized within Level 3 of the fair value hierarchy.

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Derivatives

Derivative contracts can be exchange-traded or over-the-counter (OTC). Exchange-traded derivatives typically fall within Level 1 or Level 2 of the fair value hierarchy depending on whether they are deemed to be actively traded or not. The Company generally values exchange-traded derivatives using models which calibrate to market-clearing levels and eliminate timing differences between the closing price of the exchange-traded derivatives and their underlying instruments. In such cases, exchange-traded derivatives are classified within Level 2 of the fair value hierarchy.

OTC derivatives are valued using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Where models are used, the selection of a particular model to value an OTC derivative depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability of pricing information in the market. The Company generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs. For OTC derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be verified and model selection does not involve significant management judgment. OTC derivatives are classified within Level 2 of the fair value hierarchy when all of the significant inputs can be corroborated to market evidence.

Certain OTC derivatives trade in less liquid markets with limited pricing information, and the determination of fair value for these derivatives is inherently more difficult. Such instruments are classified within Level 3 of the fair value hierarchy. Where the Company does not have corroborating market evidence to support significant model inputs and cannot verify the model to market transactions, the transaction price is initially used as the best estimate of fair value. Accordingly, when a pricing model is used to value such an instrument, the model is adjusted so that the model value at inception is based on the transaction price. The valuations of these less liquid OTC derivatives are typically based on Level 1 and/or Level 2 inputs that can be observed in the market, as well as unobservable Level 3 inputs. Subsequent to initial recognition, the Company updates the Level 1 and Level 2 inputs to reflect observable market changes, with resulting gains and losses reflected within Level 3. Level 3 inputs are only changed when corroborated by evidence such as similar market transactions, third-party pricing services and/or broker or dealer quotations, or other empirical market data. In circumstances where the Company cannot verify the model value to market transactions, it is possible that a different valuation model could produce a materially different estimate of fair value.

Commercial paper and money market funds

Commercial paper and money market funds are generally valued based on quoted prices. Those prices obtained from active markets would be classified as Level 1. Remaining positions that are quoted in less active markets or are model based with observable market inputs are generally classified as Level 2.

State and municipal bond obligations

State and municipal bonds are generally valued based on the independent prices obtained from third party evaluated services. Where prices of recently executed market transactions of comparable size are easily observed, those are taken into consideration for arriving at the fair value. When independent prices are available for state and municipal bonds, these are categorized as Level 2 of the fair value hierarchy. If independent prices are not available, these are categorized as Level 3.

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(a) Recurring Fair Value Measurements

The following table sets forth by level within the fair value hierarchy financial instruments owned, at fair value, including those pledged as collateral, financial instruments sold, but not yet purchased, at fair value and other financial assets and financial liabilities accounted for at fair value on a recurring basis and under the fair value option as of June 30, 2015 (in millions). Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Level 1	Level 2	Level 3	Counterparty netting	Total
Assets:					
Cash equivalents	$ 33	—	—	—	33
Securities segregated for benefit of customers	2,600	2,043	—	—	4,643
Collateralized agreements and financings	—	59,437	—	(20,022)	39,415
Financial instruments owned					
U.S. Treasury securities	11,427	3,442	—	—	14,869
U.S. Government agency obligations	—	13,981	—	—	13,981
Other mortgage-backed securities	—	1,862	23	—	1,885
Asset-backed securities	—	1,840	50	—	1,890
Other debt securities	—	2,554	253	—	2,807
Equities	3,378	66	30	—	3,474
Derivatives:					
Interest rate contracts	—	710	165	(736)	139
Credit contracts	—	1,469	—	(1,469)	—
Equity contracts	713	954	13	(846)	834
Forward contracts	536	189	1	—	726
Commercial paper and money market funds	—	1,807	—	—	1,807
State and municipal bond obligations	—	208	114	—	322
Total financial instruments owned	16,054	29,082	649	(3,051)	42,734
Securities received as collateral (included in other assets)	—	242	—	—	242
Total recurring fair value measurements	$ 18,687	90,804	649	(23,073)	87,067

		Level 1	Level 2	Level 3	Counterparty netting	Total
Liabilities:						
Collateralized agreements and financings	$	—	32,256	1,160	(20,022)	13,394
Financial instruments sold, not yet purchased:						
U.S. Treasury Securities		11,316	310	—	—	11,626
U.S. government agency obligations		—	491	—	—	491
Asset-backed securities		—	45	—	—	45
Other debt securities		—	1,381	6	—	1,387
Equities		3,479	3	—	—	3,482
Derivatives:						
Interest rate contracts		—	729	21	(736)	14
Credit contracts		—	1,497	—	(1,469)	28
Equity contracts		739	664	17	(846)	574
Forward contracts		523	176	1	—	700
State and municipal bond obligations		—	32	—	—	32
Total financial instruments sold, not yet purchased		16,057	5,328	45	(3,051)	18,379
Obligation to return securities as collateral (included in other liabilities)		—	242	—	—	242
Total recurring fair value measurements	$	16,057	37,826	1,205	(23,073)	32,015

During the period ended June 30, 2015, the Company transferred certain equity contracts from level 2 to level 1 due to a change in methodology in defining an active market based upon liquidity of the product. As a result, listed options under this category that are within a range of 80% to 120% of the strike price coupled with an expiration date of less than 6 months were deemed level 1, which were previously classified as level 2. Due to this change, $811.1 million in fair value of equity contracts included in financial instruments owned and $631.0 million in fair value of equity contracts included in financial instruments sold, not yet purchased were transferred from level 2 to level 1 for the period ending June 30, 2015.

There were no other material transfers between level 1 and level 2 during the period ended June 30, 2015.

(b) Level 3 Financial Assets/Financial Liabilities

The table below presents the (1) valuation techniques and the nature of significant inputs generally used to determine the fair values of each type of level 3 financial asset/financial liability (in millions) and (2) the ranges of significant unobservable inputs used to value the Company's Level 3 financial assets/financial liabilities. These ranges represent the significant unobservable inputs that were used in the valuation of each type of financial asset/financial liability. The ranges of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one type of financial asset/financial liability. Accordingly, the ranges of inputs presented below do not represent uncertainty in, or possible ranges of, fair value measurements of the Company's Level 3 financial assets/financial liabilities.

	Level 3 at June 30, 2015							
	Assets	Liabilities	Valuation technique(s)	Significant unobservable input(s) (Level 3)	Range			
Collateralized agreements and financings	$	1,160	Market comparables	Repurchase agreement rate (bps*)	99	bps	291	bps
Financial instruments owned:								
Other mortgage backed securities	23	-	Discounted cash flow	Credit spread (bps*)	615	bps	1250	bps
			Discounted cash flow	Yield (%)	15%		15%	
			Discounted cash flow	Price (%)	0%		30%	
Asset backed securities	50	-	Discounted cash flow	Credit spread (bps*)	252	bps	615	bps
			Discounted cash flow	Yield (%)	12%		15%	
			Market Comparables	Price (%)	0%		64%	
Other debt securities	253	6	Discounted cash flow	Yield (%)	12%		15%	
			Discounted cash flow	Price (%)	3%		3%	
			Market comparables	Price (%)	0%		130%	
Equities	30	-	Market comparables	Price (%)	0%		20%	
Derivitives:								
Interest rate contracts	165	21	Discounted cash flow	Constant default rate (%)	1%		14%	
			Discounted cash flow	Constant prepayment rate (%)	6%		21%	
Equity contracts	13	17	Market comparables	Stock Volatility (%)	11%		86%	
Forward contracts	1	1	Market comparables	Price (%)	0%		97%	
State and municipal bond obligations	114	-	Market comparables	Price (%)	80%		110%	
	$ 649	$ 1,205						

The price input is a significant unobservable input for certain fixed income instruments. For these instruments, the price input is based upon a percentage of the notional amount with a price of $100 being at par value and the fair value is determined using pricing data for comparable instruments. Securities that have embedded features and/or high coupons may be priced higher than par. The price input is also a significant unobservable input for certain equity securities with the range of inputs varying depending upon the type, number of shares, and other factors.

The yield comprises of a benchmark reference index depending on the asset being assessed, and a credit spread that reflects the credit quality of the exposure. Credit spread is relevant for fixed income and credit instruments with the ranges for the credit spread input varying across instruments.

The constant prepayment rate is a significant unobservable input for certain interest rate contracts that are prepayment-driven and have amortizing features.

The constant default rate represents the percentage of outstanding principal balances in a pool that are in default and typically associated with collateralized products.

Stock volatility is a variable in option pricing formulas showing the extent to which the return of the underlying asset will fluctuate between the balance sheet date and the option's expiration date.

(c) Financial Instruments Not Measured at Fair Value

Certain of the Company's financial assets and liabilities, such as various collateralized agreements and financings, are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature.

The fair value represents management's best estimate of fair value based on a number of assumptions. The carrying value of short-term financial instruments not accounted for at fair value, as well as receivables and payables arising in the ordinary course of business, approximates fair value because of the relatively short period of time between their origination and expected realization. For longer term debt such as subordinated liabilities, the Company uses carrying value as a best estimate of fair value given that the interest rates on such debt resets to market rates at regular and frequent intervals. For other longer term interest bearing payables, as a practical expedient, the Company uses carrying value as an estimate of fair value.

The following table provides the carrying value and fair value of financial instruments which are not carried at fair value (in millions). The table excludes all non-financial instruments such as property, plant and equipment, tax assets and liabilities, and estimated accruals and provisions.

	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
Assets:					
Cash	$ 843	843	—	—	843
Cash and securities segregated for benefit of customers	870	560	310	—	870
Collateralized agreements and financings	48,901	—	48,901	—	48,901
Receivables:					
Customers	2,026	—	2,026	—	2,026
Noncustomers	24,051	—	24,051	—	24,051
Brokers, dealers, and clearing organizations	2,024	—	2,024	—	2,024
Other assets	1,578	14	1,564	—	1,578
Liabilities:					
Collateralized agreements and financings	$ 89,576	—	89,576	—	89,576
Payables:					
Customers	15,957	—	15,957	—	15,957
Noncustomers	396	—	396	—	396
Brokers, dealers, and clearing organizations	3,925	—	3,925	—	3,925
Loans	5,179	—	4,023	1,156	5,179
Other liabilities	546	—	546	—	546
Subordinated liabilities	6,723	—	6,723	—	6,723

(Continued)

(d) Fair Value Option

The Company elected the fair value option for certain portfolios of collateralized agreements and financings. The election was made as the particular portfolios are risk-managed and reported for internal purposes on a mark-to-market basis. These portfolios are traded to make profits from movements in interest rates and the traders' performances are assessed on this basis. The portfolios are priced to related market interest rates according to the collateral type and duration of the contract. The net present value is calculated daily and is based on changes in certain market curves and spreads.

(e) Derivative Activities

Derivative contracts are instruments, such as futures, forwards, swaps or option contracts that derive their value from underlying assets, indices, reference rates, or a combination of these factors. Derivative contracts may be privately negotiated contracts, which are often referred to as OTC derivatives, or they may be listed and traded on an exchange. Derivatives may involve future commitments to purchase or sell financial instruments, or to exchange currency or interest payment streams. The amounts exchanged are based on the specific terms of the contract with reference to specified rates, securities, currencies, or indices.

Substantially all of the Company's derivative 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 establishing hedges in related securities or derivatives. The Company does not apply hedge accounting under ASC 815 (*Derivatives and Hedging*) to any of its derivative contracts.

The following table sets forth the fair value and the number of the Company's derivative contracts by major product type on a gross basis as of June 30, 2015. Gross fair values in the table below exclude the effects of both netting under enforceable netting agreements and netting of cash received or posted pursuant to credit support agreements, and therefore are not representative of the Company's exposure (in millions, except number of contracts):

Derivative contract type		Derivative assets	Derivative liabilities	Notional amount	Number of contracts
Interest rate contracts	$	875	750	77,982	625
Credit contracts		1,469	1,497	34,126	2,087
Equity contracts		1,680	1,420	178,601	4,264
Futures contracts		-	-	39,776	115
Forward contracts		726	700	22,011	16,913
Subtotal		4,750	4,367	352,496	24,004
Counterparty netting (1)		(3,051)	(3,051)		
Total fair value	$	1,699	1,316		

(1) Represents the netting of receivable balances with payable balances for the same counterparty pursuant to ISDA agreements.

While the notional amounts disclosed above give an indication of the volume of the Company's derivative activity, the notional amount is not exchanged but rather used as a reference to calculate payments for most derivative transactions.

The Company generally enters into International Swaps and Derivative Association, Inc. (ISDA) master netting agreements or their equivalent with each of its counterparties, whenever possible. These master netting agreements provide protection in bankruptcy in certain circumstances and to further reduce default risk, the Company requires collateral, generally cash or securities in connection with its derivative transactions.

The following table presents information about the offsetting of derivative instruments and related collateral amounts (in millions). For information related to offsetting of collateralized agreements and financings, see note 4.

	Gross Amounts	Amounts Offset in the Statement of Financial Condition (1)	Net Amounts Presented in the Statement of Financial Condition	Collateral Received or Pledged	Net Amount (2)
Derivatives assets	$ 4,750	(3,051)	1,699	(834)	865
Derivatives liabilities	$ 4,367	(3,051)	1,316	(574)	742

(1) Includes amounts subject to enforceable master netting agreements which have been offset in accordance with applicable accounting guidance.
(2) Includes amounts subject to enforceable master netting agreements that have not met the requirements for offsetting in accordance with applicable accounting guidance or whereby management made an election not to offset. Also includes amounts that are eligible for offsetting to the extent an event of default has occurred and a legal opinion supporting enforceability of the right of offset has been obtained.

Derivative assets reflected above are subject to credit risk which arises from the failure of a counterparty to perform according to the terms of the contract.

Credit Derivatives – the Company enters into credit derivatives, principally through credit default swaps (CDS), under which it provides counterparties protection against the risk of default on a set of debt obligations issued by a specified reference entity or entities. A majority of the Company's counterparties are banks, broker-dealers, insurance and other financial institutions, and monoline insurers. The table below summarizes certain information regarding protection sold through credit default swaps and credit-linked notes as of June 30, 2015 (in millions):

		Protection sold				
		Maximum potential payout/notional				Fair value
Credit ratings of the		Years to maturity				asset
reference obligation		Less than 1	1 – 5	Over 5	Total	(liability) (1)
Single-name credit default swaps:						
AA+	$	—	—	10	10	—
A+		—	—	4	4	—
A-		—	—	5	5	—
BBB+		—	13	18	31	—
BBB-		—	14	—	14	—
Noninvestment grade		—	187	99	286	(63)
		—	214	136	350	(63)
Multi-name credit default swaps:						
Noninvestment grade	$	—	768	15,604	16,372	(1,648)
		—	768	15,604	16,372	(1,648)
Total protection sold	$	—	982	15,740	16,722	(1,711)

(1) Fair value amounts are shown on a gross basis prior to cash collateral or counterparty netting.

The maximum potential amounts of future payments under credit derivatives contracts are based on the notional value of credit derivatives. The Company believes that the maximum potential amount of future payments for credit protection sold does not represent the actual loss exposure based on historical experience. In addition, the maximum amount of future payments for credit protection sold has not been reduced for any cash collateral paid to counterparties. Payments under credit derivative contracts would be calculated after netting all derivative exposures with that counterparty in accordance with a related master netting agreement. Due to such netting processes, determining the amount of collateral that relates to credit exposures only is not possible.

Single-name and multi-name credit default swaps – A credit default swap protects the buyer against the loss of principal on a bond or loan in case of a default by the issuer. The protection buyer pays a periodic premium (typically quarterly) over the life of the contract and is protected for the period. The Company in turn will have to perform under a credit default swap if a credit event as defined under the contract occurs. Typical credit events include bankruptcy, dissolution, or insolvency of the referenced entity; failure to pay; the obligations of the referenced entity and restructuring of the obligations of the referenced entity. In order to provide an indication of the current payment status or performance risk of the credit default swaps, the external credit ratings, primarily Moody's credit ratings, of the underlying reference entity of the credit default swaps are disclosed.

Total return swaps – a total return swap transfers the risks relating to economic performance of a reference obligation from the protection buyer to the protection seller. Typically the protection buyer receives from the protection seller a floating rate of interest and protection against any reduction in fair value of the reference obligation, and in return the protection seller receives the cash flows associated with the reference obligation, plus any increase in the fair value of the reference obligation.

Purchased credit protection – for single-name and multi-name credit default swaps and total return swaps, the Company has purchased protection with a notional amount of $17.4 billion, compared with a notional amount of $16.7 billion of credit protection sold with identical underlying reference obligations. The purchase of credit protection does not represent the sole manner in which the Company risk manages its exposure to credit derivatives. The Company manages its exposure to these derivative contracts through a variety of risk mitigation strategies. Aggregate market risk limits have been established for credit derivatives, and market risk measures are routinely monitored against these limits. The Company may also recover amounts on the underlying reference obligation delivered to the Company under credit default swaps where credit protection was sold.

For the Company's OTC derivative contracts that are with related parties, there are no credit-risk-related contingent features in these contracts with provisions that require the Company to either settle immediately, or post additional collateral if its credit rating, or the credit rating of its affiliates, is downgraded.

(4) Securities Pledged as Collateral and Obligations to Return Collateral

The Company pledges firm-owned assets to collateralize repurchase agreements and other secured financings. Pledged securities that can be sold or re-pledged by the secured party are parenthetically disclosed in financial instruments owned, at fair value on the consolidated statement of financial condition.

In transactions where the Company acts as a lender in a securities lending agreement and receives securities that can be pledged or sold as collateral, it recognizes an asset on the consolidated statement of financial condition, representing the securities received, and a liability for the same amount, representing the obligation to return those securities. At June 30, 2015, included in other assets and other liabilities on the accompanying consolidated statement of financial condition was $242.3 million resulting from these transactions.

At June 30, 2015, the Company has received collateral of $58.1 billion and $83.2 billion under agreements to resell and securities borrowed, respectively, of which $53.5 billion and $73.9 billion, respectively, has been re-pledged as collateral for repurchase transactions, securities lending transactions, to meet margin requirements at clearing organizations and to facilitate short sales of customers, noncustomers and the Company.

At June 30, 2015 in the normal course of business, the Company was in possession of collateral in the amount of $79.3 billion and $57.3 billion from customers and noncustomers, respectively, of which $6.9 billion and $40.1 billion, respectively, has been pledged for securities lending transactions, repurchase transactions and to facilitate short sales of customers, noncustomers and the Company.

The Company enters into reverse repurchase agreements, repurchase agreements, securities borrowed and securities loaned to cover short positions and settle other securities obligations, to accommodate customers' needs and to finance the Company's inventory positions. The Company also monitors the market value of the underlying securities as compared to the related receivable or payable and may require additional collateral where appropriate to ensure such transactions are adequately collateralized. The following table presents information about the offsetting of these instruments and related collateral amounts (in millions). For information related to offsetting of derivatives, see note 3(e).

		Gross Amounts	Statement of Financial Condition (1)	Statement of Financial Condition	Collateral Received or Pledged (2)	Net Amount (3)
Assets						
Collateralized agreements and financings						
Securities purchased under agreements to resell	$	59,768	(19,678)	40,090	(40,090)	—
Securities borrowed		48,570	(344)	48,226	(46,994)	1,232
Total		108,338	(20,022)	88,316	(87,084)	1,232
Liabilities						
Collateralized agreements and financings						
Securities sold under agreements to repurchase	$	88,632	(19,678)	68,954	(68,954)	—
Securities loaned		34,360	(344)	34,016	(33,094)	922
Total		122,992	(20,022)	102,970	(102,048)	922

(1) Includes amounts subject to enforceable master netting agreements which have been offset in accordance with applicable accounting guidance.
(2) Collateral received or pledged represents securities received or pledged and does not consist of 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 or whereby management made an election not to offset. Also includes amounts that are eligible for offsetting to the extent an event of default has occurred and a legal opinion supporting enforceability of the right of offset has been obtained.

The Net Amount presented in the preceding table is not intended to represent the Company's actual exposure to credit risk as a variety of credit risk strategies are employed in addition to offsetting and collateral arrangements.

In accordance with ASU 860 (Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures), the following table sets forth a disaggregation of the gross obligation of collateralized financing by type of collateral with the remaining maturities of such financings (in millions).

		Remaining Contractual Maturity of the Agreements				
		Overnight and Continuous	Up to 30 days	30-90 days	Greater than 90 days	Total
Repurchase agreements						
US Treasury and agency securities	$	64,829	15,638	1,543	517	82,527
State and municipal securities		284				284
Asset-backed securities		830				830
Other debt securities		2,562	22			2,584
Equity securities		1,970	150	100		2,220
Other mortgage-backed securities		140				140
Other		47				47
Total		70,662	15,810	1,643	517	88,632
Securities lending transactions						
US Treasury and agency securities		2,138				2,138
Other debt securities		1,669				1,669
Equity securities		30,539				30,539
Other mortgage-backed securities						-
Other		13				13
Total		34,359	-	1	-	34,360
Total Borrowings	$	105,021	15,810	1,644	517	122,992
Gross amount of recognized liabilities for repurchase agreements and securities lending in preceding table						122,992
Amounts related to agreements not included in offsetting disclosures in preceding table						-

(5) Securitization Activities and Variable Interest Entities

(a) Securitization Activities

The Company engaged in securitization activities related to residential mortgage loans and other types of financial assets wherein the Company acts as an underwriter of the beneficial interests that are sold to investors. The Company may also transfer financial assets into securitizations. The Company derecognizes transferred financial assets when it has relinquished control over such assets.

Transferred assets are accounted for at fair value prior to securitization. The Company generally receives cash in exchange for transferred assets.

The Company may have retained interests in transferred financial assets. These retained interests would be classified as financial instruments owned, at fair value in the consolidated statement of financial condition and would be measured at fair value.

(b) Variable Interest Entities

The Company, in the ordinary course of business, creates or transacts with entities that are considered VIEs. The Company also purchases and sells variable interests in VIEs which primarily issue mortgage-backed and other asset-backed securities in connection with its market making activities and making investments in VIEs that hold performing and nonperforming debt, equity and other assets. The Company must evaluate its involvements in each VIE and determine whether it has a controlling financial interest in the VIE. For those VIEs where the Company determines that it has a controlling financing interest, it will consolidate the VIE. Substantially all of the consolidated assets of the VIE act as the collateral for the related consolidated liabilities.

The Company's variable interests in VIEs include senior and subordinated debt interests in mortgage-backed and asset-backed securitization vehicles. The Company's exposure to the obligations of VIEs is generally limited to its interests in these entities. The Company has aggregated nonconsolidated VIEs based on the principal business activities. The following table sets forth (in millions) the carrying amounts of assets in nonconsolidated VIEs in which the Company holds variable interests and the Company's maximum exposure to loss. In accordance with ASC 860 (*Transfers and Servicing*) and ASC 810 (*Consolidation*), the following table includes nonconsolidated VIEs in which the Company holds variable interests (and to which the Company sold assets and has continuing involvement as of June 30, 2015).

	Fair value of variable interests held	Maximum exposure of debt interests
Commercial mortgages	$ 2,573	$ 2,573
Asset backed securities	654	654
Collateralized debt obligations	737	737
Residential mortgages	282	282
	$ 4,246	$ 4,246

The Company's maximum exposure to loss presented in the preceding table does not reflect the benefit of offsetting financial instruments that are held to mitigate the risks associated with these variable interests.

The Company evaluates entities for consolidation under the "variable interest model" in accordance with Financial Accounting Standards Board (FASB) guidance. As of June 30, 2015, the Company had no interest in any consolidated VIEs due to a lack of controlling financial interest.

(6) Receivable from and Payable to Brokers, Dealers, and Clearing Organizations

Amounts receivable from and payable to brokers, dealers, and clearing organizations as of June 30, 2015 consist of the following (in millions):

		Receivable	Payable
Securities failed to deliver/receive	$	437	542
Receivable from clearing broker		16	—
Receivable from/payable to clearing organizations		1,444	2,954
Other		127	429
	$	2,024	3,925

Payable to clearing organizations primarily comprises payables for unsettled trades on a net basis. In addition, the Company clears certain of its proprietary and customer transactions through other broker-dealers on a fully disclosed basis, the receivable for which is included in receivable from clearing broker.

(7) Payables – Loans

The Company maintains an uncommitted bank loan facility whereby it may borrow funds on an unsecured or secured basis from the Bank at various rates approximating the Federal Funds rate of interest.

At June 30, 2015, all but $1.2 billion of the Company's borrowings, aggregating $5.2 billion, which are included in payables-loans in the accompanying consolidated statement of financial condition were with affiliates and were unsecured. At June 30, 2015, the weighted average interest rate on these borrowings was 1.73%. In addition, $4.0 billion of the borrowings were overnight or short-term.

(8) Other Assets and Other Liabilities

The significant components of the Company's other assets as of June 30, 2015 were as follows (in millions):

Receivables from affiliates	$	442
Current income tax receivable		437
Investment in unconsolidated subsidiary		357
Securities received as collateral under ASC 860-30, at fair value		242
Syndicate receivables		225
Accrued interest and dividends receivable		213
Employee deferred compensation plan assets		119
Deferred tax assets		35
Other		284
	$	2,354

The significant components of the Company's other liabilities as of June 30, 2015 were as follows (in millions):

Accrued compensation and benefits	$	1,090
Payables to affiliates		365
Accrued operating expenses		279
Obligation to return securities received as collateral under ASC 860-30, at fair value		242
Accrued interest and dividends payable		173
Current income tax liability		44
Other		977
	$	3,170

(9) Related-Party Transactions

The Company is involved in significant financing and other transactions, and has significant related-party balances with certain of its affiliates. Related party financing transactions are also discussed in notes 7 and 15.

Related-Party Assets and Liabilities

The following table sets forth assets and liabilities with related parties as of June 30, 2015 (in millions):

Assets:		
Cash and cash equivalents	$	715
Cash and securities segregated for benefit of customers		184
Securities purchased under agreements to resell		21,441
Securities borrowed		1,190
Financial instruments owned, at fair value		1,938
Receivable from customers		186
Receivable from noncustomers		24,007
Receivable from brokers, dealers, and clearing organizations		194
Other assets		906
	$	50,761

Liabilities:		
Securities sold under agreements to repurchase	$	50,546
Securities loaned		31,227
Payable to customers		1,679
Payable to noncustomers		161
Payable to brokers, dealers, and clearing organizations		2,407
Payables – loans		3,967
Financial instruments sold, but not yet purchased, at fair value		30
Other liabilities		542
Subordinated liabilities		6,723
	$	97,282

(Continued)

(10) Off Balance Sheet Risk and Concentrations of Credit Risk

(a) Market Risk

Market risk is the potential loss the Company may incur as a result of changes in the market value of a particular instrument. All financial instruments, including derivatives and short sales, are subject to market risk arising from changes in interest rates, credit spreads, foreign exchange rates, equity prices and commodity prices. The Company's exposure to market risk is determined by a number of factors, including the size, duration, composition, and diversification of positions held, the absolute and relative levels of interest rates and foreign currency exchange rates as well as market volatility and illiquidity. For instruments such as options and warrants, the time period during which the options or warrants may be exercised and the relationship between the current market price of the underlying instrument and the option's or warrant's contractual strike or exercise price also affects the level of market risk. The Company manages market risk through an agreed market risk management framework, policies, limits, management information systems and reporting, and related controls. A significant factor influencing the overall level of market risk to which the Company is exposed is its use of hedging techniques to mitigate such risk. As an independent risk function, Market Risk Management (MRM) implements the framework to systemically identify, assess, monitor and report the Company's market risk and to support effective management and mitigation. In this capacity, MRM works closely with risk takers in the business units and other control and support groups to ensure that the business units optimize the risk/reward relationship and do not expose the Company to unacceptable losses outside of our risk appetite.

(b) Credit Risk

The Company acts as a dealer of securities in the global capital markets and, consequently, has credit risk for the timely repayment of principal and interest regarding its holdings of securities. Credit risk is measured by the loss the Company would record if its counterparties failed to perform pursuant to the terms of their contractual obligations and the value of collateral held, if any, was not adequate to cover such losses. Specifically, the Company's potential credit loss exposure for contractual commitments is equal to the market or fair value of contractual commitments that are in a net asset position less the effect of master netting agreements. The Company has established controls to monitor the creditworthiness of counterparties, as well as the quality of pledged collateral, and uses master netting agreements whenever possible to mitigate the Company's exposure to counterparty credit risk. The Company may require counterparties to submit additional collateral when deemed necessary. The Company also enters into collateralized financing agreements in which it extends short-term credit, primarily to major financial institutions. The Company controls the collateral pledged by the counterparties, which consists largely of securities issued by the U.S. government or its agencies.

For derivative products, credit risk exposure is measured based on mark-to-market values instead of the notional amounts which are not representative of the associated credit risk. The credit risk exposures associated with exchange-traded futures & options (F&O) contracts and cleared over-the-counter (OTC) positions is largely mitigated as they are cleared by a central counterparty (CCP). Exchange traded F&O require the daily settlement of changes in mark-to-market values, while the changes in mark-to-market values of cleared OTC positions are met with variation margin on a daily basis. For both exchange traded F&O and cleared OTC exposures, initial margin posted to the CCP is a potential source of credit risk. Uncleared or bilaterally settled derivative transactions are negotiated contractual commitments possessing greater exposure to counterparty credit risk.

Concentrations of credit risk from financial instruments, including contractual commitments, exist when groups of issuers or counterparties have similar business characteristics or are engaged in like activities that would cause their ability to meet their contractual commitments to be adversely affected, in a similar manner, by changes in the economy or other market conditions. As a financial intermediary, the Company regularly transacts business with, and owns securities issued by, a broad range of governments, corporations, international organizations, central banks, and other financial institutions, which are economically and geographically diverse. The Company monitors credit risk on both an individual and group counterparty basis. The Company minimizes this risk through credit reviews, approvals, trading limits, and monitoring procedures.

(c) Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems and personnel or from external events. Operational risk includes legal risk but excludes business events and reputational risk. The Company categorizes operational risk among the following specialist risk types: Transaction Processing, Tax, Compliance, Regulatory, Financial Reporting/Recording, Vendor, Information Technology, Staff, Business Continuity, Fiduciary Service, Real Estate, Security, Origination and Execution.

Operational risks may disrupt the Company’s businesses which face risk arising from errors, inadvertent or intentional, made in the execution, confirmation or settlement of transactions or from transactions not being properly recorded, evaluated or accounted. The Company’s businesses are highly dependent on the ability to process, on a daily basis, a large number of transactions across numerous and diverse markets with certain transactions increasing in complexity. Consequently, there is heavy reliance on the Company’s financial, accounting and other data processing systems. If any of these systems do not operate properly, or are disabled, the Company could suffer financial loss, a disruption of its businesses, liability to clients, regulatory intervention and \ or reputational damage. Manual processes to supplement the current systems environment are also considered as a factor when reviewing operational risk.

While contingency plans are in place, the Company's ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports its businesses and the communities in which they are located. This may include a disruption due to terrorist activities, disease pandemics, as well as disruptions involving electrical, communications, transportation or other services used by the Company or counterparts with whom the Company conducts business.

(11) Commitments and Contingencies

(a) Commitments

Underwriting Commitments – in the normal course of business, the Company enters into underwriting transactions. There were no commitments relating to such underwritings open at June 30, 2015.

Letters of Credit – the Company has $675 million of uncommitted facilities with external banks permitting borrowing on an unsecured basis. As of June 30, 2015, $100,000 of this facility was utilized for letters of credit posted as margin to clearing organizations and none was utilized for other operational purposes.

Forward Secured Financings – the Company had commitments to enter into forward secured financing transactions, including certain reverse repurchase agreements of $23.7 billion and repurchase agreements of $24.1 billion as of June 30, 2015.

Customer Margin Financing – the Company's prime brokerage business enters into term margin agreements with selected customers covering the Company's collateralized margin lending activities. Term margin agreements are formal conditional commitments between the Company and the customer whereby the Company agrees not to change the terms of its agreement without providing a specific notice period. At June 30, 2015, the Company did not have an obligation to its customers to fund incremental debit balances of their accounts above the current debit balance amounts.

Leases – the Company has entered into various noncancelable lease agreements for premises and equipment that expire through 2024. Certain agreements are subject to periodic escalation provisions for increases in real estate taxes and other charges. Future minimum rental commitments under noncancelable leases with initial or remaining terms exceeding one year as of June 30, 2015 are presented below (in millions):

Period ending:		
2016	$	11.0
2017		10.0
2018		8.5
2019		7.9
2020		8.0
2021 and thereafter		25.2
Total	$	70.6

Other Commitments – other compensation related commitments of the Company totaled $1.5 million as of June 30, 2015.

(b) Contingencies

The Company operates in a legal and regulatory environment that exposes it to significant legal risks. As a result, the Company is involved in litigation, arbitration and regulatory proceedings in the ordinary course of business that claim substantial damages.

In accordance with ASC 450 (*Loss Contingencies*), the Company will accrue a liability when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In many lawsuits, regulatory proceedings and arbitrations, it is not possible to determine whether a liability has been incurred or to estimate the ultimate or minimum amount of that liability until the matter is close to resolution, in which event no accrual is made until that time. In view of the inherent difficulty of predicting the outcome of such matters, particularly in cases in which claimants seek substantial or indeterminate damages, the Company cannot determine the probability or estimate what the eventual loss or range of loss related to such matters will be. Subject to the foregoing, the Company continues to assess these matters and believes, based on information available to it, that the resolution of these matters will not have a material adverse effect on the financial condition of the Company. The actions against the Company as of June 30, 2015 include, but are not limited to, the following (listed in alphabetical order):

Amegy Bank v. DB Alex. Brown

On March 18, 2014, a civil judgment was entered in the Middle District of Florida against the Company, and in favor of Amegy Bank (Amegy). Amegy alleged that the Company converted Amegy's collateral when a DB private client, through the Company, sold securities the client had pledged to Amegy as collateral for a loan. On August 10, 2015, the 11th Circuit Court of Appeals affirmed the judgment. The Company filed a petition for re-hearing *en banc* on August 31, 2015.

Auction Rate Securities

The Bank and the Company, including a division of the Company, have been named as defendants in twenty-three actions, including two putative class actions, asserting various claims under the federal securities laws and state common law arising out of the sale of auction rate securities (ARS). All of those actions have been resolved or dismissed with prejudice.

BMY/Charter Litigation

On December 8, 2014, the United States Department of Justice (DOJ) filed a civil complaint against, among others, the Company, the Bank, and the Parent (collectively referred to in this section as Deutsche Bank), alleging that Deutsche Bank owes more than $190 million in taxes, penalties, and interest relating to two transactions that occurred between March and May 2000. The DOJ's complaint arises out of Deutsche Bank's March 2000 acquisition of Charter Corp. (Charter) and its subsequent sale in May 2000 of Charter to an unrelated entity called BMY Statutory Trust (the Trust). Charter's primary asset, both at the time of purchase by Deutsche Bank and sale to the Trust, was appreciated Bristol-Meyers Squibb Company (BMY) stock. When the BMY stock was sold by the Trust, the Trust offset its gain with a loss from an unrelated transaction. The Internal Revenue Service (IRS) subsequently disallowed the loss on audit exposing the BMY gain to taxation. The IRS assessed additional tax, penalties and interest against the Trust, which have not been paid. Relying on certain theories, including fraudulent conveyance, the DOJ is now seeking to recoup from Deutsche Bank the taxes, plus penalties and interest, owed by the Trust. Deutsche Bank filed a motion to dismiss the complaint on February 20, 2015.

Corporate Securities Matters

The Company regularly acts in the capacity of underwriter and sales agent for debt and equity securities of corporate issuers and is from time to time named as defendant in litigation commenced by investors relating to those securities.

The Company, along with numerous other financial institutions, has been sued in the United States District Court for the Southern District of New York in various actions in its capacity as underwriter and sales agent for debt and equity securities issued by American International Group, Inc. (AIG) between 2006 and 2008. The consolidated complaint alleges, among other things, that the offering documents failed to reveal that AIG had substantial exposure to losses due to credit default swaps, that AIG's real estate assets were overvalued, and that AIG's financial statements did not conform to US GAAP. On March 20, 2015, the court approved a settlement, funded by AIG, and releasing the Company from all claims.

The Company, along with numerous other financial institutions, was named as a defendant in a putative class action lawsuit pending in the United States District Court for the Southern District of New York relating to alleged misstatements and omissions in the registration statement of General Motors Company (GM) in connection with GM's November 18, 2010 initial public offering (IPO). The Company acted as an underwriter for the offering. On September 4, 2014, the court dismissed all of the plaintiffs' claims with prejudice. The court also denied plaintiffs' request for leave to further amend the complaint. On May 28, 2015, the Second Circuit affirmed the dismissal, and on July 9, 2015, the Second Circuit denied *en banc* review of plaintiffs' appeal. The underwriters, including the Company, received a customary indemnification agreement from GM as issuer in connection with the offerings.

The Company, along with numerous other financial institutions, was named as a defendant in two putative class action lawsuits pending in the United States District Court for the Southern District of New York relating to alleged misstatements and omissions in the securities filings of Vivint Solar Inc. (Vivint) in connection with Vivint's October 1, 2014 IPO, which actions were subsequently consolidated. The Company acted as one of several underwriters for the IPO. On May 6, 2015, defendants moved to dismiss the Second Amended Consolidated Complaint. Under the Private Securities Litigation Reform Act, discovery is stayed pending the court's resolution of the motions to dismiss. The underwriters, including the Company, received a customary indemnification agreement from Vivint as issuer in connection with the IPO.

The Company, along with numerous other financial institutions, was named as a defendant in a putative class action lawsuit pending in the United States District Court for the Southern District of California relating to alleged misstatements and omissions in the securities filings of SeaWorld Entertainment, Inc. (SeaWorld) in connection with SeaWorld's April 19, 2013 IPO and two secondary offerings, which occurred on or about December 12, 2013 and April 3, 2014 (collectively, SPOs). The Company acted as one of several underwriters for the SPOs. On May 29, 2015, defendants moved to dismiss the Amended Consolidated Class Action Complaint. Under the Private Securities Litigation Reform Act, discovery is stayed pending the court's resolution of the motions to dismiss. The underwriters, including the Company, received a customary indemnification agreement from SeaWorld as issuer in connection with the SPOs.

The Company, along with certain other financial institutions, was named as a defendant in a putative class action lawsuit pending in the United States District Court for the Central District of California relating to alleged misstatements and omissions in the securities filings of 500.com Limited (500.com) in connection with 500.com's November 22, 2013 IPO. The Company acted as one of several underwriters for the IPO. By order dated July 17, 2015, the court set a schedule whereby lead plaintiff may file an amended complaint by September 15, 2015. Under the Private Securities Litigation Reform Act, discovery is stayed pending the court's resolution of the anticipated motions to dismiss. The underwriters, including the Company, received a customary indemnification agreement from 500.com as issuer in connection with the IPO.

The Company, along with numerous other financial institutions, was named as a defendant in three putative class action lawsuits brought by purchasers of American Realty Capital Properties, Inc. (ARCP) securities alleging violations of the federal securities laws with respect to, among other things, ARCP's May 21, 2014 issuance and sale of 138,000,000 shares of common stock (Secondary Offering). The Company acted as one of several underwriters of the ARCP Secondary Offering. On May 29, 2015, Defendants moved to dismiss the Amended Consolidated Complaint. Under the Private Securities Litigation Reform Act, discovery is stayed pending the court's resolution of the motions to dismiss. The underwriters, including the Company, received a customary indemnification agreement from ARCP as issuer in connection with the Secondary Offering.

Credit Default Swaps (CDS) Information Market

On July 1, 2013, the European Commission (EC) issued a Statement of Objections (the SO) against the Bank, including the Company, Markit Group Limited (Markit), ISDA, and twelve other banks alleging anti-competitive conduct under Article 101 of the Treaty on the Functioning of the European Union (TFEU) and Article 53 of the European Economic Area Agreement (the EEA Agreement). The SO sets forth preliminary conclusions of the EC that (i) attempts by certain entities to engage in exchange trading of unfunded credit derivatives were foreclosed by improper collective action in the period from 2006 through 2009, and (ii) the conduct of Markit, ISDA, the Bank and the twelve other banks constituted a single and continuous infringement of Article 101 of the TFEU and Article 53 of the EEA Agreement. If the EC finally concludes that infringement occurred, it may seek to impose fines and other remedial measures on the Bank, including the Company, Markit, ISDA and the twelve other banks. The Bank, along with certain affiliates, including the Company, filed a response contesting the EC's preliminary conclusions in January 2014. The Bank and other SO addressees presented orally the key elements of their responses at an oral hearing in May 2014. Following the oral hearing, the EC announced its intention to carry out a further investigation of the facts.

(Continued)

In addition, a multi-district civil class action is currently pending in the United States District Court for the Southern District of New York against the Bank, including the Company, and numerous other CDS dealer banks, as well as Markit and ISDA. Plaintiffs filed a second consolidated amended class action complaint on April 11, 2014 alleging that the banks conspired with Markit and ISDA to prevent the establishment of exchange traded CDS, with the effect of raising prices for over-the-counter CDS transactions. Plaintiffs seek to represent a class of individuals and entities located in the United States or abroad who, during a period from January 1, 2008 through December 31, 2013, directly purchased CDS from or directly sold CDS to the dealer defendants in the United States. On July 17, 2015, the Bank reached a confidential settlement-in-principle to resolve the litigation. The settlement-in-principle is subject to reaching a final binding agreement and is subject to court approval.

Dole Food Company Matter

The Company and an affiliate of the Company have been named as co-defendants in a class action pending in Delaware Court of Chancery that was brought by former shareholders of Dole Food Company, Inc. (Dole). Plaintiffs alleged that defendant David H. Murdock and certain members of Dole's board and management (who are also named as defendants) breached their fiduciary duties, and the Company and its affiliate aided and abetted in those breaches, in connection with Mr. Murdock's privatization of Dole, which closed on November 1, 2013 (the Transaction). Plaintiffs claimed approximately $642 million in damages against all defendants and are also seeking an award of interest, disgorgement of any gains by the Company and its affiliate arising out of the Transaction, and costs and disbursements. Trial in this matter concluded on March 9, 2015. On August 27, 2015, the Delaware Court of Chancery issued its post-trial decision, which found that the Company and its affiliate were not liable for aiding and abetting breaches of fiduciary duties. The Court of Chancery's August 27 decision also found that Mr. Murdock and Dole's former President, Michael Carter, breached their fiduciary duties to Dole's shareholders, holding them responsible for damages of approximately $148 million, prior to the application of pre- and post-judgment interest. The deadline for the parties to file any appeals is thirty days after entry of a judgment, which has not yet taken place. The Company and its affiliate are parties to customary indemnity agreements from Dole (and certain of Mr. Murdock's affiliated entities) in connection with the Transaction, and the Company and its affiliate have notified Dole (and the relevant Murdock affiliates) that they are seeking indemnity.

Green Mountain (Stiller and Davis)

The Company has been named in a FINRA arbitration complaint filed by Robert Stiller, former CEO, President and Chairman of Green Mountain Coffee Roasters (GMCR) alleging that GMCR stock was wrongfully liquidated from his Margin Accounts. Stiller makes several claims including breach of contract and duty of good faith and seeks monetary damages of no less than $300 million. The Company has also been named in a similar FINRA arbitration complaint filed by William Davis, former member of the Board of Directors of GMCR. Davis also alleges that GMCR stock was wrongfully liquidated from his Margin Accounts, asserts similar claims and seeks monetary damages of no less than $38 million.

High Frequency Trading

The Company has received requests for information from certain regulatory authorities related to high frequency trading and the operation of the Bank's alternative trading system (ATS or Dark Pool), SuperX. The Company is cooperating with these requests. The Bank was initially named as a defendant in putative class action complaints alleging violations of U.S. securities laws related to high frequency trading, but in their consolidated amended complaint filed September 2, 2014, the plaintiffs did not include the Bank as a defendant.

Interbank Offered Rates

On May 20, 2013, plaintiff Salix Capital US Inc. (Salix), on their own behalf and as assignee of the Frontpoint Funds, filed a complaint alleging that the Bank and the Company, along with various other financial institutions, conspired to manipulate LIBOR for the period from August 2007 to May 2010. On October 6, 2014, Salix filed its Second Amended Complaint and plaintiffs Principal Funds, Inc., Principal Variable Contracts Funds, Inc., Principal Financial Group, Inc., Principal Financial Services, Inc. and Principal Life Insurance Company filed Amended Complaints asserting similar allegations against the Bank, and adding the Company as a defendant. On November 5, 2014, defendants moved to dismiss these complaints. On August 4, 2015, the Company was dismissed as a defendant in these actions.

On April 23, 2015, Deutsche Bank AG entered into separate settlements with the U.S. Department of Justice, the U.S. Commodity Futures Trading Commission, the U.K. Financial Conduct Authority, and the New York State Department of Financial Services to resolve investigations into misconduct concerning the setting of certain interbank offered rates. The Company is not a named party to the settlements, however, the settlements may have an impact on the Bank's ability to defend against the litigations.

The exchange-based class action is the lead action in the USD LIBOR multi-district litigation in the Southern District of New York brought by plaintiffs who allegedly traded exchange-listed Eurodollar futures and options and claim that defendants coordinated to make artificial USD LIBOR submissions. On July 31, 2015, defendants filed a letter with the court responding to plaintiffs' letter requesting leave to file a proposed third amended complaint, which would add the Company as a defendant in this action, among other changes. Defendants responded that consideration of plaintiffs' request should be deferred until after the court decides the pending motion to dismiss the operative complaint for lack of personal jurisdiction over certain foreign defendants.

MF Global Litigations

The Company, along with numerous other securities firms and individuals, has been named as an underwriter defendant in a consolidated class action lawsuit pending in the United States District Court for the Southern District of New York relating to certain debt and equity securities issued by MF Global Holdings Ltd. The lawsuit alleges material misstatements and omissions in a registration statement and prospectuses.

On November 25, 2014, the Company and certain other settling underwriter defendants executed a Stipulation and Agreement of Settlement and Dismissal with the lead plaintiffs in the Class Action (the Class Action Settlement). On December 12, 2014, the court preliminarily approved the Class Action Settlement and scheduled a final approval hearing for June 26, 2015. Following a hearing on that date, the court entered a judgment granting final approval to the Class Action Settlement.

On November 25, 2014, the Company also executed a Settlement Agreement and General Release in AG Oncon, et al. v. Corzine et al. (the AG Oncon Action). The AG Oncon Action, which was consolidated with the Class Action for pretrial purposes, was an individual action that asserted claims against the Company that were substantially similar to those asserted in the Class Action. On January 5, 2015, in accordance with the Settlement Agreement and General Release in the AG Oncon Action, the court entered a judgment dismissing with prejudice all claims against the Company and certain other settling underwriter defendants.

Mortgage-Related and Asset-backed Securities Matters and Investigation

The Company, along with certain affiliates (collectively referred to in this section as Deutsche Bank), have received subpoenas and requests for information from certain regulators and government entities, including members of the Residential Mortgage-Backed Securities Working Group of the U.S. Financial Fraud Enforcement Task Force, concerning its activities regarding the origination, purchase, securitization, sale and/or trading of mortgage loans, residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), collateralized debt obligations, other asset-backed securities and credit derivatives. Deutsche Bank is cooperating fully in response to those subpoenas and requests for information.

Deutsche Bank has been named as a defendant in a civil action brought by the Commonwealth of Virginia asserting claims for fraud and breach of the Virginia Fraud Against Taxpayers Act as a result of purchases by the Virginia Retirement System (VRS) of RMBS underwritten by the Company. The Company is one of thirteen financial institutions named as defendants. The complaint alleges damages of $1.15 billion in the aggregate against all defendants but does not specify the damages sought from each defendant. The action was originally filed under seal by a private party and was unsealed on September 16, 2014, after the Attorney General for Virginia decided to intervene in the action. The Company is contesting VRS's assertion that the Virginia state court can exercise personal jurisdiction over it. The case is stayed while the parties participate in mediation.

Deutsche Bank has been named as defendant in numerous other civil litigations in connection with its roles in offerings of RMBS and other asset-backed securities. These cases, described below, include putative class action suits and actions by individual purchasers of securities. Although the allegations vary by lawsuit, these cases generally allege that the RMBS offering documents contained material misrepresentations and omissions, including with regard to the underwriting standards pursuant to which the underlying mortgage loans were issued.

Deutsche Bank is a defendant in putative class actions relating to its role, along with other financial institutions, as underwriter of RMBS issued by IndyMac MBS, Inc. On September 8, 2014, Deutsche Bank, certain other financial institution defendants and lead plaintiffs executed a stipulation to settle the action. On September 30, 2014, the court issued an order certifying the class for settlement and approving notice to the class. On February 23, 2015, the court issued an order approving the settlement and dismissing the action. Under the settlement, all settling defendants paid a total of $340 million. The settlement amount was not materially different than the amount reserved. On March 25, 2015, Pacific Investment Management Company, LLC (PIMCO) filed a notice of appeal of the court's February 23, 2015 order, but withdrew the appeal on June 11, 2015.

Deutsche Bank is a defendant in a putative class action relating to its role, along with other financial institutions, as underwriter of RMBS issued by Novastar Mortgage Corporation. On February 4, 2015, the court issued an order vacating its prior decision that had dismissed five of six RMBS offerings from the case. The court ordered the plaintiffs to amend the operative complaint to include the previously dismissed offerings. Discovery in the action, which had been stayed while the plaintiffs' motion had been pending, is now ongoing.

Deutsche Bank is a defendant in various non-class action lawsuits and arbitrations by alleged purchasers of, and counterparties involved in transactions relating to, RMBS, and their affiliates, including Aozora Bank, Ltd., Commerzbank AG, the Federal Deposit Insurance Corporation (as conservator for Colonial Bank, Franklin Bank S.S.B., Guaranty Bank, Citizens National Bank and Strategic Capital Bank), the Federal Home Loan Bank of Boston, the Federal Home Loan Bank of San Francisco, the Federal Home Loan Bank of Seattle, Knights of Columbus, Phoenix Light SF Limited (as purported assignee of claims of special purpose vehicles created and/or managed by

WestLB AG), Royal Park Investments (as purported assignee of claims of a special purpose vehicle created to acquire certain assets of Fortis Bank), Sealink Funding Ltd. (as purported assignee of claims of special purpose vehicles created and/or managed by Sachsen Landesbank and its subsidiaries), Texas County & District Retirement System and The Charles Schwab Corporation.

On December 18, 2014, a stipulation was filed dismissing with prejudice claims brought against Deutsche Bank by Massachusetts Mutual Life Insurance Company (Mass Mutual) relating to offerings issued by entities affiliated with Countrywide Financial Corporation (Countrywide). Deutsche Bank's understanding is that the dismissal with respect to these offerings was pursuant to a confidential settlement agreement to which Deutsche Bank was not a party. Deutsche Bank is a defendant in separate litigation brought by Mass Mutual relating to certificates not issued by entities affiliated with Countrywide. On July 22, 2015, Deutsche Bank and Mass Mutual entered into a settlement agreement to resolve all pending claims against Deutsche Bank. Pursuant to the settlement agreement, the pending actions will be dismissed following payment by Deutsche Bank of the settlement amount. The terms of the settlement are confidential.

On June 17, 2015, the court granted defendants' motion to dismiss the RMBS-related claims brought by Commerzbank AG against Deutsche Bank and several other financial institutions. Commerzbank AG filed a notice to appeal on July 23, 2015. On August 17, 2015, Commerzbank AG withdrew its appeal.

In 2012, the Federal Deposit Insurance Corporation (FDIC), as receiver for Colonial Bank, Franklin Bank S.S.B., Guaranty Bank, Citizens National Bank and Strategic Capital Bank, commenced several actions in different federal courts asserting claims under Section 11 and 12(a)(2) of the 1933 Securities Act, as well as Article 581-33 of the Texas Securities Act, against several underwriters, including Deutsche Bank. Each of these actions has been dismissed as time-barred. The FDIC has appealed these rulings to the Second, Fifth and Ninth Circuits Courts of Appeal. On August 10, 2015, the Fifth Circuit reversed this ruling, and on August 24, 2015, Deutsche Bank filed a motion for rehearing *en banc*. The appeals in the Second and Ninth Circuits are still pending.

On January 14, 2015, the court granted Deutsche Bank's motion to dismiss the action brought against it by Aozora Bank, Ltd., relating to a collateralized debt obligation identified as Blue Edge ABS CDO Ltd. On March 31, 2015, the court denied Aozora Bank, Ltd.'s motion to reargue, or, in the alternative, to file an amended complaint.

In the actions against Deutsche Bank solely as an underwriter of other issuers' RMBS offerings, Deutsche Bank has contractual rights to indemnification from the issuers, but those indemnity rights may in whole or in part prove effectively unenforceable where the issuers are now, or may in the future be, in bankruptcy or otherwise defunct.

Deutsche Bank has entered into agreements with certain entities that have threatened to assert claims against the Company in connection with various RMBS offerings and other related products to toll the relevant statutes of limitations. It is possible that these potential claims may have a material impact on Deutsche Bank. In addition, Deutsche Bank has entered into settlement agreements with some of these entities, the financial terms of which are not material to Deutsche Bank**.**

Precious Metals Investigations and Litigations

The Bank and its subsidiaries and affiliates, including the Company, have received requests for information from certain regulatory and law enforcement authorities who are investigating trading, and various other aspects of, precious metals. The Bank is cooperating with these investigations. The Bank and its subsidiaries and affiliates, including the Company, are named as defendants in several putative class action complaints pending in the United States District Court for the Southern District of New York alleging violations of U.S. antitrust law and the U.S. Commodity Exchange Act related to the alleged manipulation of gold and silver prices through participation in the Gold and Silver Fixes.

STS Partners Fund, LP and Burgess Creek Master Fund Ltd.

On October 22, 2014, plaintiffs STS Partners Fund, LP and Burgess Creek Master Fund Ltd. commenced an action in New York State Supreme Court against the Company and another affiliate of the Bank, as well as Wells Fargo Bank, N.A., seeking $15 million of alleged damages plus punitive damages and costs and fees in connection with the termination of a resecuritization of RMBS. Plaintiffs allege that defendants improperly terminated the resecuritization and that plaintiffs, who owned certain interest-only certificates in the resecuritization, were injured as a consequence. Deutsche Bank has filed a motion to dismiss. The court has stayed discovery pending a decision on Deutsche Bank's motion to dismiss.

Tax-Related Litigation

The Bank, along with certain affiliates, including the Company, and current and/or former employees (collectively referred to in this section as Deutsche Bank), have collectively been named as defendants in a number of legal proceedings brought by customers in various tax-oriented transactions. Deutsche Bank provided financial products and services to these customers, who were advised by various accounting, legal and financial advisory professionals. The customers claimed tax benefits as a result of these transactions, and the United States IRS has rejected those claims. In these legal proceedings, the customers allege that the professional advisors, together with Deutsche Bank, improperly misled the customers into believing that the claimed tax benefits would be upheld by the IRS. The legal proceedings are pending in state and federal courts, and claims against Deutsche Bank

(Continued)

are alleged under both U.S. state and federal law. Numerous legal proceedings have been resolved and dismissed with prejudice with respect to Deutsche Bank. A number of other legal proceedings have been filed and remain pending against Deutsche Bank and are currently at various pre-trial stages, including discovery. Deutsche Bank has received and resolved a number of unfiled claims as well. Deutsche Bank does not expect these pending legal proceedings to have a significant effect on its financial position or profitability.

Trust Preferred Securities

The Bank and certain of its affiliates and officers, including the Company, were the subject of a consolidated putative class action, filed in the United States District Court for the Southern District of New York, asserting claims under the federal securities laws on behalf of persons who purchased certain trust preferred securities issued by the Bank and its affiliates between October 2006 and May 2008. The court dismissed the plaintiffs' consolidated amended complaint with prejudice, which was affirmed by the United States Court of Appeals for the Second Circuit. On July 30, 2014, the plaintiffs filed a petition for rehearing and rehearing *en banc* with the Second Circuit. On October 16, 2014, the Second Circuit denied the petition. In February 2015, the plaintiffs filed a petition for a writ of certiorari seeking review by the United States Supreme Court. On June 8, 2015, the Supreme Court granted plaintiffs' petition, vacated the judgment, and remanded the case to the Second Circuit for further consideration in light of its recent decision in *Omnicare, Inc.* v. *Laborers District Council Construction Industry Pension Fund*. On July 21, 2015, the Second Circuit vacated the district court's judgment and remanded the case to the district court for further consideration in light of the *Omnicare* decision. .On July 27, 2015, the defendants filed a motion seeking dismissal of plaintiffs' complaint.

U.S. Treasury Securities Civil Litigations

The Company has been named as a defendant in several putative class action complaints pending in the United States District Court for the Southern District of New York alleging violations of U.S. antitrust law, the U.S. Commodity Exchange Act, and common law related to the alleged manipulation of the U.S. Treasury securities market. These cases are in their early stages.

(12) Obligations under Guarantees

The Company has obligations under certain guarantee arrangements, including contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in an underlying measure (such as an interest or foreign exchange rate, security or commodity price, an index or the occurrence or nonoccurrence of a specified event) related to an asset, liability or equity security of a covered party. Also included as guarantees are contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement, as well as indirect guarantees of the indebtedness of others.

The Company enters into certain derivative contracts that meet the accounting definition of a guarantee under ASC 460 (*Guarantees*). Such derivative contracts include certain written options, contingent forward contracts and credit default swaps. Although the Company's derivative arrangements do not specifically identify whether the derivative counterparty retains the underlying asset, liability or equity security, the Company has disclosed information regarding all derivative contracts that could meet the accounting definition of a guarantee. In order to provide information regarding the maximum potential amount of future payments that the Company could be required to make under certain derivative contracts, the notional amount of the contracts has been disclosed.

The Company records all derivative contracts at fair value. Aggregate market risk limits have been established, and market risk measures are routinely monitored against these limits. The Company also manages its exposure to these derivative contracts through a variety of risk mitigation strategies, including, but not limited to, entering into offsetting economic hedge positions. The Company believes that the notional amounts of the derivative contracts generally overstate its exposure.

The Company also provides guarantees to securities and derivatives clearing houses and exchanges. Under the standard membership agreement, members are required to guarantee the performance of other members. Under the agreements, if another member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet shortfalls. The Company's liability under these arrangements is not quantifiable and could exceed the cash and securities it has posted as collateral. However, the potential for the Company to be required to make payments under these arrangements is remote. Accordingly, no contingent liability is carried on the consolidated statement of financial condition for these transactions.

In connection with its prime brokerage business, the Company provides to counterparties guarantees of the performance of its prime brokerage clients. Under these arrangements, the Company stands ready to meet the obligations of its customers with respect to securities transactions. If the customer fails to fulfill its obligation, the Company must fulfill the customer's obligation with the counterparty. The Company is secured by assets in the customer's account as well as any proceeds received from the securities transaction entered into by the Company on behalf of the customer. No contingent liability is carried on the consolidated statement of financial condition as the Company believes that potential for loss under these arrangements is remote.

In connection with its securities clearing business, the Company performs securities execution, clearance and settlement services on behalf of other broker-dealer clients for whom it commits to settle, with the applicable clearinghouse, trades submitted for or by such clients; trades are submitted either individually, in groups or series or, if specific arrangements are made with a particular clearinghouse and client, all transactions with such clearing entity by such client. The Company's liability under these arrangements is not quantifiable and could exceed any cash deposit made by a client. However, the potential for the Company to be required to make unreimbursed payments under these arrangements is remote due to the contractual requirements associated with clients' activity and the regular review of clients' capital.

Accordingly, no contingent liability is carried on the consolidated statement of financial condition for these transactions.

The Company utilizes Pershing LLC (Pershing), a nonaffiliated broker-dealer, as its clearing agent for general securities brokerage transactions. Pershing carries the cash and margin accounts for the Company's retail brokerage customers on a fully disclosed basis. The Company is responsible for the initial and any subsequent margin requirement for any transaction in the event a customer of the Company were to fail to fulfill its obligation to Pershing. The Company is secured by assets in the customer's account. Accordingly, no contingent liability is carried on the consolidated statement of financial condition for these transactions.

The table below summarizes certain information regarding the Company's credit default swap derivative contracts that meet the definition of a guarantee as of June 30, 2015 (in millions):

Type of guarantee		Maximum potential payout/ notional years to maturity: Less than 1	1 – 5	Over 5	Total	Amount of asset/ (liability)	Collateral/ recourse
Notional amount of derivative contracts	$	—	982	15,739	16,721	(1,711)	—
Financial guarantees issued		—	1,374	—	1,374	—	—

(13) Employee Benefit Plans

(a) Defined Benefit Pension Plan

Along with other affiliates of DBAH, the Company participates in the DBAH Cash Account Pension Plan. The plan is a tax qualified, noncontributory defined benefit cash account pension plan that covers substantially all employees who have completed one full year of service and were hired on or before December 31, 2004. An employee's pension account is credited each year with 6.5% of base salary plus bonus amounts up to 75% of base salary up to limits established by the Internal Revenue Service (IRS). Accounts are also credited each year with an interest credit equivalent to the annual rate of interest of 30 year U.S. Treasury securities. The funding policy has been to contribute at least the amount required to satisfy the Employee Retirement Security Act of 1974 minimum funding requirements.

The plan was closed to new participants effective December 31, 2004.

(b) Defined Contribution Plan – Matched Savings Plans

The Company participates, together with other affiliates of DBAH in a tax qualified 401(k) plan. Employees are able to contribute from 1-20%. As of July 1, 2014, participants are allowed to contribute up to 40% of their eligible compensation on a before-tax and/or after-tax basis, up to IRS limits. For employees hired before January 1, 2005, after a participant has completed six months of service the Company matches dollar for dollar up to 5% of eligible compensation, up to a maximum of $4,000 per year.

Effective January 1, 2005, the plan was amended for employees hired on or after January 1, 2005. Participants who have completed six months of service receive a Company matching contribution of up to 4% of eligible compensation, up to the IRS annual compensation maximum. In addition, participants employed less than 10 years receive a Company fixed contribution equal to 4% of the first $100,000 of eligible compensation. Participants employed 10 or more years receive a Company fixed contribution equal to 6% of the first $100,000 of eligible compensation.

(c) Share-Based Compensation

The Company participates in the Deutsche Bank Equity Plan and the Global Share Purchase Plan, where the Bank grants employees of the Company deferred share awards which provide the right to receive common shares of the Bank at specified future dates. The vesting period of the awards is generally from three years to four and a half years.

The Bank adopted guidance in accordance with ASC Topic 718 effective January 1, 2006. For transition purposes, the Bank elected the modified prospective application method. Under this application method, ASC Topic 718 applies to new awards and to awards modified, repurchased, or canceled after the required effective date.

The Bank enters into call options, indexed to its common shares in order to hedge the overall cost associated with employee share-based compensation awards for period ended June 30, 2015, the Company was allocated a loss of approximately $34.3 million related to its portion of the overall net loss realized by the Bank that was attributable to share-based awards granted to the Company's employees. These amounts have been reflected as an adjustment to the Company's paid-in capital in excess of par value.

(d) Cash Retention Plan

The Company participates in the DB Restricted Incentive Plan, a cash retention plan of the Bank, under which Restrictive Incentive Awards (RIA) are granted as deferred cash compensation. The RIA consists of three tranches each amounting to one third of the grant volume. It is subject to a three-year pro-rata vesting period during which time specific forfeiture conditions apply. In line with regulatory requirements this plan includes performance-indexed clawback rules for the most senior employees. Thus, there is the possibility that parts of the awards will be subject to forfeiture in the event of non-achievement of defined targets, breach of policy or financial impairment.

(14) Income Taxes

Significant components of the Company's deferred tax assets and liabilities as of June 30, 2015 were as follows (in millions):

Deferred tax assets:		
Deferred book gain		86
Depreciation		26
State and local tax net operating losses		34
Litigation and other reserves		67
Pension and post retirement benefits		4
Charitable contribution carryforward		2
Nondeductible interest expense		2
Other		7
Gross deferred tax assets		228
Valuation allowance		(6)
Deferred tax assets, net of valuation allowance		222
Deferred tax liabilities:		
Deferred compensation		(105)
Accrued rental expense		(69)
Investment in securities		(13)
Gross deferred tax liabilities		(187)
Net deferred tax assets	$	35

During 2013, the Company executed an addendum to the tax sharing agreement whereby it was reimbursed for its federal temporary differences in the amount of $867.1 million by an affiliate of DBNY. Additionally in 2014, the Company was reimbursed for the federal temporary differences in the amount of $15.0 million. Therefore, the cumulative reimbursement for the temporary differences as of June 30, 2015 is $882.1 million. In the absence of such addendum, the Company's net deferred tax asset position as of June 30, 2015 would have been $916.9 million.

The Company believes it is more likely than not that the results of future operations will generate sufficient taxable income to realize the net deferred tax assets. The realization of the Company' net deferred tax assets are also impacted by the Bank's various strategic initiatives.

The Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, on January 1, 2007. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in millions):

Balance at January 1, 2015	$	44
Additions based on tax positions related to the current year		—
Additions for tax positions of prior years		—
Reductions for tax positions of prior years		—
Settlements		—
Balance at June 30, 2015	$	44

The effect of the unrecognized tax benefits of $44.2 million, if recognized, would impact the effective tax rate of the Company.

The Company or its subsidiaries remain subject to income tax examinations in certain U.S. state and local jurisdictions for years after 2004 and the U.S. federal jurisdiction for years after 2009.

Pursuant to ASC 718, excess tax benefits are recognized as additional paid-in capital in the period the benefit is realized. The write-off of a deferred tax asset related to a tax deficiency is first offset against any existing additional paid-in capital that resulted from previously realized excess tax benefits from previous awards accounted for in accordance with ASC 718. During 2015, a tax shortfall of $2.6 million occurred, which was a result of the tax deduction being less than the cumulative book compensation cost. This is reflected as a decrease in stockholder's equity and the Company's pool of tax benefits (APIC pool).

(15) Subordinated Liabilities

The Company has a subordinated loan agreement with its Parent under which it borrowed $6.7 billion. This subordination agreement, which has an initial maturity date of September 25, 2016, has been approved by FINRA and qualifies as regulatory capital for the purpose of computing net capital under SEC Rule 15c3-1. To the extent that the outstanding subordinated liability is required for the Company’s continued compliance with its net capital requirements, the subordinated liability may not be repaid.

The subordinated loan agreement requires the payment of interest at floating rates based on the London Interbank Offered Rate plus 85 basis points. At June 30, 2015, the interest rate on this facility was 1.13%. The Company must obtain the approval of FINRA prior to any additional subordinated borrowings or repayments.

(16) Regulatory Requirements

SEC Uniform Net Capital Rule

The Company is subject to the SEC's Uniform Net Capital Rule (15c3-1), which requires the maintenance of minimum net capital.

The Company has elected to use the alternative method, permitted by the Rule, which requires that it maintain minimum net capital, as defined, equal to the greater of $1.5 million, 2% of aggregate debit balances arising from customer securities transactions, as defined, or the CFTC minimum net capital requirement, as defined. Additionally, equity capital may not be withdrawn or cash dividends paid if resulting net capital would be less than 5% of aggregate debits. As of June 30, 2015, the Company had net capital of $11.6 billion, which was 48.47% of aggregate debit balances, and $11.0 billion in excess of required minimum net capital.

SEC Customer Protection Rule

The Company is also subject to the SEC's Customer Protection Rule (15c3-3) which requires, under certain circumstances, that cash or securities be deposited into a special reserve bank account for the exclusive benefit of customers. As of June 30, 2015, the Company had $204.1 million of cash and $852.0 million of U.S. Government securities segregated in the special reserve bank account.

As a clearing broker and in accordance with SEC Rule 15c3-3, the Company computed a reserve requirement for the proprietary accounts of broker-dealers (PAB). As of June 30, 2015, the Company had $3.0 million of U.S. Government securities segregated in a special reserve bank account for such requirement.

Commodity Exchange Act - Regulated Commodities and Cleared OTC Derivatives

The Company, in accordance with the CEA, is required to segregate and hold in separate accounts all monies, securities, and property received to margin and to guaranty or secure the trades or contracts of customers in regulated commodities and cleared OTC derivatives.

As of June 30, 2015, for customers trading on U.S. commodity exchanges, pursuant to Section 4d(2) of the CEA, segregated funds exceeded such requirement by $278.8 million.

(Continued)

As of June 30, 2015, for customers trading on commodity exchanges located outside of the U.S., pursuant to Regulation 30.7 of the CFTC, the Company held funds in separate accounts that exceeded such requirement by $217.0 million.

Also, as of June 30, 2015, for customers transacting cleared swaps, pursuant to Section 4d(f) of the CEA, segregated funds exceeded such requirement by $350.5 million.

(17) Subsequent Events

The Company has evaluated whether events or transactions have occurred after June 30, 2015 that would require recognition or disclosure in these financial statements through September 10, 2015, which is the date these financial statements were available to be issued. No such transactions required recognition or disclosure in the financial statements for the period ended June 30, 2015.