Deutsche Bank

DB USA Corporation Pillar 3 Report as of September 30, 2020

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Introduction

Disclosures according to Pillar 3 of the Basel 3 Capital Framework

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

Basis of Presentation

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

Scope of Application

DB USA Corp is the US Intermediate Holding Company ("IHC") of Deutsche Bank AG ("DB Group") that is implemented pursuant to Regulation YY: Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations, codified in 12 C.F.R. Part 252, and, in particular, Subpart O - Enhanced Prudential Standards for Foreign Banking Organizations with Total Consolidated Assets of $100 Billion or More and Combined U.S. Assets of $100 Billion or More" (the "FBO EPS Rule"). The FBO EPS Rule requires that a foreign banking organization ("FBO") having combined US assets of $100 billion or more and US non-branch assets of $50 billion or more establish in the US an IHC for its US subsidiaries that must be organized under the applicable US laws and operate under all applicable US regulatory requirements, including leverage and risk-based capital standards, stress testing, risk management and liquidity requirements. DB USA Corp consolidates all of DB Group subsidiaries in the U.S. which include Deutsche Bank Trust Corporation ("DBTC"), Deutsche Bank Trust Company Americas ("DBTCA"), Deutsche Bank Securities Inc. ("DBSI"), Deutsche Bank US Financial Markets Holding Corp. ("DBUSH"), Deutsche Bank Americas Holding Corp. ("DBAH") and German American Capital Corp. ("GACC").

Risk and Capital Performance

Exposures and Risk-weighted Assets

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

The information in the schedules below presents DB USA Corp distribution of RWA by exposure categories as reported in DB USA Corp's FR Y-9C, Schedule HC-R Regulatory Capital for the period ended September 30, 2020.

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

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

Variance Commentary (2019Q4 to 2020Q3)

The September 2020 On-balance Sheet Exposures increased $9.7 billion as compared with December 2019 with corresponding impact on RWA (increased $1.1 billion).

On –balance Sheet Exposures:

- $5.0 billion increase in cash and balances due from depository institutions is driven by an increase in cash flows from deposits ($7.1 billion), and borrowings ($3 billion). This increase was partially offset by a decrease in cash flows from Security Repurchase Agreements ("Repo") ($0.8 billion), loans ($0.8 billion),Securities Available for Sale ($1.0 billion), other assets ($0.6 billion), dividends paid ($0.4 billion), Fed Funds ($0.8 billion) and other liabilties ($0.5 billion).
- $(3.2) billion decrease mainly driven by Reverse Repos with DB AG New York ("DBNY") of $1.5 billion, Reverse Repos in the Investment Bank due to lower funding requirements of $0.6 billion and lower stock borrow balances due to reduced client activity of $0.8 billion.
- $4.2 billion increase in trading assets mainly driven by the Investment Bank. This was due to a $5.0 billion increase in holdings of US Treasuries during the third quarter of 2020, offset by a reduction in corporate bonds of $1.2 billion.
- $2.8 billion increase in all other assets driven by $1.9 billion increase due to higher initial margin requirements with clearing houses in response to the market activity, $0.5 billion due to fail to deliver balances and $0.4 billion intercompany receivables.

Off –balance Sheet Exposures:

- $(6.3) billion decrease in Repo style transactions driven by the balance sheet reduction in repo and reverse repo balances.
- $0.6 billion increase in unsettled transactions following a rise in volumes due to market volatility.

RWA:

- RWA decreased by $1.6 billion driven by the reduction in the Standardized Market Risk RWA which decreased by $2.3 billion due to risk and exposure reduction in the Investment Bank ($5.1 billion), partially offset by a $2.8 billion increase as a result in a change in methodology to calculate Value at Risk.

Basel 3 Standardized Approach Exposure Amounts by Exposure Class

in USD m.	For the period ended		
US Basel 3 Standardized Approach	**31-Dec-19**	**30-Sep-20**	**Variance**
On-balance Sheet Exposures			
Cash and balances due from depository institutions	13,966	18,951	4,985
Securities: Available for Sale	243	1,247	1,004
Securities Purchased under agreements to Resell	55,570	52,338	(3,232)
Loans: Residential mortgage exposures	2,735	2,785	50
Loans: All other exposures	9,324	10,059	735
Loans: Allowance for Loan Loss	(9)	(25)	(16)
Trading Assets	18,570	22,763	4,193
All Other Assets: All Other	7,433	10,273	2,840
Securitization Exposures: Trading Assets	1,524	617	(907)
Total On-balance Sheet Exposures	**109,356**	**119,008**	**9,652**
Off-balance Sheet Exposures (credit equivalent amount)			
Financial standby letters of credit	883	692	(191)
Performance standby letters of credit	19	9	(10)
Commercial and similar letters of credit	0	0	0
Repo style transactions	27,791	21,502	(6,289)
Unused commitments: 1 year of less	143	8	(135)
Unused commitments: exceeding 1 year	981	1,198	217
Over-the-counter derivatives	241	141	(100)
Centrally Cleared derivatives	544	602	58
Unsettled Transactions	39	662	623
Total Off-balance Sheet Exposures	**30,641**	**24,814**	**(5,827)**

Figures may include rounding differences.

Basel 3 Standardized Approach Risk-weighted Assets by Exposure Class

in USD m.	For the period ended 31-Dec-19	30-Sep-20	Variance
On-balance Sheet Exposures	RWA	RWA	RWA
Cash and balances due from depository institutions	661	595	(66)
Securities: Available for Sale	43	47	4
Securities Purchased under agreements to Resell	0	0	0
Loans: Held for Sale	0	0	0
Loans: Residential mortgage exposures	1,417	1,445	28
Loans: High volatility commercial real estate exposures	0	0	0
Loans: Exposures past due 90 days or more or on nonaccrual	0	0	0
Loans: All other exposures	8,960	9,781	821
Loans: Allowance for Loan Loss	0	0	0
Trading Assets	95	92	(3)
All Other Assets	4,971	5,600	629
Securitization Exposures: Trading Assets	456	161	(295)
Total On-balance Sheet Exposures	16,604	17,721	1,11
Off-balance Sheet Exposures	RWA	RWA	RWA
Financial standby letters of credit	580	499	(81)
Performance standby letters of credit	17	9	(8)
Commercial and similar letters of credit	0	0	0
Repo style transactions	6,292	5,980	(312)
Unused commitments: 1 year or less	63	6	(57)
Unused commitments: exceeding 1 year	865	848	(17)
Over-the-counter derivatives	79	59	(20)
Centrally Cleared derivatives	11	12	1
Unsettled Transactions	47	92	45
Total Off-balance Sheet Exposures	7,955	7,505	(450)
Total Risk Weighted Assets, excluding Market Risk	24,559	25,226	667
Standardized Market Risk Weighted Assets	12,087	9,802	(2,285)
Total Risk Weighted Assets	36,646	35,028	(1,618)

Figures may include rounding differences.

Regulatory Capital

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

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

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

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

Variance Commentary (2019Q4 to 2020Q3)

The Common Equity Tier 1 Capital Ratio for September 2020 is 28.36%, up 217bps from December 2019. This is largely attributable to the higher CET1 capital balance of $0.3bn as a result of an increase in Retained Earnings due to the Net Income during the year of $0.7 billion, offset by dividends paid of $0.4 billion.

Regulatory Capital and Capital Ratios according to Basel 3 Capital Rules

	31-Dec-19	30-Sep-20	Variance
in USD m.	US Basel 3	US Basel 3	
Common Stock plus retained surplus, net of unearned employee stock ownership plan (ESOP) shares	23,663	23,672	9
Retained Earnings	(13,704)	(13,406)	298
Accumulated Other Comprehensive Income (AOCI) based on transition rules	(246)	(221)	25
Common Equity Tier 1 Capital, before adjustments and deductions	9,713	10,045	332
Common Equity Tier 1 Capital: Adjustments and Deductions			
Less: Goodwill net of associated deferred tax liabilities (DTLs)	(50)	(50)	0
Less: Intangible Assets, net of associated DTL's	(65)	(62)	3
Less: Deferred Tax Assets (DTLs) that arise from net operating losses and tax credit carryforwards, net of valuation allowances	0	0	0
Total Regulatory Adjustments to Commeon Equity Tier 1 (CET1)	(115)	(112)	3
Common Equity Tier 1 Capital	9,598	9,933	335
Additional Tier 1 (AT1) Capital			
Additional Tier 1 Capital instruments plus related surplus	4,205	4,205	0
Additional Tier 1 (AT1) Capital before adjusments	4,205	4,205	0
Total Regulatory Adjustments to Additional Tier 1 (AT1) Capital	(2)	(1)	1
Additional Tier 1 (AT1) Capital	4,203	4,204	1
Tier 1 Capital (T1 = CET1 + AT1)	13,801	14,137	336
Tier 2 (T2) Capital			0
Tier 2 Capital instruments plus related surplus	0	0	0
Allowance for loan and lease losses includable in Tier 2 capital	10	26	16
Tier 2 (T2) Capital before adjustments	10	26	16
Total Regulatory Adjustments to Tier 2 (T2) Capital	0	0	0
Tier 2 (T2) Capital	10	26	16
Total Regulatory Capital	13,811	14,163	352

Ratios		
Common Equity Tier 1 Capital Ratio (as a percentage of risk-weighted assets)	26.19%	28.36%
Tier 1 Capital Ratio (as a percentage of risk-weighted assets)	37.66%	40.36%
Total Capital Ratio (as a percentage of risk-weighted assets)	37.69%	40.43%
Capital Conservation Buffer	21.69%	23.86%
Leverage Ratio (as a percentage of average total consolidated assets)	9.78%	11.09%
Supplementary Leverage Ratio	9.09%	13.12%