



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

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## Introduction

### Disclosures according to Pillar 3 of the Basel 3 Capital Framework

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

### Basis of Presentation

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

### Scope of Application

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

# Risk and Capital Performance

## Exposures and Risk-weighted Assets

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

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

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

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

## Variance Commentary (2018Q4 to 2019Q3)

The September 2019 On-balance Sheet Exposures decreased \$6.7 billion as compared with December 2018 while RWA increased \$3.1 billion increased over the same period as further explained below.

On-balance Sheet Exposures:

- \$(2.0) billion decrease in cash and balances due from depository institutions is driven by a reduction in deposits with affiliates of \$2.0 billion and an increase in Reverse Repos of \$1.0 billion. This was offset by an increase in cash held by DBSI related to a request by BONY to place \$1 billion in a late night investment account (LNI) which is funded by an unwind of a strategic liquidity reserve. No impact to RWA.
- \$(1.3) billion decrease in Securities purchased under agreement to resell primarily driven by decrease in Stock borrow in Global Prime Finance ("GPF"), down (\$2.6 billion), due to smaller firm and customer footprint following the decision to exit the Equities business. This was offset by an increase in Reverse Repos with DB AG New York ("DBNY"), and DB Municipal Holdings up \$1.3 billion. Refer to off balance exposures for corresponding RWA impact.
- \$(2.7) billion decrease in Trading Assets due to reduction Global Cash Equities (\$1.0 billion) and Global Equity Derivatives (\$0.5 billion) following the decision to exit the business. In addition there was a decrease in government securities of \$1.5 billion due to rate business re-positioning. Reductions in trading assets contributed to a reduction in RWA of \$0.3 billion
- \$(1.0) billion decrease in all other assets driven by decreases in receivables from clearing organizations (\$0.8 billion), premises and fixed assets (\$0.4 billion), fail to deliver balances (\$0.3 billion) and intercompany receivables (\$0.1 billion). This was offset by the re-establishment of Temporary Difference Deferred Tax Assets ("DTA") (\$0.9 billion). \$2 billion increase in RWA associated with all other assets exposures driven by the re-establishment of DTA (\$915 million increase in exposure at 250% risk weight) following a change in accounting treatment for DTA.

Off-balance Sheet Exposures:

- \$(6.7) billion decrease in repo style transactions primarily driven primarily by lower balances in GPF due to the exit from the equity business.
- \$(4.9) billion decrease in Centrally Cleared derivatives primarily driven by a reduction in Global Equity Derivatives with OCC due to the exit of equities business

## Basel 3 Standardized Approach Exposure Amounts by Exposure Class

in USD m.	For the period ended		
<b>US Basel 3 Standardized Approach</b>	<b>31-Dec-18</b>	<b>30-Sep-19</b>	<b>Variance</b>
<b>On-balance Sheet Exposures</b>			
Cash and balances due from depository institutions	19,859	17,814	(2,045)
Securities: Available for Sale	257	263	6
Securities Purchased under agreements to Resell	61,407	60,082	(1,325)
Loans: Residential mortgage exposures	3,007	2,709	(298)
Loans: High volatility commercial real estate exposures	170	0	(170)
Loans: All other exposures	7,489	8,458	969
Loans: Allowance for Loan Loss	(8)	(9)	(1)
Trading Assets	20,991	18,329	(2,662)
All Other Assets: All Other	8,776	7,782	(994)
Securitization Exposures: Trading Assets	1,493	1,342	(151)
<b>Total On-balance Sheet Exposures</b>	<b>123,440</b>	<b>116,770</b>	<b>(6,670)</b>
<b>Off-balance Sheet Exposures (credit equivalent amount)</b>			
Financial standby letters of credit	1,029	880	(149)
Performance standby letters of credit	25	24	(1)
Commercial and similar letters of credit	2	0	(2)
Repo style transactions	32,392	25,705	(6,687)
Unused commitments: 1 year or less	9	104	95
Unused commitments: exceeding 1 year	1,669	1,073	(596)
Over-the-counter derivatives	362	620	258
Centrally Cleared derivatives	5,603	694	(4,909)
Unsettled Transactions	111	51	(60)
<b>Total Off-balance Sheet Exposures</b>	<b>41,202</b>	<b>29,151</b>	<b>(12,051)</b>

Figures may include rounding differences.

### Basel 3 Standardized Approach Risk-weighted Assets by Exposure Class

in USD m.	For the period ended		
	31-Dec-18	30-Sep-19	Variance
<b>On-balance Sheet Exposures</b>	<b>RWA</b>	<b>RWA</b>	<b>RWA</b>
Cash and balances due from depository institutions	454	613	159
Securities: Available for Sale	59	58	(1)
Loans: Residential mortgage exposures	1,547	1,403	(144)
Loans: High volatility commercial real estate exposures	255	0	(255)
Loans: All other exposures	6,684	8,041	1,357
Trading Assets	102	91	(11)
All Other Assets	3,011	4,963	1,952
Securitization Exposures: Trading Assets	261	307	46
<b>Total On-balance Sheet Exposures</b>	<b>12,373</b>	<b>15,476</b>	<b>3,103</b>
<b>Off-balance Sheet Exposures</b>	<b>RWA</b>	<b>RWA</b>	<b>RWA</b>
Financial standby letters of credit	628	586	(42)
Performance standby letters of credit	22	22	0
Commercial and similar letters of credit	2	0	(2)
Repo style transactions	8,995	7,853	(1,142)
Unused commitments: 1 year or less	9	24	15
Unused commitments: exceeding 1 year	797	923	126
Over-the-counter derivatives	121	172	51
Centrally Cleared derivatives	15	14	(1)
Unsettled Transactions	175	58	(117)
<b>Total Off-balance Sheet Exposures</b>	<b>10,864</b>	<b>9,652</b>	<b>(1,212)</b>
<b>Total Risk Weighted Assets, excluding Market Risk</b>	<b>23,237</b>	<b>25,128</b>	<b>1,891</b>
<b>Standardized Market Risk Weighted Assets</b>	<b>13,294</b>	<b>12,952</b>	<b>(342)</b>
<b>Total Risk Weighted Assets</b>	<b>36,531</b>	<b>38,080</b>	<b>1,549</b>

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 cancellation, 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 (2018Q4 to 2019Q3)

The Common Equity Tier 1 Capital Ratio for September 2019 is 24.35 %, up 145bps from December 2018. This is attributable to a \$0.9 billion increase in Capital Surplus as a result of the re-establishment of DTAs.

## Regulatory Capital and Capital Ratios according to Basel 3 Capital Rules

in USD m.	31-Dec-18	30-Sep-19	Variance
	US Basel 3	US Basel 3	
Common Stock plus retained surplus, net of unearned employee stock ownership plan (ESOP) shares	21,989	22,808	819
Retained Earnings	(13,237)	(13,214)	23
Accumulated Other Comprehensive Income (AOCI) based on transition rules	(255)	(246)	9
Common Equity Tier 1 Capital, before adjustments and deductions	8,497	9,348	851
Common Equity Tier 1 Capital: Adjustments and Deductions			0
Less: Goodwill net of associated deferred tax liabilities (DTLs)	(50)	(50)	0
Less: Intangible Assets, net of associated DTL's	(78)	(68)	10
Less: Deferred Tax Assets (DTLs) that arise from net operating losses and tax credit carryforwards, net of valuation allowances	(5)	0	5
Total Regulatory Adjustments to Common Equity Tier 1 (CET1)	(133)	(118)	15
<b>Common Equity Tier 1 Capital</b>	<b>8,364</b>	<b>9,230</b>	<b>866</b>
Additional Tier 1 (AT1) Capital			0
Additional Tier 1 Capital instruments plus related surplus	4,205	4,205	0
Additional Tier 1 (AT1) Capital before adjustments	4,205	4,205	0
Total Regulatory Adjustments to Additional Tier 1 (AT1) Capital	(18)	(2)	16
<b>Additional Tier 1 (AT1) Capital</b>	<b>4,187</b>	<b>4,203</b>	<b>16</b>
<b>Tier 1 Capital (T1 = CET1 + AT1)</b>	<b>12,551</b>	<b>13,433</b>	<b>882</b>
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	10	0
Tier 2 (T2) Capital before adjustments	10	10	0
Total Regulatory Adjustments to Tier 2 (T2) Capital	0		0
<b>Tier 2 (T2) Capital</b>	<b>10</b>		<b>(10)</b>
<b>Total Regulatory Capital</b>	<b>12,561</b>	<b>13,433</b>	<b>872</b>
<b>Ratios</b>			
Common Equity Tier 1 Capital Ratio (as a percentage of risk-weighted assets)	22.90%	24.35%	
Tier 1 Capital Ratio (as a percentage of risk-weighted assets)	34.37%	35.44%	
Total Capital Ratio (as a percentage of risk-weighted assets)	34.40%	35.47%	
Capital Conservation Buffer	18.40%	19.85%	
Leverage Ratio (as a percentage of average total consolidated assets)	9.20%	9.58%	
Supplementary Leverage Ratio	8.42%	8.84%	



