Deutsche Bank

# DB USA Corporation
# Pillar 3 Report
# as of September 30, 2021

# Contents

# 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, 2021.

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 (2020Q4 to 2021Q3)

The September 2021 On-balance Sheet Exposures increased $14.8 billion as compared with December 2020 with corresponding impact on RWA increased $2.6 billion.

On –balance Sheet Exposures:

- $4.6 billion increase in cash and balances due from depository institutions within DBTCA is driven by a decrease in reverse repos $5.2 billion and other liabilities $0.3 billion, offset by a decrease in deposits of ($0.9 billion).

  This was offset by a decrease in cash held within DBSI ($0.9 billion).
- $8.0 billion increase in security financing transactions driven by an increase in stock borrow balances of $1.5 billion and higher reverse repo balances of $6.5 billion, both within in the Investment Bank due to increased client activity.
- $1.8 billion increase in trading assets and securitization exposures driven by an increase in corporate bonds of $1.3 billion, and US Treasuries of $0.5 billion.
- $1.0 billion increase in all other assets driven by fixed income related settlement balances which increased $0.5 billion within the Investment Bank and $0.5 billion driven by margin related balances pending settlement facing Deutsche Bank London in the Corporate Bank.

Off –balance Sheet Exposures:

- $(1.8) billion decrease in Repo style transactions driven by changes in the counterparty split whereby there was a decrease in gross balances against Central banks (Federal Reserve, Central Bank of Chile) with 0% risk weight, and decrease in gross balances against DB affiliates (DB AG London, DB AG Frankfurt) with 20% risk weight, offset by increase in gross balances with 100% risk weight counterparties.

RWA:

- The $2.6 billion increase in RWA was predominately driven by:
  - $0.9 billion increase from loans. $0.6 billion driven by Corporate Bank loans with foreign banks ($0.4 billion and 150% risk weight), and $0.3 billion due to the Corporate Bank's Trade Finance business with corporate counterparties at 100% risk weight.
  - $1.2 billion increase from repo style transactions, $0.5 billion driven by the higher securities borrowed exposures, and $0.6 billion due to higher repo exposures.
  - $0.7 billion increase to Standardized Market RWA as a result of higher non-securitization debt exposures.

## Basel 3 Standardized Approach Exposure Amounts by Exposure Class

| in USD m. | For the period ended | | |
|---|---|---|---|
| **US Basel 3 Standardized Approach** | **31-Dec-20** | **30-Sep-21** | **Variance** |
| On-balance Sheet Exposures | | | |
| Cash and balances due from depository institutions | 20,673 | 24,340 | 3,667 |
| Securities: Available for Sale | 1,365 | 1,030 | (335) |
| Securities Purchased under agreements to Resell | 46,932 | 54,898 | 7,966 |
| Loans: Held for Sale | 0 | 0 | 0 |
| Loans: Residential mortgage exposures | 2,789 | 2,684 | (105) |
| 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 | 9,624 | 10,444 | 820 |
| Loans: Allowance for Loan Loss | (18) | (13) | 5 |
| Trading Assets | 17,741 | 19,266 | 1,525 |
| All Other Assets: All Other | 10,166 | 11,168 | 1,002 |
| Securitization Exposures: Trading Assets | 675 | 903 | 228 |
| **Total On-balance Sheet Exposures** | **109,947** | **124,720** | **14,773** |
| Off-balance Sheet Exposures (credit equivalent amount) | | | |
| Financial standby letters of credit | 700 | 673 | (27) |
| Performance standby letters of credit | 18 | 34 | 16 |
| Commercial and similar letters of credit | 0 | 0 | 0 |
| Repo style transactions | 22,630 | 20,861 | (1,769) |
| Unused commitments: 1 year of less | 25 | 50 | 25 |
| Unused commitments: exceeding 1 year | 2,300 | 2,460 | 160 |
| Over-the-counter derivatives | 144 | 338 | 194 |
| Centrally Cleared derivatives | 468 | 314 | (154) |
| Unsettled Transactions | 215 | 216 | 1 |
| **Total Off-balance Sheet Exposures** | **26,500** | **24,946** | **(1,554)** |

Figures may include rounding differences.

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

| | For the period ended | | |
|---|---|---|---|
| in USD m. | **31-Dec-20** | **30-Sep-21** | **Variance** |
| On-balance Sheet Exposures | RWA | RWA | RWA |
| Cash and balances due from depository institutions | 513 | 201 | (312) |
| Securities: Available for Sale | 43 | 66 | 23 |
| Securities Purchased under agreements to Resell | 0 | 0 | 0 |
| Loans: Held for Sale | 0 | 0 | 0 |
| Loans: Residential mortgage exposures | 1,451 | 1,436 | (15) |
| 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 | 9,350 | 10,284 | 934 |
| Loans: Allowance for Loan Loss | 0 | 0 | 0 |
| Trading Assets | 85 | 42 | (43) |
| All Other Assets | 5,590 | 5,678 | 88 |
| Securitization Exposures: Trading Assets | 123 | 42 | (81) |
| **Total On-balance Sheet Exposures** | **17,155** | **17,749** | **501** |
| Off-balance Sheet Exposures | RWA | RWA | RWA |
| Financial standby letters of credit | 529 | 484 | (45) |
| Performance standby letters of credit | 9 | 16 | 7 |
| Commercial and similar letters of credit | 0 | 0 | 0 |
| Repo style transactions | 4,868 | 6,021 | 1,153 |
| Unused commitments: 1 year or less | 4 | 9 | 5 |
| Unused commitments: exceeding 1 year | 809 | 895 | 86 |
| Over-the-counter derivatives | 67 | 134 | 67 |
| Centrally Cleared derivatives | 9 | 6 | (3) |
| Unsettled Transactions | 41 | 46 | 5 |
| **Total Off-balance Sheet Exposures** | **6,336** | **7,611** | **790** |
| **Total Risk Weighted Assets, excluding Market Risk** | **23,491** | **25,360** | **1,291** |
| **Standardized Market Risk Weighted Assets** | **12,791** | **13,472** | **681** |
| **Total Risk Weighted Assets** | **36,282** | **38,832** | **2,550** |

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 (2020Q4 to 2021Q3)

The Common Equity Tier 1 Capital Ratio for September 2021 is 26.74%, down 97bps from December 2020. This is largely attributable to the lower CET1 capital balance down $0.7 billion as a result of a $1 billion repayment of the class B preferred stock during Q3, offset by an increase in Retained Earnings due to the Net Income during the year of $0.6 billion less dividends paid of $0.3 billion.

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

| in USD m. | 31-Dec-20 US Basel 3 | 30-Sep-21 US Basel 3 | Variance |
|---|---|---|---|
| Common Stock plus retained surplus, net of unearned employee stock ownership plan (ESOP) shares | 23,662 | 23,623 | (39) |
| Retained Earnings | (13,253) | (12,904) | 349 |
| Accumulated Other Comprehensive Income (AOCI) based on transition rules | (243) | (220) | 23 |
| Common Equity Tier 1 Capital, before adjustments and deductions | 10,166 | 10,499 | 333 |
| 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 | (62) | (66) | (4) |
| 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) | (112) | (116) | (4) |
| **Common Equity Tier 1 Capital** | 10,054 | 10,383 | 329 |
| Additional Tier 1 (AT1) Capital | | | |
| Additional Tier 1 Capital instruments plus related surplus | 4,205 | 3,147 | (1,058) |
| Additional Tier 1 (AT1) Capital before adjusments | 4,205 | 3,147 | (1,058) |
| Total Regulatory Adjustments to Additional Tier 1 (AT1) Capital | (10) | (9) | 1 |
| **Additional Tier 1 (AT1) Capital** | 4,195 | 3,138 | (1,057) |
| **Tier 1 Capital (T1 = CET1 + AT1)** | 14,249 | 13,521 | (728) |
| Tier 2 (T2) Capital | | | |
| Tier 2 Capital instruments plus related surplus | 0 | 0 | 0 |
| Allowance for loan and lease losses includable in Tier 2 capital | 20 | 15 | (5) |
| Tier 2 (T2) Capital before adjustments | 20 | 15 | (5) |
| Total Regulatory Adjustments to Tier 2 (T2) Capital | 0 | 0 | 0 |
| **Tier 2 (T2) Capital** | 20 | 15 | (5) |
| **Total Regulatory Capital** | 14,269 | 13,536 | (733) |

| **Ratios** | | |
|---|---|---|
| Common Equity Tier 1 Capital Ratio (as a percentage of risk-weighted assets) | 27.71% | 26.74% |
| Tier 1 Capital Ratio (as a percentage of risk-weighted assets) | 39.27% | 34.82% |
| Total Capital Ratio (as a percentage of risk-weighted assets) | 39.33% | 34.86% |
| Capital Conservation Buffer | 23.21% | 22.24% |
| Leverage Ratio (as a percentage of average total consolidated assets) | 10.84% | 9.91% |
| Supplementary Leverage Ratio | 13.61% | 9.05% |