DWS USA Corporation

2019 DFAST Mid-Cycle Stress Test Disclosure

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1. OVERVIEW AND REQUIREMENTS

DWS USA Corporation ("DWS USA or Firm") is a wholly-owned subsidiary of DWS Group GmbH & Co. KGaA (DWS Group), a German based organization that solely engages in asset management, and is majority owned by Deutsche Bank AG ("DB AG"). DWS Group's shares are publicly traded on the Frankfurt Stock Exchange and are 79.49% owned by DB AG. The remaining shares are owned 5% by Nippon Life Insurance Group and 15.51% are free floating on the exchange. DWS USA is also a US intermediate holding company ("IHC") subject to Federal Reserve Board ("FRB") oversight.

As a subsidiary of a global asset management firm, DWS USA's business model is to retain and grow its clients' assets under management ("AuM") to generate non-interest fee revenue (noting that Client AuM does not impact DWS USA's direct financial risk or balance sheet). DWS USA does not enter into traditional banking activities such as lending, deposit taking, or trading on behalf of the firm. Therefore, DWS USA's balance sheet total assets as of June 30, 2019, were approximately $2.2 billion and consisting primarily of cash and equivalents, including liquidity portfolio securities to manage liquidity risk; intangible assets related to goodwill and amortized intangibles; securities mainly from seed (1940 Act mutual funds and ETFs, and private equity) and co-investment positions (including equity and debt positions in collateralized loan obligations); and other assets primarily from advisory fee receivables including deferred tax assets ("DTAs").

Section 165(i)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") and the related regulations promulgated thereunder by the FRB require certain US banking organizations, including IHCs such as DWS USA to conduct stress tests, generally referred to as Dodd-Frank Act stress tests or "DFAST". Under the annual DFAST requirement, DWS USA is required to conduct and complete stress testing over a nine-quarter time horizon using a set of macroeconomic scenarios (Supervisory baseline, Supervisory adverse and Supervisory severely adverse) provided by the FRB.[1] Under the mid-cycle DFAST requirements, DWS USA is also required to conduct a mid-cycle stress test using a set of internally developed macroeconomic scenarios (BHC baseline, BHC adverse and BHC severely adverse) designed to stress the firm's idiosyncratic risks and vulnerabilities ("mid-cycle DFAST"). The results of these stress tests are submitted to the FRB. For the 2019 mid-cycle DFAST, the forecast time horizon for the stress test is the nine-quarter period beginning in the third quarter of 2019 (July 1, 2019) and continuing through the end of the third quarter of 2021 (September 30, 2021).

The DFAST rules require DWS USA to publish a summary of its 2019 mid-cycle DFAST results under the BHC severely adverse scenario. The projections, which form the basis of the information provided in this report, represent hypothetical estimates that involve an economic outcome that is more adverse than expected and, as such, these estimates do not represent DWS USA's expected losses, revenues, net income before taxes, or capital ratios. The mid-cycle DFAST for DWS USA was conducted in accordance with the amended Stress Test Rules.[2] The mid-cycle DFAST process is not conducted under the FRB's Capital Plan Rule[3], and is not part of the annual Comprehensive Capital Analysis and Review process. Accordingly, the FRB does not provide an objection or non-objection to a firm's mid-cycle DFAST results.

The results of DWS USA's mid-cycle DFAST indicate that DWS USA would expect to have ample capital throughout a hypothetical severe and protracted economic downturn to allow the entity to continue operations, maintain ready access to funding, remain a financial intermediary, satisfy obligations to creditors and counterparties and meet the expectations of internal and external stakeholders.

[1] For more information with respect to the scenarios provided by the FRB, see Board of Governors of the Federal Reserve System (February 2019), "Supervisory Scenarios for Annual Stress Tests Required under the Dodd-Frank Act Stress Testing Rules and the Capital Plan Rule - February 2019" (the "2019 FRB Scenario Release"), available at https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20180201a1.pdf.

[2] See 12 C.F.R. 252 Subparts B and F.

[3] See 12 C.F.R. 225.8.

1.1. Overview of DWS USA's Severely Adverse Scenario

DWS USA's severely adverse scenario ("BHC SA") assumes a sharp financial market crash originating in the US. Features of the scenario include an equity markets crash, coupled with dramatic widening of credit spreads, causing a severe uncertainty shock that broadly depresses business sentiment, consumption and investment. US GDP contracts while unemployment soars. US monetary policy responds, cutting the Fed Funds target rate back to 0-25 bps range at a speed commensurate with the severity of the scenario. The US dollar weakens against the Euro and markets recover towards the middle of the scenario horizon. However, this recovery proves unsustainable as financial markets and the US economy relapse ("double dip").

2. RISK TYPES

DWS USA has identified the following risks and risk drivers arising from its strategies and business activities under the BHC severely adverse scenario. Material risks, individually and in the aggregate, are incorporated via internally defined idiosyncratic events estimation approaches. These risks are projected to result in material balance sheet, income statement, or capital impacts.

2.1. Business Risk

Business risk is the risk assumed due to potential changes in general business conditions, such as changes in markets, client behaviors and technological developments. This can affect business results if DWS USA fails to or cannot adjust quickly to changing conditions. Risk drivers for business risk include, but are not limited to:

— An economic downturn or a sudden, volatile market decline depressing (new) business activity;
— Changes in competition and the regulatory framework applicable to DWS USA that result in significant business impact; and
— Departure of key personnel, which in turn causes the firm to lose important client relationships.

2.2. Reputational Risk

Reputational risk is the risk of possible damage to DWS USA's brand and reputation, and the associated risk to earnings, capital or liquidity, arising from any association, action or inaction by DWS USA and/or its affiliates, which could be perceived by stakeholders to be inappropriate, unethical or inconsistent with DWS USA's values and beliefs. Potential sources of reputational risk include, but are not limited to:
— Entering into transactions or products without substantive business or economic purpose, or with non-standard structures or terms;
— Associating with certain counterparties, industries, or sectors;
— Executing transactions with potentially negative environmental or social issues; and
— Executing transactions or products perceived to be unethical, inappropriate or inconsistent with DWS USA's values and beliefs.

2.3. Non-Financial Risk

Non-financial risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Non-financial risk, as referred to in this document, includes legal risk, but excludes business risk and reputational risk. Non-financial risk may arise from mistakes, inadequate controls, or individual misconduct, and from various sources, including, but not limited to:

— Compliance;
— Duties to Customers;
— Legal;
— Information Security; and
— Transaction Processing.

2.4. Liquidity Risk

Liquidity risk is the risk arising from the potential inability to meet all payment obligations when they come due or only being able to meet these obligations at excessive costs.

Risk drivers for liquidity risk include, but are not limited to:
— Cash outflows from negative earnings; and
— Inability to monetize illiquid assets.

With respect to liquidity risk, the primary objective is to ensure that DWS USA has the ability to fulfil its payment obligations at all times by maintaining a stable liquidity risk profile appropriate for DWS USA's business. To meet this objective, the firm has in place a comprehensive and conservative liquidity management framework to identify, measure, monitor and manage liquidity risk in light of DWS USA's defined risk appetite and limits.

DWS USA's 2019 mid-cycle DFAST process took certain liquidity risks into account through measuring liquidity adequacy across the nine-quarter projection horizon under stress conditions.

2.5. Market Risk

Market risk is the risk of loss in the value of assets and liabilities held on DWS USA's balance sheet arising from changes in market conditions, such as changes in market prices, credit spreads, exchange rates and interest rates across various asset classes.

DWS USA's balance sheet assets with direct exposure to market risk are primarily seed and co-investment positions.

2.6. Credit Risk

As an asset management firm, DWS USA does not engage in traditional banking activities such as lending. Therefore, the assumption of credit risk is not a material component of the firm's business model, thereby naturally limiting balance sheet credit risk exposure. The firm monitors any remaining source of credit risk based on its defined risk appetite.

3. METHODOLOGY

For purposes of DFAST, DWS USA uses quantitative models and qualitative estimation approaches to project asset and liability balances, revenue, expenses, losses, risk weighted assets ("RWA") and capital over the nine-quarter planning horizon. All quantitative models and estimation approaches undergo a thorough review and challenge process and are validated for conceptual soundness.

3.1. Pre-Provision Net Revenue

Net interest income ("NII") is the product of projected balances and interest rates. Asset and liability balance projections take into consideration contractual maturity information, prepayments, new business, and non-accruals. Projected rates take into consideration contractual pricing for existing exposures and projected pricing on new business. Balances, prepayments, and non-accruals are projected using estimation approaches, which leverage the drivers identified by the business segment.

Non-interest income is projected using quantitative models and estimation approaches that incorporate key drivers and scenario inputs for fee income, mark-to-markets gains/losses, and transfer pricing.

With respect to non-interest expense, DWS USA uses estimation approaches that incorporate key drivers (e.g., historical information) and scenario inputs to project the sub-components of non-interest expense, including: salaries expense, benefits expense, other personnel expenses, banking and transaction fees, premises and fixed assets, communication and data services, and intercompany expenses.

3.2. Losses and Provisions

Non-Financial Risk

DWS USA's approach for projecting non-financial risk losses is based on historically observed and forward-looking hypothetical idiosyncratic events, and an estimate for projected non-legal losses based on historical events. The non-financial risk loss projection process begins with the development of idiosyncratic events, comparison to industry observed events, and, finally, comprehensive review and challenge.

Market Risk

DWS USA incorporated market risk impacts into its 2019 mid-cycle DFAST results through the estimated mark-to-market impacts to the fair value of its seed and co-investment positions. In addition, DWS USA also has an immaterial exposure to fair value collateralized loan obligations ("CLOs") that are also subject to mark-to-market impacts.

3.3. Changes in Capital Ratios

Capital projections utilize a framework that is based upon exposure identification and data sourcing, risk-weight classification, exposure calculation, aggregation, and report line item mapping. Using balances as of June 30, 2019, capital supply was projected based on anticipated activity over the nine-quarter planning horizon and the resulting balance and pre-provision net revenue ("PPNR") projections under the BHC severely adverse scenario.

DWS USA projects credit RWA using a model that forecasts RWAs for DWS USA exposures in accordance with U.S. Basel III capital rules and supervisory guidance. The credit RWA projection approach takes into account scenario-specific balance sheet projections. Credit RWA components include cash at financial institutions, available for sale equity and debt securities, and other assets such as accounts receivables, DTAs and premises. DWS USA's off-balance sheet exposure is immaterial.

3.4. Capital Actions

For purposes of DWS USA's DFAST results set forth herein, standardized capital action assumptions were applied as required by 12 C.F.R. 252.56(b), as follows:

> *(1) For the first quarter of the planning horizon, the covered company must take into account its actual capital actions as of the end of that quarter; and*
>
> *(2) For each of the second through ninth quarters of the planning horizon, the covered company must include in the projections of capital:*
>
>> *(i) Common stock dividends equal to the quarterly average dollar amount of common stock dividends that the company paid in the previous year (that is, the first quarter of the planning horizon and the preceding three calendar quarters) plus common stock dividends attributable to issuances related to expensed employee compensation or in connection with a planned merger or acquisition to the extent that the merger or acquisition is reflected in the covered company's pro forma balance sheet estimates;*
>>
>> *(ii) Payments on any other instrument that is eligible for inclusion in the numerator of a regulatory capital ratio equal to the stated dividend, interest, or principal due on such instrument during the quarter;*
>>
>> *(iii) An assumption of no redemption or repurchase of any capital instrument that is eligible for inclusion in the numerator of a regulatory capital ratio; and*
>>
>> *(iv) An assumption of no issuances of common stock or preferred stock, except for issuances related to expensed employee compensation or in connection with a planned*

merger or acquisition to the extent that the merger or acquisition is reflected in the covered company's pro forma balance sheet estimates.

DWS USA has never paid a common dividend and therefore did not assume any capital distributions in its DFAST submission.

4. MID-CYCLE DWS USA CORPORATION STRESS TEST RESULTS [4] [5]

4.1. PPNR, Provisions, Other Gains/Losses, and Net Income before Taxes

Figure 4-1		
$ Millions	9Q Cumulative	% of Average Assets[6]
PPNR	(458)	(22.0%)
Other Revenue	-	-
Less		
Provision for Loan and Lease Losses	-	-
Realized Losses/(Gains) on Securities (AFS/HTM)	58	2.8%
Other Losses/(Gains)	1	0.0%
Equals		
Net (Loss)/Income Before Taxes	(517)	(24.8%)

4.2. Cumulative Loan Losses

Figure 4-2		
$ millions	9Q Cumulative	Portfolio Loss Rates %
Loan Losses	-	-
First Lien Mortgages	-	-
Second / Junior Liens and Mortgages	-	-
CRE Loan	-	-
C&I Loans[7]	1	36.3%
Credit Cards	-	-
Other Consumer	-	-
Other Loans	-	-

[4] These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of expected losses, revenues, net income before taxes, or capital ratios.
[5] Numbers may not foot due to rounding.
[6] Average assets as of June 30, 2019.
[7] DWS USA has one co-investment loan of $2.1m as of June 30, 2019. The total loss impact reflects allowance for loan and lease losses.

4.3. Risk-Weighted Assets

Figure 4-3 ($ billions)	Q2 2019	PQ1	PQ2	PQ3	PQ4	PQ5	PQ6	PQ7	PQ8	PQ9
Risk-Weighted Assets	1.3	1.2	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0

4.4. Capital Ratios

Figure 4-4			
		Stressed Capital Ratios	
Capital Ratios (%)	**Actual – 2Q19**	**Ending – 3Q21**	**Projected - 9Qtrs Minimum**
Common Equity Tier 1 Capital Ratio	71.6	44.3	44.3
Tier 1 Capital Ratio	71.6	44.3	44.3
Total Capital Ratio	71.6	44.3	44.3
Tier 1 Leverage Ratio	62.1	40.4	40.4
Supplementary Leverage Ratio	62.0	40.4	40.4

5. DRIVERS OF DWS USA CORPORATION STRESS TEST RESULTS

5.1. Capital Ratios

As of June 30, 2019, DWS USA had Common Equity Tier 1 (“CET1”), Tier 1 capital, Total capital, Tier 1 leverage, and Supplementary leverage ratios of 71.6%, 71.6%, 71.6%, 62.1% and 62.0%, respectively.

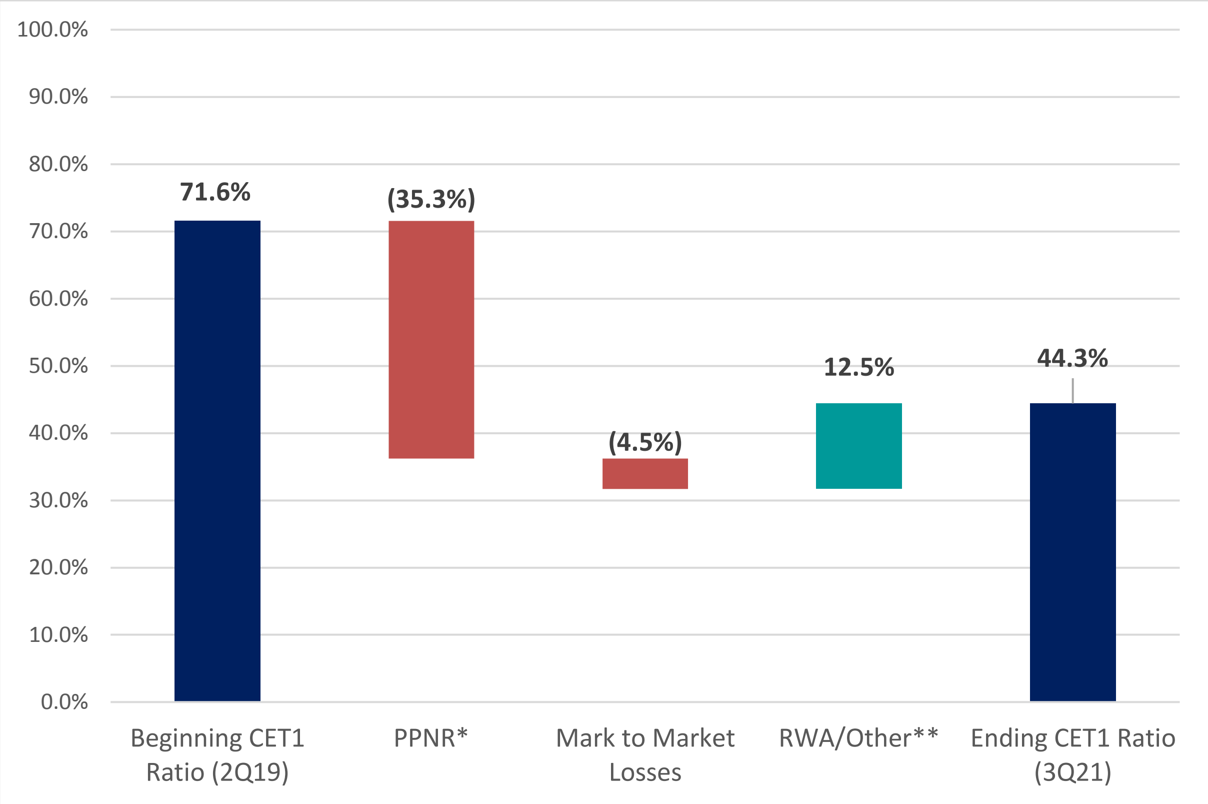
Regulatory capital ratios are calculated and reported under U.S. Basel III-based capital rules as in effect for a given quarter.

Throughout the projection horizon under the BHC severely adverse scenario, DWS USA has capital ratios in excess of regulatory minimum CET1, Tier 1 capital, Total capital, Tier 1 leverage and Supplementary leverage ratio requirements of 4.5%, 6.0%, 8.0%, 4.0% and 3.0%, respectively. DWS USA results show post-stress minimums of 44.3%, 44.3%, 44.3%, 40.4% and 40.4%, for CET1, Tier 1 capital, Total capital, Tier 1 leverage, and Supplementary leverage ratios, respectively.

The main drivers of the change in DWS USA’s regulatory capital ratios over the nine quarter planning horizon in the BHC severely adverse scenario, as illustrated in Figure 5-1 below, consist of:

— Negative PPNR projections, driven by non-financial risk expenses and reduced non-interest income resulting from lower fee revenue;
— Mark-to-market losses on fair value positions; and
— The capital accretive impact of a decrease in RWA at trough relative to jump-off.

Figure 5-1: Key Drivers of Mid-Cycle DFAST Pro Forma CET1 Capital for DWS USA under the BHC Severely Adverse Scenario[8]



*PPNR includes non-financial risk expenses
**Other includes impacts from taxes

[8] Numbers may not foot due to rounding.