Deutsche Bank AG, Abu Dhabi Branch

Quarterly Pillar 3 Report

June 30, 2024

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Overview

The following information is compiled in terms of the requirements of the Central Bank of the UAE as per Notice No. CBUAE/BSD/N/2020/66 dated 6 January 2020. This notice requires bank to implement the "Standards for Capital Adequacy of Banks in the UAE, December 2020".

Banks are obliged to report certain qualitative and quantitative information with regards to their risk profile and capital adequacy on a regular basis to the public, which incorporates the revised Basel III Pillar 3 requirements on market discipline.

Reporting framework

The information disclosed in this report is based on the definitions, calculation methodologies and measurements as defined by the Amended Regulations. All tables, diagrams, quantitative information and commentary in this risk and capital management report are unaudited unless otherwise noted.

References to fixed format templates as required under the revised Pillar 3 disclosure requirements are made throughout this document and highlighted in the relevant sections.

Period of reporting

This report is in respect of the quarter ended 30 June 2024, including comparative information (where applicable).

Group Disclosures

The Group employs a centralized approach to risk management. As such, DB AG Abu Dhabi Branch's approach to risk management follows group policies and procedures as a minimum standard. Where local requirements differ from group's, a local policy/procedure is formulated and adopted. This report should thus be read in conjunction with the group's Management Report, Annual Report and Pillar 3 disclosures.

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Key Metrics (KM1)

		Jun-24	Mar-24	Dec-23	Sep-23	Jun-23
		AED'000	AED'000	AED'000	AED'000	AED'000
	Aggregate Capital Funds					
1	Paid up capital	434,100	434,100	434,100	434,100	434,100
2	Share Premium	-	-	-	-	-
3	Reserves, excluding revalution reserve	26,548	26,548	26,548	29,083	29,083
4	**Retained earnings/ (-) Loss**					
4a	Accumulated retained earnings / (-)	48,808	48,808	4,182	1,313	1,313
4b	Audited / Reviewed Current year profit / (-) current financial year loss			44,626	-	-
4c	Proposed Dividend	-	-	-	-	-
	Less:					
5	Goodwill and other intangibles (including mortgage servicing rights)	(401)	(429)	(457)	(485)	(513)
6	**Total Assets excluding cash collaterals and sovereign guarantees**					
6a	Total Assets	1,696,429	1,696,849	1,640,387	1,963,892	2,541,946
6b	Cash collaterals (legally enforceable)	-	-	-	-	-
6c	Sovereign Guarantees (legally enforceable)	-	-	-	-	-
	ELAR					
7	Total HQLA	873,225	898,583	875,425	920,410	887,733
8	Total liabilities	1,079,978	1,173,976	1,129,828	1,465,737	2,051,548
9	Eligible Liquid Assets Ratio (ELAR) (%)	80.86%	76.54%	77.48%	62.80%	43.27%
	ASRR					
10	Total available stable funding	1,373,270	1,421,945	1,379,418	1,282,910	2,205,150
11	Total Advances	433,198	717,482	221,113	221,113	573,531
12	Advances to Stable Resources Ratio (%)	31.54%	50.46%	16.03%	17.24%	26.01%

Composition of Capital

Capital Management Process

Detailed Capital Management and Planning process for the Branch is listed under ICAAP report for the Branch. Branch's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position are:

- To comply with the capital requirements set by the Central Bank of UAE,
- To safeguard the Branch's ability to continue as a going concern and increase the returns for parent (shareholders),
- To maintain a strong capital base to support the development of its business.

The Branch's Regulatory Capital is composed of following two tiers:

1. Tier 1 capital, which includes Share capital (Dotation Capital), Reserves, retained earnings and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy calculation purposes.
2. Tier 2 capital, which includes collective impairment allowance and fair value reserves relating to unrealized gains/losses on investments classified as available for sale.

Table: Composition of Capital CC1

	AED '000
Common Equity Tier 1 capital: instruments and reserves	
Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	
Retained earnings	48,808
Accumulated other comprehensive income (and other reserves)	26,548
Common share capital issued by third parties (amount allowed in group CET1)	434,100
Common Equity Tier 1 capital before regulatory deductions	**509,456**
Common Equity Tier 1 capital regulatory adjustments	
Prudent valuation adjustments	
Goodwill (net of related tax liability)	
Other intangibles other than mortgage servicing rights (net of related tax liability)	(401)
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	
Total regulatory adjustments to Common Equity Tier 1	(401)
Common Equity Tier 1 capital (CET1)	**509,055**
Total regulatory adjustments to additional Tier 1 capital	-
Additional Tier 1 capital (AT1)	-
Tier 1 capital (T1= CET1 + AT1)	**509,055**
Tier 2 capital: instruments and provisions	
Provisions	22,836
Tier 2 capital before regulatory adjustments	22,836
Tier 2 capital: regulatory adjustments	
Total regulatory adjustments to Tier 2 capital	-
Tier 2 capital (T2)	**22,836**
Total regulatory capital (TC = T1 + T2)	**531,891**
Total risk-weighted assets	**1,933,816**
Capital ratios and buffers	
Common Equity Tier 1 (as a percentage of risk-weighted assets)	26.32%
Tier 1 (as a percentage of risk-weighted assets)	26.32%
Total capital (as a percentage of risk-weighted assets)	27.50%
Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.	15.82%

Table: Composition of Capital CC2

AED '000	a	b	c
Jun-24	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
Assets			
Cash and balances at central banks	873,225	873,225	
Items in the course of collection from other banks		-	
Trading portfolio assets		-	
Financial assets designated at fair value		-	
Derivative financial instruments	-	-	
Loans and advances to banks	520,487	520,487	
Loans and advances to customers	194,641	194,641	
Reverse repurchase agreements and other similar secured lending		-	
Available for sale financial investments		-	
Current and deferred tax assets		-	
Prepayments, accrued income and other assets	22,292	22,292	
Investments in associates and joint ventures		-	
Goodwill and other intangible assets	401	401	
Of which: goodwill		-	(a)
Of which: intangibles (excluding MSRs)		-	(b)
Of which: MSRs		-	(c)
Property, plant and equipment	503	503	
Total assets	1,611,549	1,611,549	
Liabilities			
Deposits from banks	-	-	
Items in the course of collection due to other banks		-	
Customer accounts	991,298	991,298	
Financial liabilities designated at fair value		-	
Derivative financial instruments		-	
Debt securities in issue		-	
Accruals, deferred income and other liabilities	75,585	75,585	
Current and deferred tax liabilities	9,571	9,571	
Provisions	21,770	21,770	
Retirement benefit liabilities	3,524	3,524	
Total liabilities	1,101,748	1,101,748	
Shareholders' equity			
Paid-in share capital	434,100	434,100	
Of which: amount eligible for CET1	434,100	434,100	(h)
Of which: amount eligible for AT1		-	(i)
Retained earnings	46,847	46,847	
Accumulated other comprehensive income (and other reserves	28,854	28,854	
Total shareholders' equity	509,801	509,801	

Liquidity

Eligible Liquid Assets Ratio (ELAR)

Eligible Liquid Assets Ratio is a measure to ensure banks hold minimum buffers of liquid assets. The ratio requires the bank to hold an amount equivalent to 10% of its total balance sheet liabilities (excluding those included in regulatory capital) in high quality liquid assets.

As of Jun 30, 2024, Branch's ELAR is 80.86% which is more than the required minimum of 10%.

		30-Jun-24	31-Mar-24	31-Dec-23	30-Sep-23	30-Jun-23
		Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
1	**High Quality Liquid Assets**	**Eligible Liquid Asset**	**Eligible Liquid Asset**	**Eligible Liquid Asset**	**Eligible Liquid Asset**	**Eligible Liquid Asset**
1.1	Physical cash in hand at the bank	0	0	0	0	0
1.2	Statutory reserves with Central Bank	198,225	148,583	105,425	100,410	137,733
1.3	Free and other account balances at the Central Bank (excluding statutory reserves)	675,000	750,000	770,000	820,000	750,000
1.4	Central Bank CDs (unencumbered)					
1.5	UAE Federal Government Bonds and Sukuks					
	Sub Total (1.1 to 1.5)	873,225	898,583	875,425	920,410	887,733
1.6	UAE local governments publicly traded debt securities (0% Risk Weighted under BII Standardized Approach) Rated A+ and above	0	0	0	0	0
1.7	UAE local governments publicly traded debt securities (0% Risk Weighted under BII Standardized Approach) Rated A and below or unrated	0	0	0	0	0
1.8	UAE Public sector publicly traded debt securities (non commercial, 0% Risk Weighted under BII Standardized Approach) Rated A+ and above	0	0	0	0	0
1.9	UAE Public sector publicly traded debt securities (non commercial, 0% Risk Weighted under BII Standardized Approach) Rated A and below or unrated	0	0	0	0	0
	Sub total (1.6 to 1.9)	0	0	0	0	0
1.10	Foreign Sovereign debt instruments or instruments issued by their respective central banks (0% Risk Weighted under Basel II Standardized Approach)	0	0	0	0	0
1.11	Total	**873,225**	**898,583**	**875,425**	**920,410**	**887,733**
2	Total liabilities	1,079,978	1,173,976	1,129,828	1,465,737	2,051,548
3	**Eligible Liquid Assets Ratio (ELAR)**	**80.86%**	**76.54%**	**77.48%**	**62.80%**	**43.27%**

Lending to Stable Resources Ratio (LSRR)

The Lending to Stable Resources Ratio (LSRR) is a measure that recognizes both the actual uses as well as the uses of funds in terms of the contractual maturity and behavioral profile of the sources of funds available to the bank, to ensure that there are limited maturity mismatches and cliff effects. Central Bank reporting for BRF 7 details the requirements of the ratio.

LSRR should not exceed 100%. The Branch's ratio is 31.54%, this is the equivalent percentage of the total advances being funded by stable resources (i.e., customer deposits, etc.). This provides the branch enough flexibility in managing extra resources and its balance sheet in the long-term.

			30-Jun-24	31-Mar-24	31-Dec-23	30-Sep-23	30-Jun-23
		Items	**Amount**	**Amount**	**Amount**	**Amount**	**Amount**
1		**Computation of Advances**					
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	194,641	496,404	106,833	106,833	441,072
	1.2	Lending to non-banking financial institutions	-	-	-	-	-
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	238,557	221,078	114,280	114,280	132,459
	1.4	Interbank Placements					
	1.5	**Total Advances**	433,198	717,482	221,113	221,113	573,531
2		**Calculation of Net Stable Resources**					
	2.1	Total capital + general provisions	531,571	522,873	510,559	498,155	490,398
		Deduct:					
	2.1.1	Goodwill and other intangible assets	401	429	457	485	513
	2.1.2	Fixed Assets	503	727	952	1,178	1,404
	2.1.3	Funds allocated to branches abroad					
	2.1.5	Unquoted Investments					
	2.1.6	Investment in subsidiaries, associates and affiliates					
	2.1.7	**Total deduction**	904	1,156	1,409	1,663	1,917
	2.2	**Net Free Capital Funds**	530,667	521,717	509,150	496,492	488,481
	2.3	**Other stable resources:**					
	2.3.1	Funds from the head office with Head Office loans towards meeting Large Exposure Funding	-	-	-	-	901,890
	2.3.2	Interbank deposits with remaining life of more than 6 months					
	2.3.3	Refinancing of Housing Loans					
	2.3.4	Borrowing from non-Banking Financial Institutions	239,948	261,907	178,700	187,542	182,681
	2.3.5	Customer Deposits	602,655	638,321	691,569	598,876	632,097
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date					
	2.3.7	**Total other stable resources**	842,603	900,228	870,268	786,418	1,716,669
	2.4	**Total Stable Resources (2.2+2.3.7)**	1,373,270	1,421,945	1,379,418	1,282,910	2,205,150
3		**Advances TO STABLE RESOURCES RATIO (1.5/ 2.4*100)**	31.54	50.46	16.03	17.24	26.01

Credit Quality of Assets (CR1)

The determination of impairment losses and allowance uses an expected loss model, where provisions are taken upon initial recognition of the financial asset (or the date that the Branch becomes a party to the loan commitment or financial guarantee), based on expectations of potential credit losses at that time.

For financial assets originated or purchased, the Branch recognizes a loss allowance at an amount equal to 12-month expected credit losses if the credit risk at the reporting date has not increased significantly since initial recognition (Stage 1). This amount represents the expected credit losses resulting from default events that are possible within the next 12 months.

The lifetime expected credit losses represent default events over the expected life of a financial instrument. The Branch measures expected credit losses considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Branch considers a longer period.

The determination of the maximum contractual period considers the date at which the Branch has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Overdrafts and corporate revolving facilities typically include both a loan and an undrawn commitment component (if any), and in these cases the contractual ability of the Branch to demand repayment and cancel the undrawn commitment does not limit the Branch's credit loss exposure to the facility's contractual term. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. While the Branch can cancel these facilities with immediate effect, this contractual right is not enforced in normal day-to-day credit risk management process, but only when the Branch becomes aware of an increase in credit risk on the facility. Consequently, for such facilities, the Branch measures expected credit losses over a period longer than the maximum contractual term. This longer period is estimated taking into consideration credit risk management actions which the Branch expects to take to mitigate credit losses. These credit risk management actions include reducing limits and facility cancellation.

		a	b	c	d	e	f
		Gross carrying values of		Allowances/ Impairments	Of which ECL accounting provisions for credit losses		Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
1	Loans		194,641	458		458	194,183
2	Debt securities						-
3	Off-balance sheet exposures		6,146,634	2,735		2,735	6,143,899
4	**Total**	-	**6,341,275**	**3,193**	-	**3,193**	**6,338,082**

Group Disclosure

Deutsche Bank AG Abu Dhabi Branch is a branch of Deutsche Bank AG, incorporated in Federal Republic of Germany.

For additional information on Deutsche Bank AG and its Financial results and disclosures, please refer to following website: https://investor-relations.db.com/