Deutsche Bank AG Abu Dhabi Branch

Pillar 3 Report

March 31, 2023

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Overview

The following information is compiled in terms of the requirements of the Central Bank of the U.A.E. 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 31 March 2023, including comparative information (where applicable).

Group Disclosures

The Group employs a predominantly 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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Overview of Risk Management & RWAs

Capital Adequacy (KM1)

The 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 U.A.E.,
- To safeguard the Branch's ability to continue as a going concern and increase the returns for the shareholders, and
- To maintain a strong capital base to support the development of its business.

The Branch's regulatory capital is analyzed into two tiers:

- Tier 1 capital, which includes share 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.
- Tier 2 capital, which includes collective impairment allowance and fair value reserves relating to unrealized gains/losses on investments classified as available for sale. Various limits are applied to elements of the capital base:
    - CET1 must be at least 7.0% of risk weighted assets (RWA),
    - Tier 1 Capital must be at least 8.5% of risk weighted assets, and
    - Total Capital, calculated as the sum of Tier 1 and Tier 2 Capital, must be at least 10.5% of RWAs.

The assets of the Branch are risk weighted as to their relative Credit, Market, and Operational risk.

Credit risk includes both On and Off-balance sheet risks.

Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices and includes profit rate risk, foreign exchange risk, equity exposure risk, and commodity risk.

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, or systems, or from external events.

The Branch follows the standardized approach for Credit, Market and Operational risk, as permitted by the U.A.E. Central Bank and as per Pillar 1 of Basel III.

		Mar-23 AED'000	Dec-22 AED'000	Sep-22 AED'000	Jun-22 AED'000	Mar-22 AED'000
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	464,496	464,496	456,769	456,742	268,742
1a	Fully loaded ECL accounting model					
2	Tier 1	464,496	464,496	456,769	456,742	268,742
2a	Fully loaded accounting model Tier 1					
3	Total capital	482,310	485,825	478,207	481,828	296,399
3a	Fully loaded ECL accounting model total capital					
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	1,494,582	1,773,396	1,782,611	2,074,094	2,280,373
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	31.08%	26.19%	25.62%	22.02%	11.78%
5a	Fully loaded ECL accounting model CET1 (%)					
6	Tier 1 ratio (%)	31.08%	26.19%	25.62%	22.02%	11.78%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)					
7	Total capital ratio (%)	32.27%	27.40%	26.83%	23.23%	13.00%
7a	Fully loaded ECL accounting model total capital ratio (%)					
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)					
9	Countercyclical buffer requirement (%)					
10	Bank D-SIB additional requirements (%)					
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)					
12	CET1 available after meeting the bank's minimum capital requirements (%)	21.77%	16.90%	16.33%	12.73%	2.50%
	Basel III Leverage Ratio					
13	Total Basel III leverage ratio measure	4,405,845	5,018,597	5,018,597	5,057,881	5,342,458
14	Basel III leverage ratio (%) (row 2/row 13)	10.54%	9.26%	9.26%	9.03%	8.55%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)					
	Liquidity Coverage Ratio					
15	Total HQLA					
16	Total net cash outflow					
17	LCR ratio (%)					
	Net Stable Funding Ratio					
18	Total available stable funding					
19	Total required stable funding					
20	NSFR ratio (%)					
	ELAR					
21	Total HQLA	848,602	838,509	870,035	898,032	1,104,977
22	Total liabilities	1,930,426	2,023,093	1,927,540	2,149,424	3,152,065
23	Eligible Liquid Assets Ratio (ELAR) (%)	43.96%	41.45%	45.14%	41.78%	35.06%
	ASRR					
24	Total available stable funding	2,172,751	2,305,839	2,139,513	2,372,676	3,113,910
25	Total Advances	244,147	581,718	548,896	850,206	1,234,775
26	Advances to Stable Resources Ratio (%)	11.24%	25.23%	25.66%	35.83%	39.65%

As per CBUAE regulations, Branch is not required to report LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio). Branch reports ELAR (Eligible Assets Ratio) and LSRR (Lending to Stable Resources Ratio) as an alternate.

Total Capital Ratio

TCR for the Branch as of March 31, 2023 is 32.27%.

Key Prudential Metrics and RWA (OV1)

Following metrics and RWA is calculated based on latest applicable CBUAE Capital Adequacy regulations for Banks operating in the UAE.

		Mar-23 AED'000	Dec-22 AED'000	@10.5% AED'000
		a	b	c
		RWA		Minimum capital requirements
		T	T-1	T
1	**Credit risk (excluding counterparty credit risk)**	**1,425,137**	**1,706,318**	**149,639**
2	Of which: standardised approach (SA)	1,425,137	1,706,318	149,639
3	Of which: foundation internal ratings-based (F-IRB) approach			-
4	Of which: supervisory slotting approach			-
5	Of which: advanced internal ratings-based (A-IRB) approach			-
6	Counterparty credit risk (CCR)	-	-	-
7	Of which: standardised approach for counterparty credit risk			-
8	Of which: Internal Model Method (IMM)			-
9	Of which: other CCR			-
10	Credit valuation adjustment (CVA)			-
11	Equity positions under the simple risk weight approach			-
12	Equity investments in funds - look-through approach			-
13	Equity investments in funds - mandate-based approach			-
14	Equity investments in funds - fall-back approach			-
15	Settlement risk			-
16	Securitisation exposures in the banking book			-
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)			-
18	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach			-
19	Of which: securitisation standardised approach (SEC-SA)			-
20	Market risk	**595**	**387**	**62**
21	Of which: standardised approach (SA)	595	387	62
22	Of which: internal model approaches (IMA)			-
23	Operational risk	68,850	66,692	7,229
24	Amounts below thresholds for deduction (subject to 250% risk weight)			-
25	Floor adjustment			-
26	**Total (1+6+10+11+12+13+14+15+16+20+23)**	**1,494,582**	**1,773,396**	**156,931**

Leverage Ratio (LR2)

The Leverage ratio (LR) was introduced as a complementary measure to the risk-based capital framework to help ensure broad and adequate capture of both the on-and off-balance sheet sources of banks leverage.

This simple, non-risk based "Backstop" measure will restrict the build-up of excessive leverage in the banking sector to avoid destabilizing deleveraging processes that can damage the broader financial system and the economy. Illustrated below is DBAG Abu Dhabi's Leverage position as measured by the Basel III Leverage ratio where last two quarters resulting LR was more than the minimum requirement of 3% Leverage Ratio.

		Mar-23	Dec-22
		AED'000	AED'000
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	2,410,464	2,511,943
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-	-
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)**	2,410,464	2,511,943
Derivative exposures			
4	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	7	7
5	Add-on amounts for PFE associated with *all* derivatives transactions	7	7
6	Gross-up for derivatives collateral provide where deducted from the balance sheet assets pursuant to the operative accounting framework		
7	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)		
8	(Exempted CCP leg of client-cleared trade exposures)		
9	Adjusted effective notional amount of written credit derivatives		
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
11	**Total derivative exposures (sum of rows 4 to 10) * 1.4**	20	20
Securities financing transactions			
12	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions		
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
14	CCR exposure for SFT assets		
15	Agent transaction exposures		
16	**Total securities financing transaction exposures (sum of rows 12 to 15)**	-	-
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	3,886,136	4,546,395
18	(Adjustments for conversion to credit equivalent amounts)	(1,890,775)	(2,039,761)
19	**Off-balance sheet items (sum of rows 17 and 18)**	1,995,361	2,506,634
Capital and total exposures			
20	**Tier 1 capital**	464,496	464,496
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	4,405,845	5,018,597
Leverage ratio			
22	**Basel III leverage ratio**	10.54%	9.26%

Liquidity

Eligible Liquid Assets Ratio

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 March 30, 2022, branch's ELAR is 43.96% which is more than the required minimum of 10%.

		31-Mar-23	31-Dec-22	30-Sep-22	30-Jun-22	31-Mar-22
		Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
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	1	1
1.2	Statutory reserves with Central Bank	78,602	78,509	90,035	898,031	117,976
1.3	Free and other account balances at the Central Bank (excluding statutory reserves)	770,000	760,000	780,000	0	987,000
1.4	Central Bank CDs (unencumbered)					
1.5	UAE Federal Government Bonds and Sukuks					
	Sub Total (1.1 to 1.5)	848,602	838,509	870,035	898,032	1,104,977
1.6	UAE local governments publicly traded debt securities (0% Risk Weighted under BII Standardized Approach) Rated A+ and above	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		
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		
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		
	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	**848,602**	**838,509**	**870,035**	**898,032**	**1,104,977**
2	Total liabilities (BRF-2 LIAB: Item nos. 29- 18.1- **(25- 25.5)- 26.7**- 28)	1,930,426	2,023,093	1,927,540	2,149,424	3,152,065
3	**Eligible Liquid Assets Ratio (ELAR)**	**43.96%**	**41.45%**	**45.14%**	**41.78%**	**35.06%**

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 likely 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 11.24%, 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.

Key reason for QoQ movement is due to SBLC (Stand-by LC) reduction.p

			31-Mar-23	31-Dec-22	30-Sep-22	30-Jun-22	31-Mar-22
		Items	**Amount**	**Amount**	**Amount**	**Amount**	**Amount**
1		**Computation of Advances**					
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	139,561	114,845	68,347	368,769	752,429
	1.2	Lending to non-banking financial institutions	0	0	0	0	0
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	104,586	466,873	480,549	481,437	482,346
	1.4	Interbank Placements					
	1.5	**Total Advances**	244,147	581,718	548,896	850,206	1,234,775
2		**Calculation of Net Stable Resources**					
	2.1	Total capital + general provisions	480,038	490,091	462,339	458,414	274,509
		Deduct:					
	2.1.1	Goodwill and other intangible assets	0	0	36	72	
	2.1.2	Fixed Assets	2,159	1,821	1,861	2,078	2,399
	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**	2,159	1,821	1,897	2,150	2,399
	2.2	**Net Free Capital Funds**	477,879	488,270	460,442	456,264	272,110
	2.3	**Other stable resources:**					
	2.3.1	Funds from the head office with Head Office loans towards meeting Large Exposure Funding (BRF 2 Liab- item 26.6)	897,552	960,400	792,546	940,200	1,551,084
	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	169,562	164,928	187,797	173,147	185,388
	2.3.5	Customer Deposits	627,758	692,241	698,728	803,066	1,105,328
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date					
	2.3.7	**Total other stable resources**	1,694,872	1,817,569	1,679,071	1,916,412	2,841,800
	2.4	**Total Stable Resources (2.2+2.3.7)**	2,172,751	2,305,839	2,139,513	2,372,676	3,113,910
3		**Advances TO STABLE RESOURCES RATIO (1.5/ 2.4*100)**	11.24	25.23	25.66	35.83	39.65

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/