Deutsche Bank AG Abu Dhabi Branch

Pillar 3 Report

September 30, 2022

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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 30 September 2022, 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.

	Sep-22	Jun-22	Mar-22	Dec-21	Sep-21
	AED'000	AED'000	AED'000	AED'000	AED'000
Available capital (amounts)					
Common Equity Tier 1 (CET1)	428,666	428,639	240,639	240,669	257,183
Tier 1	428,666	428,639	240,639	240,669	257,183
Total capital	450,104	453,725	268,296	266,777	280,224
Risk-weighted assets (amounts)					
Total risk-weighted assets (RWA)	1,782,611	2,074,094	2,280,373	2,166,581	1,923,073
Risk-based capital ratios as a percentage of RWA					
Common Equity Tier 1 ratio (%)	24.05%	20.67%	10.55%	11.11%	13.37%
Tier 1 ratio (%)	24.05%	20.67%	10.55%	11.11%	13.37%
Total capital ratio (%)	25.25%	21.88%	11.77%	12.31%	14.57%
Additional CET1 buffer requirements as a percentage of RWA					
CET1 available after meeting the bank's minimum capital requirements (%)	14.75%	11.38%	1.27%	1.81%	4.07%
Basel III Leverage Ratio					
Total Basel III leverage ratio measure	5,057,881	5,342,458	6,072,682	5,784,881	5,096,038
Basel III leverage ratio (%) (row 2/row 13)	8.48%	8.02%	3.96%	4.16%	4.72%
ELAR					
Total HQLA	870,035	898,032	1,104,977	729,818	644,655
Total liabilities	1,927,540	2,149,424	3,152,065	2,785,788	2,395,101
Eligible Liquid Assets Ratio (ELAR) (%)	45.14%	41.78%	35.06%	26.20%	26.92%
ASRR					
Total available stable funding	2,139,513	2,372,676	3,113,910	2,781,113	2,310,720
Total Advances	548,896	850,206	1,234,775	1,094,555	624,186
Advances to Stable Resources Ratio (%)	25.66%	35.83%	39.65%	39.36%	27.01%

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 & Capital Increase for the Branch

TCR for the Branch as of September 2022 is 25.25%. Deutsche Bank AG had approved Branch capital increase of AED 188mn in Q1-22 which was successfully impacted post necessary regulatory approval during Q2-22.

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.

	Sep-22 AED'000	Jun-22 AED'000	@10.5% AED'000
	a	b	c
	RWA		Minimum capital requirements
	T	T-1	T
Credit risk (excluding counterparty credit risk)	**1,715,046**	**2,006,900**	**180,080**
Of which: standardised approach (SA)	1,715,046	2,006,900	180,080
Market risk	**873**	**502**	**92**
Of which: standardised approach (SA)	873	502	92
Of which: internal model approaches (IMA)			-
Operational risk	66,692	66,692	7,003
Amounts below thresholds for deduction (subject to 250% risk weight)			-
Floor adjustment			-
Total	**1,782,611**	**2,074,094**	**187,174**

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.

		Sep-22	Jun 22
		AED'000	AED'000
On-balance sheet exposures			
	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	2,389,879	2,607,836
	(Asset amounts deducted in determining Basel III Tier 1 capital)	-	-
	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)	2,389,879	2,607,836
Other off-balance sheet exposures			
	Off-balance sheet exposure at gross notional amount	4,855,455	4,987,806
	(Adjustments for conversion to credit equivalent amounts)	(2,187,453)	(2,253,185)
	Off-balance sheet items (sum of rows 17 and 18)	2,668,002	2,734,621
Capital and total exposures			
	Tier 1 capital	428,666	428,639
	Total exposures (sum of rows 3, 11, 16 and 19)	5,057,881	5,342,458
Leverage ratio			
	Basel III leverage ratio	8.48%	8.02%

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 September 30, 2022, branch's ELAR is 45.14% which is more than the required minimum of 10%.

		30-Sep-22	30-Jun-22	31-Mar-22	31-Dec-21
		Q3 2022	Q2 2022	Q1 2022	Q4 2021
1	**High Quality Liquid Assets**	**Eligible Liquid Asset**	**Eligible Liquid Asset**	**Eligible Liquid Asset**	**Eligible Liquid Asset**
1.1	Physical cash in hand at the bank	0	1	1	1
1.2	Statutory reserves with Central Bank	90,035	898,031	117,976	729,817
1.3	Free and other account balances at the Central Bank (excluding statutory reserves)	780,000	0	987,000	0
1.4	Central Bank CDs (unencumbered)				
1.5	UAE Federal Government Bonds and Sukuks				
	Sub Total (1.1 to 1.5)	870,035	898,032	1,104,977	729,818
1.6	UAE local governments publicly traded debt securities (0% Risk Weighted under BII Standardized Approach) Rated A+ and above	0			
1.7	UAE local governments publicly traded debt securities (0% Risk Weighted under BII Standardized Approach) Rated A and below or unrated	0			
1.8	UAE Public sector publicly traded debt securities (non commercial, 0% Risk Weighted under BII Standardized Approach) Rated A+ and above	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			
	Sub total (1.6 to 1.9)	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
1.11	Total	**870,035**	**898,032**	**1,104,977**	**729,818**
2	Total liabilities (BRF-2 LIAB: Item nos. 29- 18.1- **(25- 25.5)- 26.7**- 28)	1,927,540	2,149,424	3,152,065	2,785,788
3	**Eligible Liquid Assets Ratio (ELAR)**	**45.14%**	**41.78%**	**35.06%**	**26.20%**

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 25.66%, 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-Sep-22	30-Jun-22	31-Mar-22	31-Dec-21
		Items	**Amount**	**Amount**	**Amount**	**Amount**
1		**Computation of Advances**				
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	68,347	368,769	752,429	627,619
	1.2	Lending to non-banking financial institutions	-	-	-	-
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	480,549	481,437	482,346	466,936
	1.4	Interbank Placements				
	1.5	**Total Advances**	548,896	850,206	1,234,775	1,094,555
2		**Calculation of Net Stable Resources**				
	2.1	Total capital + general provisions	462,339	458,414	274,509	272,062
		Deduct:				
	2.1.1	Goodwill and other intangible assets	36	72		
	2.1.2	Fixed Assets	1,861	2,078	2,399	2,684
	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**	1,897	2,150	2,399	2,684
	2.2	**Net Free Capital Funds**	460,442	456,264	272,110	269,378
	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)	792,546	940,200	1,551,084	1,587,230
	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	187,797	173,147	185,388	167,731
	2.3.5	Customer Deposits	698,728	803,066	1,105,328	756,774
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date				
	2.3.7	**Total other stable resources**	1,679,071	1,916,412	2,841,800	2,511,735
	2.4	**Total Stable Resources (2.2+2.3.7)**	2,139,513	2,372,676	3,113,910	2,781,113
3		**Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)**	26	36	40	39

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/