THE CHAIRPERSON

Floor 46, One Canada Square,
London E14 5AA UNITED KINGDOM

t: +44(0) 20 7382 1770
f: +44(0) 20 7382 1771

www.eba.europa.eu

+44(0)20 7382 1765 direct
andrea.enria@eba.europa.eu

EBA/2016/D/916

Sven Giegold
Member
European Parliament
Bâtiment Altiero Spinelli - 05F163
rue Wiertz 60
B-1047 Brussels
Belgium

5 October 2016

Question to EBA on Deutsche Bank Leverage Ratio

Dear Mr Giegold

Thank you for your enquiry on the leverage ratio of Deutsche Bank reported in the context of the 2016 EU-wide stress test.

You correctly note in your letter that the reported leverage ratio differs in different contexts, and this is not confined to any one bank. As you are aware we are in the process of rolling out the full suite of regulatory changes agreed by the G20. To that end, the differences you note result primarily from reporting the transitional vs. the "fully loaded" or final regulatory leverage ratio used in the stress test. In addition, you note an accounting measure for leverage which is published by the FDIC but is not used in the EU-wide stress test.

Please find some detailed observations below. The individual results for Deutsche Bank were published on the EBA website and my answers below are based on this data.[1]

As you state in your letter, Deutsche Bank reports a projected transitional leverage ratio of 3.31% in 2018 under the adverse scenario decreasing from a starting value as of December 2015 of 4.16% in 2015. On a fully loaded basis the starting value is 3.49% and the projected value for 2018 under the adverse scenario is 2.96%.[2]

Deutsche Bank reports information on the leverage ratio in its quarterly reports on a fully loaded basis. The value reported for December 2015 is 3.49% and therefore identical to the value reported as part of the EU-wide stress test. As you point out, the value reported for June 2016 is lower at 3.4%.

Please note that as stated in the methodological note of the 2016 EU-wide stress test, the leverage ratio should be calculated following Article 429 of Capital Requirements Regulation (EU) No 575/2013 as per Delegated Regulation (EU) 2015/62 of 10 October 2014 on a transitional and a fully loaded basis.

[1] http://www.eba.europa.eu/documents/10180/1519983/EBA_TR_DE_7LTWFZYICNSX8D621K86.pdf

[2] Rows G.3 and G.4 on page 27 of the published results for Deutsche Bank

EBA EUROPEAN BANKING AUTHORITY

The FDIC Global Capital Index that you refer to in your letter gives a different measure of leverage. First, the Basel III leverage ratio is shown. Here the value for Deutsche Bank as of June 2016 is 3.4% and therefore equal to the figures for the regulatory leverage ratio reported by Deutsche Bank. The document also gives a different measure for leverage that the FDIC defines in a footnote as '*the ratio of adjusted tangible equity to adjusted tangible assets. Adjusted tangible equity, adjusted tangible assets, and adjusted tangible book subtract goodwill, other intangibles, and deferred tax assets.*' Whilst this is a bespoke measure of the FDIC I understand this measure is based on accounting definitions of equity and total assets, while the regulatory leverage ratio as defined Article 429 of Capital Requirements Regulation (EU) No 575/2013 requires a number of adjustments compared to figures reported under international accounting standards. For instance the numerator for the regulatory definition (Tier 1 capital) also includes additional Tier 1 capital while a number other items are deducted and the denominator is adjusted for derivatives netting and off-balance sheet exposures.

I hope this addresses your question. As you know the EBA has pushed hard to achieve consistent EU definitions and to enhance the transparency around the EU banking system. We will continue to do so going forward and I look forward to your support in our endeavours. Feel free to call me if you require any further information.

Yours sincerely

(signed)

Andrea Enria