



Managing risk for our clients

#Positive Impact

Deutsche Bank AG Johannesburg

Pillar 3 disclosure

For the half year ended 30 June 2023

1. Overview

The following information is compiled in terms of the requirements of the Banks Act 1990 (as amended) and Regulation 43(1)(e)(iv) and 43(2) of the Banking Regulations, whereby banks (including foreign branches) 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 half year ended 30 June 2023, including comparative information (where applicable) for the half year ended 30 June 2022.

2. Financial performance

In terms of the requirements of the Banks Act and Regulations relating to Banks, the financial results presented below have been prepared in accordance with Financial Reporting Standards issued from time to time, with additional disclosure when required.

Whilst branches of foreign banks are not required to publish financial statements the information provided below is required in terms of their Pillar 3 disclosures.

Financial position/balance sheet¹

The balance sheet reflects what the branch owns, owes and the equity that is attributable to shareholders at 30 June 2023.

	June 2023 R'000	June 2022 R'000
Assets		
Cash and balances with central bank	341,937	348,747
Short term negotiable securities	2,069,092	4,566,755
Loans and advances to customers	13,132,163	15,082,402
Investment and trading securities	2,875,353	1,504,236
Derivative financial instruments	5,023,823	3,510,901
Pledged assets	1,506,685	1,459,652
Property and equipment	35,107	46,213
Other assets	4,212,565	6,310,064
Total assets	29,196,725	32,828,970
Liabilities		
Deposits, current accounts and other creditors	16,168,729	18,873,090
Derivative financial instruments and other trading liabilities	7,331,343	5,879,496
Other liabilities	3,851,603	6,457,350
Total liabilities	27,351,675	31,209,936
Equity		
Total equity attributable to equity holders	1,845,047	1,619,036
Dotation capital	2,068,639	2,068,639
Retained earnings	(222,056)	(449,603)
Total equity	1,845,047	1,619,036
Total equity and liabilities	29,196,722	32,828,972

2. Financial performance.....continued

Results of operations/income statement²

The income statement reflects the revenue generated by the branch as well as the costs incurred in generating that revenue for the half year ended 30 June 2023.

	June 2023 R'000	June 2022 R'000
Net Interest Income	(5,711)	13,061
Non-Interest Revenue	304,263	201,709
Operating Income	298,552	214,770
Operating Expenses	119,489	170,509
Profit before income tax	179,063	44,261
Income tax expense / (income)	-	-
Profit for the year	179,063	44,261

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3. Financial position

Capital adequacy

In terms of the requirements of the Banks Act and Regulations relating to Banks, the branch has complied with the minimum capital requirements for the period under review.

The branch's regulatory capital is split into two tiers:

- Tier 1 capital, which is comprised solely of Common Equity Tier 1 capital, which includes dotation capital, and appropriated retained earnings.
- Tier 2 capital, which includes a general allowance for credit impairment.

The minimum capital requirements are defined by three ratios:

- Common Equity Tier 1 capital as a percentage of risk weighted assets;
- Tier 1 capital as a percentage of risk weighted assets; and

Total qualifying capital as a percentage of risk weighted assets.

Summary of risk weighted assets and regulatory capital requirements

	RWA	RWA	Minimum capital requirements ⁽¹⁾
	June 2023	June 2022	June 2023
	R'000	R'000	R'000
1 Credit risk (excluding counterparty credit risk) (CCR)	1,767,126	968,150	203,219
2 Of which standardized approach (SA)	1,767,126	968,150	203,219
3 Of which: internal ratings-based (IRB) approach	-	-	-
4 Counterparty credit risk	2,315,192	2,209,370	266,247
5 Of which standardized approach for counterparty credit risk (SA-CCR)	2,315,192	2,209,370	266,247
6 Of which internal model method (IMM)	-	-	-
Of which Current Exposure Method (CEM)	-	-	-
7 Equity positions in banking book under market-based approach	-	-	-
8 Equity investments in funds – look-through approach	-	-	-
9 Equity investments in funds – mandate-based approach	-	-	-
10 Equity investments in funds – fallback approach	-	-	-
11 Settlement risk	-	-	-
12 Securitization exposures in banking book	-	-	-
13 Of which: securitization internal ratings-based approach (SEC-IRBA)	-	-	-
Of which: securitization external ratings-based approach (SEC-ERBA), including	-	-	-
14 internal assessment approach (IAA)	-	-	-
15 Of which: securitization standardized approach (SEC-SA)	-	-	-
16 Market risk	816,325	649,475	93,877
17 Of which standardized approach (SA)	816,325	649,475	93,877
18 Of which internal model approaches (IMA)	-	-	-
19 Operational risk	479,447	266,679	55,136
20 Of which Basic Indicator Approach	479,447	266,679	55,136
21 Of which Standardized Approach	-	-	-
22 Of which Advanced Measurement Approach	-	-	-
23 Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
24 Floor adjustment	-	-	-
25 Other Assets Risk	443,464	227,000	50,998
Total (1+4+7+8+9+10+11+12+16+19+23+24+25)	5,821,554	4,320,674	669,479

⁽¹⁾ Minimum capital requirements - This value is 11.5%, consisting of a Pillar 1 requirement of 8.00%, Pillar 2A of 1%, and a Capital Conservation Buffer of 2.5%.

4. Capital structure

Capital composition

The branch is applying the Basel III regulatory adjustments in full as implemented by the South African Reserve Bank (SARB).

	June 2023 R'000	June 2022 R'000
Total Qualifying Capital & Reserves		
Tier 1		
Common Equity Tier 1 capital: instruments and reserves	2,067,103	2,068,639
Dotation Capital	2,068,639	2,068,639
Accumulated other comprehensive income (and other reserves) ⁽¹⁾	(1,536)	-
Retained earnings (appropriated)	-	-
Common Equity Tier 1 capital: regulatory adjustments	(280,731)	(452,553)
Deferred tax assets	-	-
Other Regulatory adjustments: Accumulated losses	(222,055)	(449,604)
Other Regulatory adjustments: Prudent valuation adjustments ⁽²⁾	(39,068)	-
Debit Value Adjustment: Cumulative gains and losses due to changes in own fair valued liabilities	(19,608)	(2,949)
Tier 1 capital (T1)	1,786,372	1,616,086
Tier 2		
Provisions	3,571	6,451
Tier 2 capital (T2)	3,571	6,451
Total capital (TC = T1 + T2)	1,789,943	1,622,537
Total risk weighted assets	5,821,554	4,320,674
Capital ratios		
Common Equity Tier 1 (as a percentage of risk weighted assets)	30.69%	37.40%
Tier 1 (as a percentage of risk weighted assets)	30.69%	37.40%
Total capital (as a percentage of risk weighted assets)	30.75%	37.55%
	June 2023 R'000	June 2022 R'000
Reconciliation of accounting capital to regulatory capital		
Accounting capital - as reported per unaudited financial statements	2,067,103	2,068,639
Dotation capital	2,068,639	2,068,639
Retained earnings	-	-
Accumulated other comprehensive income (and other reserves) ⁽¹⁾	(1,536)	-
Less: Unappropriated Income	-	-
	2,067,103	2,068,639
Add: General allowance for credit impairments	3,571	6,451
	2,070,674	2,075,090
Less: Regulatory adjustments and deductions	(280,731)	(452,553)
Total regulatory capital	1,789,943	1,622,537

¹ Accumulated reserves through Other Comprehensive Income reported from 2023

² Prudent valuation adjustment reported from December 2022

5. Leverage position

Illustrated below is DBJ's leverage position as measured by the Basel III leverage ratio.

The leverage ratio 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 buildup of excessive leverage in the banking sector to avoid destabilizing deleveraging processes that can damage the broader financial system and the economy.

	June 2023 %	June 2022 %
Leverage Ratio	5.67	4.95
Specified minimum regulatory ratio	4.00	4.00

6. Credit risk

The tables illustrated below presents key measurement metrics of DBJ's credit position as at 30 June 2023, as required by the revised Pillar 3 disclosures.

Credit quality of assets

The table below provides a comprehensive picture of the credit quality of a bank's on- and off-balance sheet assets.

	Gross carrying values of:			Net values
	Defaulted exposures	Non-defaulted exposures	Allowances/impairments	R'000
1 Loans	-	9,947,811	-	9,728,703
2 Debt Securities	-	6,532,463	-	6,028,194
3 Off-balance sheet exposures	-	973,087	-	973,087
4 Total	-	17,453,609	-	16,729,985

Changes in stock of defaulted loans and debt securities

The table below identifies the changes in a bank's stock of defaulted exposures, the flows between non-defaulted and defaulted exposure categories and reductions in the stock of defaulted exposures due to write-offs.

	June 2023
1 Defaulted loans and debt securities at end of the previous reporting period	-
2 Loans and debt securities that have defaulted since the last reporting period	-
3 Returned to non-defaulted status	-
4 Amounts written off	-
5 Other changes	-
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)	-

Credit risk mitigation techniques - overview

The table below discloses the extent of use of credit risk mitigation techniques.

R'000	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1 Loans	9,728,703	-	-	3,495,955	3,495,955	-	-
2 Debt securities	6,028,194	-	-	1,008,537	1,008,537	-	-
3 Total	15,756,898	-	-	4,504,491	4,504,491	-	-
4 Of which defaulted	-	-	-	-	-	-	-

7. Credit risk..... continued

Standardized approach - credit risk exposure and credit risk mitigation (CRM) effects

The table below illustrates the effect of CRM (comprehensive and simple approach) on standardized approach capital requirements' calculations. RWA density provides a synthetic metric on riskiness of each portfolio.

Asset classes	Exposures before CCF and CRM R'000		Exposures post CCF and CRM R'000		RWA and RWA density R'000	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Sovereigns and their central banks	5,785,592	-	5,785,592	-	-	0%
Non-central government public sector entities	3,098,958	-	-	-	-	0%
Multilateral development banks	-	-	-	-	-	0%
Banks	5,808,598	-	7,332,322	-	59,227	1%
Securities firms	-	-	-	-	-	0%
Corporates	6,378,222	973,087	5,369,686	86,159	1,707,899	31%
Regulatory retail portfolios	-	-	-	-	-	0%
Secured by residential property	-	-	-	-	-	0%
Secured by commercial real estate	-	-	-	-	-	0%
Equity	-	-	-	-	-	0%
Past-due loans	-	-	-	-	-	0%
Higher-risk categories	-	-	-	-	-	0%
Other assets	-	-	-	-	-	0%
Total	21,071,370	973,087	18,487,601	86,159	1,767,126	10%

7. Credit risk..... continued

Standardized approach - exposures by asset classes and risk weights

The table below presents the breakdown of credit risk exposures under the standardized approach by asset class and risk weight (corresponding to the riskiness attributed to the exposure according to standardized approach).

Asset Class	Risk weight										Total credit exposures amount (post CCF and post-CRM) R'000
		0% R'000	10% R'000	20% R'000	35% R'000	50% R'000	75% R'000	100% R'000	150% R'000	Others R'000	
Sovereigns and their central banks		5,785,592	-	-	-	-	-	-	-	-	5,785,592
Non-central government public sector entities (PSEs)		3,098,958	-	-	-	-	-	-	-	-	3,098,958
Multilateral development banks (MDBs)		-	-	-	-	-	-	-	-	-	-
Banks		7,036,187	-	-	-	-	-	-	-	-	7,036,187
Securities firms		-	-	-	-	-	-	-	-	-	-
Corporates		3,589,736	-	438,215	-	-	-	1,427,894	-	-	5,455,845
Regulatory retail portfolios		-	-	-	-	-	-	-	-	-	-
Secured by residential property		-	-	-	-	-	-	-	-	-	-
Secured by commercial real estate		-	-	-	-	-	-	-	-	-	-
Equity		-	-	-	-	-	-	-	-	-	-
Past-due loans		-	-	-	-	-	-	-	-	-	-
Higher-risk categories		-	-	-	-	-	-	-	-	-	-
Other assets		-	-	-	-	-	-	-	-	-	-
Total		19,510,473	-	438,215	-	-	-	1,427,894	-	-	21,376,582

8. Counterparty credit risk

Analysis of counterparty credit risk (CCR) exposure by approach

	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post CRM	RWA
1 SA-CCR (for derivatives)	2,497,354	1,547,907		1.4	5,663,365	699,010
2 Internal Model Method (for derivatives and SFTs)			-	-	-	-
3 Simple Approach for credit risk mitigation (for SFTs)					-	-
4 Comprehensive Approach for credit risk mitigation (for SFTs)					420,448	88,749
5 VaR for SFTs					-	-
6 Total	2,497,354	1,547,907			6,083,813	787,759

Credit valuation adjustment (CVA) capital charge

The table provides the CVA regulatory calculations (with a breakdown by standardized and advanced approaches).

	EAD post-CRM R'000	RWA R'000
Total portfolios subject to the Advanced CVA capital charge		
1 (i) VaR component (including the 3x multiplier)		-
2 (ii) Stressed VaR component (including the 3x multiplier)		-
3 All portfolios subject to the Standardized CVA capital charge	741,620	1,527,433
4 Total subject to the CVA capital charge	741,620	1,527,433

9.Counterparty credit riskcontinued

Standardized approach -- CCR exposures by regulatory portfolio and risk weights

The table provides a breakdown of counterparty credit risk exposures calculated according to the current exposure method approach: by portfolio (type of counterparties) and by risk weight (riskiness attributed according to standardized approach).

Regulatory Portfolio - R'000	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns	4,066	-	-	-	-	-	-	-	4,066
Non-central government public sector entities (PSEs)	-	-	3,554	-	-	-	-	-	3,554
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-
Banks	3,447,842	-	368,417	-	-	36,044	-	-	3,852,302
Securities firms	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	54,779	-	-	54,779
Regulatory retail portfolios	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	3,451,908	-	371,971	-	-	90,823	-	-	3,914,701

Composition of collateral for CCR exposure

The table provides a breakdown of all types of collateral posted or received by banks to support or reduce the counterparty credit risk exposures related to derivative transactions or to SFTs, including transactions cleared through a CCP.

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	356,843	-	-	-	-
Cash – other currencies	-	-	-	-	-	-
Domestic sovereign debt	1,245,099	-	-	-	3,427,640	4,197,561
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	1,245,099	356,843	-	-	3,427,640	4,197,561

10. Liquidity risk

Liquidity coverage ratio (LCR)

Illustrated below is DBJ's short-term liquidity position as measured by the LCR.

	Total Unweighted Value 30 June 2023 R'000	Total Weighted Value 30 June 2023 R'000
High-Quality Liquid Assets		
1 Total High-Quality Liquid Assets (HQLA)	6,769,296	6,618,015
Cash Outflows		
2 Retail deposits and deposits from small business customers, of which:	-	-
3 Stable deposits	-	-
4 Less-stable deposits	-	-
5 Unsecured wholesale funding, of which:	11,935,871	7,218,092
6 <i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	-	-
7 <i>Non-operational deposits (all counterparties)</i>	11,935,871	7,218,092
8 Unsecured debt	-	-
9 Secured wholesale funding	3,038,321	-
10 Additional requirements, of which:	-	-
11 Outflows related to derivative exposures and other collateral requirements	-	-
12 Outflows related to loss of funding on debt products	-	-
13 Credit and liquidity facilities	973,087	57,270
14 Other contractual funding obligations	-	-
15 Other contingent funding obligations	-	-
16 Total Cash Outflows	15,947,279	7,275,362
Cash Inflows		
17 Secured lending (e.g. reverse repos)	3,625,075	-
18 Inflows from fully performing exposures	6,035,837	4,642,144
19 Other cash inflows	242,872	85,276
20 Total Cash Inflows	9,903,784	4,727,420
21 Total HQLA		6,618,015
22 Total Net Cash Outflows		2,547,942
23 Liquidity Coverage Ratio (%)		260%
LCR for the period 1 April 2023 to 30 June 2023		
1 Total High-Quality Liquid Assets (HQLA)		7,786,807
2 Total Net Cash Outflows		2,413,873
3 Liquidity Coverage Ratio (%)		361%

11.1 Operational risk

	June 2023 R'000	June 2022 R'000
Risk Weighted Assets		
Operational risk	479,447	266,679

11.2 Market risk

	June 2023 R'000	June 2022 R'000
Risk Weighted Assets	R'000	R'000
Outright products		
1 Interest rate risk (general and specific)	638,621	604,845
2 Equity risk (general and specific)	-	-
3 Foreign exchange risk	177,704	44,630
4 Commodity risk	-	-
Options		
5 Simplified approach	-	-
6 Delta-plus method	-	-
7 Scenario approach	-	-
8 Securitization	-	-
9 Total	816,325	649,475

11.3 Interest rate risk in the banking book

The equity sensitivity analysis below shows how the value of DBJ's economic value of equity (EVE) and net interest income would be impacted by specified interest rates scenarios as per local banking regulations.

	June 2023 R'000	June 2022 R'000
Economic value of equity sensitivity		
Parallel shifts up and down		
Increase (400bps : 200bps)	-38,695	16,827
Decrease (400bps : 200bps)	49,819	-16,827

The maximum negative change of present values of the banking book positions when applying the regulatory required standard Outlier tests for delta EVE was 4.4% of our Tier 1 regulatory capital as at 30 June 2023. Consequently, outright interest rate risk in the banking book is considered immaterial for the branch.

