Deutsche Bank
Risk & Capital Management

Managing risk for our clients

#PositiveImpact

Deutsche Bank AG Johannesburg
Pillar 3 disclosure

For the half year ended 30 June 2021

Contents

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 2021, including comparative information (where applicable) for the half year ended 30 June 2020.

Financial position

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 sheet[1]

The balance sheet reflects what the branch owns, owes and the equity that is attributable to shareholders at 30 June 2021.

	June 2021 R'000	June 2020 R'000
Assets		
Cash and balances with central bank	259 394	99 102
Short term negotiable securities	1 908 246	1 689 653
Loans and advances to customers	6 678 520	3 610 305
Investment and trading securities	865 484	41 234
Derivative financial instruments	2 894 789	3 871 956
Pledged assets	686 358	–
Intangible assets	–	5 941
Property and equipment	21 059	3 666
Deferred income tax assets	–	10 987
Other assets	1 406 420	151 217
Total assets	14 720 270	9 484 061
Liabilities		
Deposits, current accounts and other creditors	7 916 722	4 835 944
Derivative financial instruments and other trading liabilities	4 459 309	3 796 639
Other liabilities	1 567 714	191 878
Total liabilities	13 943 745	8 824 461
Equity		
Total equity attributable to equity holders	776 525	659 600
Dotation capital	1 190 639	884 639
Retained earnings	(414 114)	(225 039)
Total equity	776 525	659 600
Total equity and liabilities	14 720 270	9 484 061

Results of operations/income statement[2]

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 2020.

	June 2021 R'000	June 2020 R'000
Net Interest Income	28 778	52 767
Non Interest Revenue	2 556	26 409
Operating income	31 334	79 176
Operating expenses	132 682	151 277
Loss before income tax	(101 348)	(72 101)
Income tax expense/(income)	–	3 495
Loss for the year	(101 348)	(75 596)

[1] *Source: 30 June BA 100 (unaudited)*
[2] *Source: 30 June BA 120 (unaudited)*

Capital structure

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 June 2021 R'000	RWA June 2020 R'000	Minimum capital requirements[1] June 2021 R'000
1	Credit risk (excluding counterparty credit risk) (CCR)	892 052	803 474	102 586
2	Of which standardised approach (SA)	892 052	803 474	102 586
3	Of which: internal ratings-based (IRB) approach	–	–	–
4	Counterparty credit risk	3 418 826	3 267 570	393 165
5	Of which standardised approach for counterparty credit risk (SA-CCR)	3 418 826	3 267 570	393 165
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 – fall-back approach	–	–	–
11	Settlement risk	–	–	–
12	Securitisation exposures in banking book	–	–	–
13	Of which: securitisation internal ratings-based approach (SEC-IRBA)	–	–	–
14	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)	–	–	–
15	Of which: securitisation standardised approach (SEC-SA)	–	–	–
16	Market risk	268 588	41 375	30 888
17	Of which standardised approach (SA)	268 588	41 375	30 888
18	Of which internal model approaches (IMA)	–	–	–
19	Operational risk	140 698	221 608	16 180
20	Of which Basic Indicator Approach	140 698	221 608	16 180
21	Of which Standardised Approach	–	–	–
22	Of which Advanced Measurement Approach	–	–	–
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	–	27 468	–
24	Floor adjustment	–	–	–
25	Other Assets Risk	21 059	30 999	2 422
	Total (1+4+7+8+9+10+11+12+16+19+23+24+25)	4 741 223	4 392 494	545 241

[1] Minimum capital requirements – This value is 10.5%, consisting of a Pillar 1 requirement of 8.00%, Pillar 2A of 0%, and a Capital Conservation Buffer of 2.5%.

Capital structure continued

Capital composition

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

	June 2021 R'000	June 2020 R'000
Tier 1		
Common Equity Tier 1 capital: instruments and reserves	776 524	659 599
Dotation Capital	1 190 639	884 639
Retained earnings (appropriated)	(414 115)	(225 040)
Common Equity Tier 1 capital: regulatory adjustments	(4 514)	(21 856)
Deferred tax assets	–	–
Debit Value Adjustment: Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	(4 514)	(21 856)
Tier 1 capital (T1)	772 010	637 743
Tier 2		
Provisions	–	1 301
Tier 2 capital (T2)	–	1 301
Total capital (TC = T1 + T2)	772 010	639 044
Total risk weighted assets	4 741 223	4 392 494
Capital ratios		
Common Equity Tier 1 (as a percentage of risk weighted assets)	16.28%	14.52%
Tier 1 (as a percentage of risk weighted assets)	16.28%	14.52%
Total capital (as a percentage of risk weighted assets)	16.28%	14.55%

Reconciliation of accounting capital to regulatory capital

Accounting capital – as reported per unaudited financial statements	776 524	659 599
Dotation capital	1 190 639	884 639
Retained earnings	(414 115)	(225 040)
Less: unappropriated reserves income	–	–
	776 524	659 599
Add: General allowance for credit impairments	–	1 301
	776 524	660 900
Less: Regulatory adjustments and deductions	(4 514)	(21 856)
Total regulatory capital	772 010	639 044

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 build up of excessive leverage in the banking sector to avoid destabilising deleveraging processes that can damage the broader financial system and the economy.

	June 2021 %	June 2020 %
Leverage ratio	4.80	6.51
Specified minimum ratio as per SARB	4	4

Credit risk

Credit risk

The tables illustrated below presents key measurment metrics of DBJ's credit position as at 30 June 2021, 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:			
		Defaulted exposures R'000	Non-defaulted exposures R'000	Allowances/ impairments R'000	Net values R'000
1	Loans	–	5 685 937	1 606	5 684 331
2	Debt Securities	–	3 600 310	34	3 600 276
3	Off-balance sheet exposures	–	175 263	–	175 263
4	Total	–	9 461 510	1 640	9 459 870

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 2021
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.

		Exposures unsecured: carrying amount R'000	Exposures secured by collateral R'000	Exposures secured by collateral, of which: secured amount R'000	Exposures secured by financial guarantees R'000	Exposures secured by financial guarantees, of which: secured amount R'000	Exposures secured by credit derivatives R'000	Exposures secured by credit derivatives, of which: secured amount R'000
1	Loans	5 684 331	–	–	–	–	–	–
2	Debt securities	3 600 276	–	–	–	–	–	–
3	Total	9 284 607	–	–	–	–	–	–
4	Of which defaulted	–	–	–	–	–	–	–

Credit risk continued

Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

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

	Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
	On-balance sheet amount R'000	Off-balance sheet amount R'000	On-balance sheet amount R'000	Off-balance sheet amount R'000	RWA R'000	RWA density %
Asset classes						
Sovereigns and their central banks	3 600 310	–	3 600 310	–	–	–
Non-central government public sector entities	1 187 543	–	–	–	237 509	20%
Multilateral development banks	–	–	–	–	–	–
Banks	4 404 857	–	5 592 400	–	253 370	6%
Securities firms	–	–	–	–	–	–
Corporates	567 968	175 263	567 968	70 714	638 682	100%
Regulatory retail portfolios	–	–	–	–	–	–
Secured by residential property	–	–	–	–	–	–
Secured by commercial real estate	–	–	–	–	–	–
Equity	–	–	–	–	–	–
Past-due loans	–	–	–	–	–	–
Higher-risk categories	–	–	–	–	–	–
Other assets	–	–	–	–	–	–
Total	9 760 678	175 263	9 760 678	70 714	1 129 561	11

Standardised approach – exposures by asset classes and risk weights

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

Asset class/risk weight	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	Total credit exposures amount (post CCF and post-CRM) R'000
Sovereigns and their central banks	3 600 310	–	–	–	–	–	–	–	–	3 600 310
Non-central government public sector entities (PSEs)	–	–	–	–	–	–	–	–	–	–
Multilateral development banks (MDBs)	–	–	–	–	–	–	–	–	–	–
Banks	4 325 549	–	1 266 851	–	–	–	–	–	–	5 592 400
Securities firms	–	–	–	–	–	–	–	–	–	–
Corporates	–	–	–	–	–	–	638 682	–	–	638 682
Regulatory retail portfolios	–	–	–	–	–	–	–	–	–	–
Secured by residential property	–	–	–	–	–	–	–	–	–	–
Secured by commercial real estate	–	–	–	–	–	–	–	–	–	–
Equity	–	–	–	–	–	–	–	–	–	–
Past-due loans	–	–	–	–	–	–	–	–	–	–
Higher-risk categories	–	–	–	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	–	–	–	–	–
Total	7 925 859	–	1 266 851	–	–	–	638 682	–	–	9 831 392

Counterparty credit risk

Analysis of counterparty credit risk (CCR) exposure by approach

		Replacement cost R'000	Potential future exposure R'000	EEPE R'000	Alpha used for computing regulatory EAD R'000	EAD post CRM R'000	RWA R'000
1	SA-CCR (for derivatives)	2 186 732	1 290 303		1.4	1 114 076	1 103 343
2	Internal Model Method (for derivatives and SFTs)			–	–	–	–
3	Simple Approach for credit risk mitigation (for SFTs)					–	–
4	Comprehensive Approach fo credit risk mitigation (for SFTs)					101 609	20 322
5	VaR for SFTs					–	–
6	Total					1 215 685	1 123 665

Credit valuation adjustment (CVA) capital charge

The table provides the CVA regulatory calculations (with a breakdown by standardised 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 3×multiplier)		–
2	(ii) Stressed VaR component (including the 3×multiplier)		–
3	All portfolios subject to the Standardised CVA capital charge	951 640	2 295 161
4	Total subject to the CVA capital charge	951 640	2 295 161

Counterparty credit risk continued

Standardised 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 standardised approach).

Regulatory portfolio	0% R'000	10% R'000	20% R'000	50% R'000	75% R'000	100% R'000	150% R'000	Others R'000	Total credit exposure R'000
Sovereigns	–	–	–	–	–	–	–	–	–
Non-central government public sector entities (PSEs)	–	–	13 416	–	–	–	–	–	13 416
Multilateral development banks (MDBs)	–	–	–	–	–	–	–	–	–
Banks	–	–	112 342	–	–	156 233	–	–	268 575
Securities firms	–	–	–	–	–	–	–	–	–
Corporates	–	–	–	–	–	933 694	–	–	933 694
Regulatory retail portfolios	–	–	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	–	–	–	–
Total	–	–	125 758	–	–	1 089 928	–	–	1 215 685

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			
	Segregated R'000	Unsegregated R'000	Segregated R'000	Unsegregated R'000	Fair value of collateral received R'000	Fair value of posted collateral R'000
Cash – domestic currency	–	–	–	–	–	–
Cash – other currencies	–	–	–	–	–	–
Domestic sovereign debt	467 325	–	–	–	1 004 259	735 463
Other sovereign debt	–	–	–	–	–	–
Government agency debt	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Equity securities	–	–	–	–	–	–
Other collateral	–	–	–	–	–	–
Total	467 325	–	–	–	1 004 259	735 463

Liquidity risk

Liquidity Coverage Ratio (LCR)

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

	Deutsche Bank AG – Johannesburg Branch	Total unweighted value 30 June 2021 R'000	Total weighted value 30 June 2021 R'000
	High-quality liquid assets		
1	Total high-quality liquid assets (HQLA)	2 027 274	2 027 274
	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:	7 136 822	2 533 415
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	–	–
7	Non-operational deposits (all counterparties)	7 136 822	2 533 415
8	Unsecured debt	–	–
9	Secured wholesale funding	728 178	–
10	Additional requirements, of which:	–	–
11	Outflows related to derivative exposures and other collateral requirements	110 780	110 780
12	Outflows related to loss of funding on debt products	–	–
13	Credit and liquidity facilities	175 263	15 835
14	Other contractual funding obligations	–	–
15	Other contingent funding obligations	–	–
16	Total cash outflows	8 151 043	2 660 030
	Cash inflows		
17	Secured lending (e.g. reverse repos)	994 189	–
18	Inflows from fully performing exposures	2 505 835	2 219 738
19	Other cash inflows	20 297	–
20	Total cash inflows	3 520 321	2 219 738
21	Total HQLA		2 027 274
21	Total net cash outflows		665 008
23	Liquidity coverage ratio (%)		305%

	LCR for the period 1 April 2021 to 30 June 2021	Quarter ending June 2021
1	Total high-quality liquid assets (HQLA)	2 014 028
2	Total net cash outflows	761 495
3	Liquidity coverage ratio (%)	285%

Operational risk

Risk weighted assets	June 2021 R'000	June 2020 R'000
Operational risk	140 698	221 608

Market risk

	Risk weighted assets	June 2021 R'000	June 2020 R'000
	Outright products		
1	Interest rate risk (general and specific)	225 025	39 163
2	Equity risk (general and specific)	–	–
3	Foreign exchange risk	43 557	2 218
4	Commodity risk	–	–
	Options		
5	Simplified approach	–	–
6	Delta-plus method	–	–
7	Scenario approach	–	–
8	Securitisation	–	–
9	Total	268 582	41 381

Interest rate risk in the banking book

The equity sensitivity analysis below shows how the value of DBJ's equity would be impacted by a 200 basis point increase or decrease in interest rates.

Economic value of equity sensitivity	June 2021 R'000	June 2020 R'000
200 basis points parallel shift		
Increase	(7 915)	(3 024)
Decrease	7 915	3 024

The maximum negative change of present values of the banking book positions when applying the regulatory required parallel yield curve shifts of (200) and +200 basis points was 1% of our total regulatory capital at June 30, 2020. Consequently, outright interest rate risk in the banking book is considered immaterial for the branch.