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 2022

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 2022, including comparative information (where applicable) for the half year ended 30 June 2021.

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 sheet[1]

The balance sheet reflects what the branch owns, owes and the equity that is attributable to shareholders at 30 June 2022.

	June 2022 R'000	June 2021 R'000
Assets		
Cash and balances with central bank	348 747	259 394
Short-term negotiable securities	4 566 755	1 908 246
Loans and advances to customers	15 082 402	6 678 520
Investment and trading securities	1 504 236	865 484
Derivative financial instruments	3 510 901	2 894 789
Pledged assets	1 459 652	686 358
Property and equipment	46 213	21 059
Other assets	6 310 064	1 406 420
Total assets	32 828 970	14 720 270
Liabilities		
Deposits, current accounts and other creditors	18 873 090	7 916 722
Derivative financial instruments and other trading liabilities	5 879 496	4 459 309
Other liabilities	6 457 350	1 567 714
Total liabilities	31 209 936	13 943 745
Equity		
Total equity attributable to equity holders	1 619 034	776 525
Dotation capital	2 068 639	1 190 639
Retained earnings	(449 605)	(414 114)
Total equity	1 619 034	776 525
Total equity and liabilities	32 828 970	14 720 270

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 2022.

	June 2022 R'000	June 2021 R'000
Net interest income	13 061	28 778
Non-interest revenue	201 709	2 556
Operating income	214 770	31 334
Operating expenses	170 509	132 682
Loss before income tax	44 261	(101 348)
Income tax expense/(income)	–	–
Loss for the year	44 261	(101 348)

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

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 June 2022 R'000	RWA June 2021 R'000	Minimum capital requirements[1] June 2021 R'000
1	Credit risk (excluding counterparty credit risk) (CCR)	968 150	892 052	111 337
2	Of which standardised approach (SA)	968 150	892 052	111 337
3	Of which: internal ratings-based (IRB) approach	–	–	–
4	Counterparty credit risk	2 209 370	3 418 826	254 078
5	Of which standardised approach for counterparty credit risk (SA-CCR)	2 209 370	3 418 826	254 078
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	649 475	268 588	74 690
17	Of which standardised approach (SA)	649 475	268 588	74 690
18	Of which internal model approaches (IMA)	–	–	–
19	Operational risk	266 679	140 698	30 668
20	Of which basic indicator approach	266 679	140 698	30 668
21	Of which standardised 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	227 000	21 059	26 105
	Total (1+4+7+8+9+10+11+12+16+19+23+24+25)	4 320 674	4 741 223	496 878

[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%.

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 2022 R'000	June 2021 R'000
Tier 1		
Common Equity Tier 1 capital: instruments and reserves	2 068 639	776 524
Dotation capital	2 068 639	1 190 639
Retained earnings (appropriated)	0	0
Common Equity Tier 1 capital: regulatory adjustments	(452 553)	(4 514)
Deferred tax assets	–	–
Other regulatory adjustments: accumulated losses(1)	(449 604)	(414 115)
Debit value adjustment: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	(2 949)	(4 514)
Tier 1 capital (T1)	1 616 086	772 010
Tier 2		
Provisions	6 451	–
Tier 2 capital (T2)	6 451	–
Total capital (TC = T1 + T2)	1 622 537	772 010
Total risk weighted assets	4 320 674	4 741 223
Capital ratios		
Common Equity Tier 1 (as a percentage of risk weighted assets)	37.40%	16.28%
Tier 1 (as a percentage of risk weighted assets)	37.40%	16.28%
Total capital (as a percentage of risk weighted assets)	37.55%	16.28%

Reconciliation of accounting capital to regulatory capital

	June 2022 R'000	June 2021 R'000
Accounting capital – as reported per unaudited financial statements	2 068 639	1 190 639
Dotation capital	2 068 639	1 190 639
Retained earnings	–	–
Less: Unappropriated income	–	–
	2 068 639	1 190 639
Add: General allowance for credit impairments	6 451	–
	2 075 090	1 190 639
Less: Regulatory adjustments and deductions	(452 553)	(418 629)
Total regulatory capital	1 622 537	772 010

[1] *Prior year regulatory adjustments for accumulated losses restated to align to current year*

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 2022 %	June 2021 %
Leverage ratio	4.95	4.80
Specified minimum ratio as per SARB	4.00	4.00

Credit risk

The tables illustrated below presents key measurement metrics of DBJ's credit position as at 30 June 2022, 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	–	11 328 950	1 887	11 327 063
2	Debt securities	–	7 655 436	4 564	7 650 872
3	Off-balance sheet exposures	–	505 027	–	505 027
4	Total	–	19 489 413	6 451	19 482 962

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 2022
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	11 327 063	–	–	1 517 088	1 517 088	–	–
2	Debt securities	7 650 872	–	–	–	–	–	–
3	Total	18 977 935	–	–	1 517 088	1 517 088	–	–
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	7 655 436	–	7 655 436	–	–	0%
Non-central government public sector entities	2 549 570	–	1 513 126	–	–	0%
Multilateral development banks	–	–	–	–	–	0%
Banks	6 596 380	–	7 632 824	–	16 264	0%
Securities firms	–	–	–	–	–	0%
Corporates	6 791 347	505 027	6 791 347	207 463	951 888	14%
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	23 592 733	505 027	23 592 733	207 463	968 152	4%

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	7 655 436	–	–	–	–	–	–	–	–	7 655 436
Non-central government public sector entities (PSEs)	1 513 126	–	–	–	–	–	–	–	–	1 513 126
Multilateral development banks (MDBs)	–	–	–	–	–	–	–	–	–	–
Banks	7 551 506	–	81 318	–	–	–	–	–	–	7 632 824
Securities firms	–	–	–	–	–	–	–	–	–	–
Corporates	6 046 922	–	–	–	–	–	951 888	–	–	6 998 810
Regulatory retail portfolios	–	–	–	–	–	–	–	–	–	–
Secured by residential property	–	–	–	–	–	–	–	–	–	–
Secured by commercial real estate	–	–	–	–	–	–	–	–	–	–
Equity	–	–	–	–	–	–	–	–	–	–
Past-due loans	–	–	–	–	–	–	–	–	–	–
Higher-risk categories	–	–	–	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	–	–	–	–	–
Total	22 766 989	0	81 318	0	0	0	951 888	0	0	23 800 196

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)	257 620	151 330		1.4	572 529	653 367
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)					391 955	78 391
5	VaR for SFTs					–	–
6	Total					964 485	731 758

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	564 674	1 477 611
4	Total subject to the CVA capital charge	564 674	1 477 611

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	24 226	–	–	–	–	–	–	–	24 226
Non-central government public sector entities (PSEs)	–	–	14 677	–	–	–	–	–	14 677
Multilateral development banks (MDBs)	–	–	–	–	–	–	–	–	–
Banks	3 219 363	–	406 086	–	–	186 191	–	–	3 811 641
Securities firms	–	–	–	–	–	–	–	–	–
Corporates	–	–	–	–	–	461 414	–	–	461 414
Regulatory retail portfolios	–	–	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	–	–	–	–
Total	3 243 589	–	420 763	–	–	647 606	–	–	4 311 958

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	–	315 270	–	–	–	–
Cash – other currencies	–	–	–	–	–	–
Domestic sovereign debt	965 884	–	–	–	3 739 712	3 775 908
Other sovereign debt	–	–	–	–	–	–
Government agency debt	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Equity securities	–	–	–	–	–	–
Other collateral	–	–	–	–	–	–
Total	965 884	315 270	–	–	3 739 712	3 775 908

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 2022 R'000	Total weighted value 30 June 2022 R'000
	High-quality liquid assets		
1	Total high-quality liquid assets (HQLA)	4 076 931	4 076 931
	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:	15 084 413	7 116 409
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	–	–
7	Non-operational deposits (all counterparties)	15 084 413	7 116 409
8	Unsecured debt	–	–
9	Secured wholesale funding	3 783 660	–
10	Additional requirements, of which:	–	–
11	Outflows related to derivative exposures and other collateral requirements	159 733	159 733
12	Outflows related to loss of funding on debt products	–	–
13	Credit and liquidity facilities	505 027	45 998
14	Other contractual funding obligations	–	–
15	Other contingent funding obligations	–	–
16	Total cash outflows	19 532 833	7 322 140
	Cash inflows		
17	Secured lending (e.g. reverse repos)	3 755 339	–
18	Inflows from fully performing exposures	7 111 474	6 656 963
19	Other cash inflows	3 302 417	0
20	Total cash inflows	14 169 230	6 656 963
21	Total HQLA		4 076 931
21	Total net cash outflows		1 830 535
23	Liquidity coverage ratio (%)		223%

	LCR for the period 1 April 2022 to 30 June 2022	Quarter ending June 2022
1	Total high-quality liquid assets (HQLA)	3 470 741
2	Total net cash outflows	1 916 283
3	Liquidity coverage ratio (%)	208%

Operational risk

Risk weighted assets	June 2022 R'000	June 2021 R'000
Operational risk	266 679	140 698

Market risk

	Risk weighted assets	June 2022 R'000	June 2021 R'000
	Outright products		
1	Interest rate risk (general and specific)	604 850	225 025
2	Equity risk (general and specific)	–	–
3	Foreign exchange risk	44 630	43 557
4	Commodity risk	–	–
	Options		
5	Simplified approach	–	–
6	Delta-plus method	–	–
7	Scenario approach	–	–
8	Securitisation	–	–
9	Total	649 480	268 582

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 2022 R'000	June 2021 R'000
200 basis points parallel shift		
Increase	16 827	(7 915)
Decrease	(16 827)	7 915

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, 2022. Consequently, outright interest rate risk in the banking book is considered immaterial for the branch.