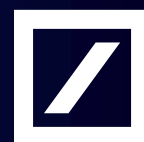


Managing risk for our clients

#PositiveImpact



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Overview

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 year ended 31 December 2019, including comparative information (where applicable) for the year ended 31 December 2018.

Group disclosures

The Group employs a predominantly centralised approach to risk management. As such, Deutsche Bank Johannesburg's (DBJ'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. Where appropriate this document provides links to the Deutsche Bank AG reports for the year ended 31 December 2019 which can also be found directly at:

— Management report – https://www.db.com/ir/en/download/Annual_Financial_Statements_and_Management_Report_of_Deutsche_Bank_AG_2019.pdf

— Risk report – https://www.db.com/ir/en/download/Deutsche_Bank_Annual_Report_2019.pdf

— Compensation report – https://www.db.com/ir/en/download/Deutsche_Bank_Compensation_Report_2019.pdf

— Pillar 3 report – https://www.db.com/ir/en/download/Deutsche_Bank_Pillar_3_Report_2019.pdf

Overview continued

Deutsche Bank Group: Our organisation

Headquartered in Frankfurt am Main, Germany, we are the largest bank in Germany and one of the largest financial institutions in Europe and the world, as measured by total assets of € 1 298 billion as of 31 December 2019. As of that date, we employed 87 597 full-time equivalent internal employees and operated in 59 countries out of 1 931 branches worldwide, of which 69% were in Germany. We offer a wide variety of investment, financial and related products and services to private individuals, corporate entities and institutional clients around the world.

As of 31 December 2019 we were organised into the following corporate segments:

- Corporate Bank (CB)
- Investment Bank (IB)
- Private Bank (PB)
- Asset Management (AM)
- Capital Release Unit (CRU)
- Corporate and Other (C and O)

The corporate segments are supported by infrastructure functions. Deutsche Bank has a local and regional organisational layer to facilitate a consistent implementation of global strategies.

Deutsche Bank: South Africa

Deutsche Bank has been represented in South Africa since 1979 and expanded its presence in 1995 through the acquisition of local stockbroker Ivor Jones, Roy & Co. Deutsche Bank AG then went on to establish a branch in Johannesburg in 1998 – Deutsche Bank AG Johannesburg Branch.

The South African branch offers a full range of competitive products and services focusing on fixed income and repos, foreign exchange, interest rate derivatives, loans and deposits, securities lending and equity derivatives.

Branch management

The members of the branch management during the year and up to the date of this report are:

M Ismail
M Dowie
J Gibhard
J Engel

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 International Financial Reporting Standards (IFRS) issued from time to time, with additional disclosure when required. While 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 31 December 2019.

	December 2019 R'000	December 2018 R'000
Assets		
Cash and balances with central bank	173 481	125 455
Short-term negotiable securities	2 681 074	2 024 893
Loans and advances to customers	3 520 302	2 839 152
Investment and trading securities	8 228	121 448
Derivative financial instruments	2 195 709	2 530 906
Pledged assets	674 082	76 504
Property and equipment	3 494	4 028
Deferred income tax assets	12 653	55 378
Other assets	104 085	200 271
Total assets	9 373 108	7 978 035
Liabilities		
Deposits, current accounts and other creditors	5 582 686	4 176 146
Liabilities under investment contracts	–	–
Liabilities under insurance contracts	–	–
Policyholder liabilities	–	–
Derivative financial instruments and other trading liabilities	2 920 188	2 719 033
Term debt instruments	–	–
Deferred revenue	–	–
Current income tax liabilities	–	–
Deferred income tax liabilities	–	–
Non-current liabilities held for sale	–	–
Retirement benefit obligations	–	–
Provisions	–	–
Other liabilities	130 994	156 715
Total liabilities	8 633 868	7 051 894
Equity		
Total equity attributable to equity holders	739 240	926 141
Dotation capital	884 639	884 639
Retained earnings	(145 399)	41 502
Other reserves	–	–
Preference shareholders and minority shareholders equity	–	–
Total equity	739 240	926 141
Total equity and liabilities	9 373 108	7 978 035

¹ Source: 31 December BA 100 (audited).

Financial position 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 year ended 31 December 2019.

	December 2019 R'000	December 2018 R'000
Net interest income	43 221	71 200
Non-interest revenue	(8 850)	83 090
Operating income	34 371	154 290
Operating expenses	180 125	575 448
(Loss)/profit before income tax	(145 754)	(421 158)
Income tax	42 725	(33 226)
(Loss)/profit for the year	(188 479)	(387 932)

² Source: 31 December BA 120 (audited).

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
- Total qualifying capital as a percentage of risk weighted assets.

	RWA December 2019 R'000	RWA December 2018 R'000	Minimum capital requirements ¹ December 2019 R'000
1 Credit risk (excluding counterparty credit risk) (CCR)	641 025	1 008 667	73 718
2 Of which standardised approach (SA)	641 025	1 008 667	73 718
3 Of which: internal ratings-based (IRB) approach	–	–	–
4 Counterparty credit risk	2 804 071	2 771 626	322 468
5 Of which standardised approach for counterparty credit risk (SA-CCR)	–	–	–
6 Of which internal model method (IMM)	–	–	–
Of which current exposure Method (CEM)	2 804 071	2 771 626	322 468
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	156 963	88 763	18 051
17 Of which standardised approach (SA)	156 963	88 763	18 051
18 Of which internal model approaches (IMA)	–	–	–
19 Operational risk	211 001	328 013	24 265
20 Of which basic indicator approach	211 001	328 013	24 265
21 Of which standardised approach	–	–	–
22 Of which advanced measurement approach	–	–	–
23 Amounts below the thresholds for deduction (subject to 250% risk weight)	31 633	68 725	3 638
24 Floor adjustment	–	–	–
25 Other assets risk	11 339	15 494	1 304
Total (1+4+7+8+9+10+11+12+16+19+23+24+25)	3 856 032	4 281 288	443 444

¹ Minimum capital requirements – This value is 11.5%, consisting of a Pillar 1 requirement of 8.00%, Pillar 2A of 1.00%, and a phased in 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).

	December 2019 R'000	December 2018 R'000
Tier 1		
Common Equity Tier 1 capital: Instruments and reserves	739 240	926 141
Dotation capital	884 639	884 639
Retained earnings	(145 399)	41 502
Common Equity Tier 1 capital: Regulatory adjustments	(13 174)	(79 271)
Deferred tax assets	–	(27 887)
Debit value adjustment: Cumulative gains or losses due to changes in own credit risk on fair valued liabilities	(13 174)	(51 384)
Tier 1 capital (T1)	726 066	846 870
Tier 2		
Provisions	1 445	2 566
Tier 2 capital (T2)	1 445	2 566
Total capital (TC = T1 + T2)	727 511	849 436
Total risk weighted assets	3 856 032	4 281 288
Capital ratios		
Common Equity Tier 1 (as a percentage of risk weighted assets) (%)	18.83	19.78
Tier 1 (as a percentage of risk weighted assets) (%)	18.83	19.78
Total capital (as a percentage of risk weighted assets) (%)	18.87	19.84
Reconciliation of accounting capital to regulatory capital		
Accounting capital – as reported per audited financial statements	739 240	926 141
Dotation capital	884 639	884 639
Retained earnings	(145 399)	41 502
Less: Unappropriated income	–	–
	739 240	926 141
Add: General allowance for credit impairments	1 445	2 566
	740 685	928 707
Less: Regulatory adjustments and deductions	(13 174)	(79 271)
Total regulatory capital	727 511	849 436

Leverage

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.

	December 2019 %	December 2018 %
Leverage ratio	6.66	8.31
Specified minimum ratio as per SARB	4	4

Risk management overview

Risk management overview

The diversity of our business model requires us to identify, assess, measure, aggregate and manage our risks, and to allocate our capital among our businesses. Our aim is to help reinforce our resilience by encouraging a holistic approach to the management of risk and return throughout our organisation as well as the effective management of our risk, capital and reputational profile. We actively take risks in connection with our business and as such the following principles underpin our risk management framework:

- Risk is taken within a defined risk appetite
- Every risk taken needs to be approved within the risk management framework
- Risk taken needs to be adequately compensated
- Risk should be continuously monitored and managed.

We promote a strong risk culture where employees at all levels are responsible for the management and escalation of risks and are empowered and encouraged to act as risk managers. We expect employees to exhibit behaviors that support a strong risk culture in line with our Code of Business Conduct. To promote this, our policies require that risk-related behavior is taken into account during our performance assessment and compensation processes. This expectation continues to be reinforced through communications campaigns and mandatory training courses for all DB employees. In addition, our management board members and senior management frequently communicate the importance of a strong risk culture to support a consistent tone from the top.

A standards-based assessment of risk culture, in particular focusing on risk awareness, risk ownership and management of risk within risk appetite has been undertaken. Assessment results are incorporated into existing risk reporting, reinforcing the message that risk culture is an integral part of effective day-to-day risk management.

Overall risk assessment

Key risk types include credit risk (including default, migration, transaction, settlement, exposure, country, mitigation and concentration risks), market risk (including interest rate, foreign exchange, equity, credit spread, commodity and cross-asset and other risks), liquidity risk, business risk (including tax and strategic risk), cross risk, reputational risk and operational risk (with important sub-categories like compliance, legal, model, information security, fraud, and money laundering risks). We manage the identification, assessment and mitigation of top and emerging risks through an internal governance process and the use of risk management tools and processes. Our approach to identification and impact assessment aims to ensure that we mitigate the impact of these risks on our financial results, long-term strategic goals and reputation.

Risk management framework

Deutsche Bank operates as an integrated Group through its business divisions and infrastructure functions. At DBJ branch level, risk and capital are managed via a framework of principles, organisational structures and measurement and monitoring processes that are closely aligned with the activities of the divisions and business units. This policy is structured along the following four building blocks of the risk management framework of DB Group, as illustrated below:

- Risk governance and strategy
- Risk management by major risk category
- Risk methods – analytics and modelling
- Risk infrastructure, policies and documentation.

Risk governance and strategy

(Refer to Group risk report for comprehensive assessment which can be found within the annual report at https://www.db.com/ir/en/download/Deutsche_Bank_Annual_Report_2019.pdf)

Risk management overview continued

From an internal governance perspective, we have several layers of management to provide cohesive risk governance:

- The South Africa EXCO, which has overall responsibility to exercise governance over the proper functioning of each business and infrastructure function.
- The asset and liability committee of DBJ (ALCO) fulfils the role of the local capital and risk committee (CAR). The ALCO also provides the forum for managing the capital, funding and liquidity risk of DBJ. Regular ALCO voting members include representatives of finance, treasury, EXCO, representatives of the various business divisions and risk management. The ALCO has responsibility for aligning the capital requirements as well as liquidity and funding needs of DBJ's activities, within the risk profile of the businesses and risk appetite of the bank. It reviews the capital, liquidity and funding profile on a regular basis and decides on measures to avoid regulatory and/or bank-internal limit breaches. The ALCO establishes a link between the local, regional and Group's perspective on capital, liquidity and funding.
- The CRO function is responsible for the monitoring and governance of risk management relating to DBJ and all its associated legal entities. Risk areas of focus include credit, operational, market and further oversight over liquidity and capital management.

Risk management by major risk category

(Refer to Group risk report for comprehensive assessment which can be found within the annual report at https://www.db.com/ir/en/download/Deutsche_Bank_Annual_Report_2019.pdf)

- An overview of significant risks faced by DBJ, together with methods employed in respect of the management thereof, follow in this report under the headings of Credit, Operational, Market, Liquidity and Interest rate risk. The local ALCO has overall responsibility for identifying and assessing all relevant risks.

Risk methods – analytics and modelling

(Refer to Group risk report for comprehensive assessment which can be found within the annual report at https://www.db.com/ir/en/download/Deutsche_Bank_Annual_Report_2019.pdf)

- Risk measurement methods are primarily developed and performed centrally by DB Group risk management functions in collaboration with DBJ's finance and risk management staff. Regular training is held and ongoing updates are provided by the Group to ensure full understanding of methodologies. The Group's methodologies are also adapted and extended if required to comply with specific local regulatory requirements (eg for specific stress testing purposes).

Risk infrastructure, policies and documentation

(Refer to Group risk report for comprehensive assessment which can be found within the annual report at https://www.db.com/ir/en/download/Deutsche_Bank_Annual_Report_2019.pdf)

- Risk infrastructure is established at the Group level, and DBJ is supported by the Group's existing infrastructure and processes. Furthermore, DBJ has its own infrastructure, processes and policies in place that complement the Group's standards. In case of more stringent local requirements DBJ, supplements the Group standards and follows local regulatory requirements as defined in the Banks Act and Regulations upon agreement with DB Group.

Credit risk

Credit risk

Credit Risk arises from all transactions where actual, contingent or potential claims against any counterparty, borrower, obligor or issuer (which we refer to collectively as “counterparties”) exist, including those claims that we plan to distribute. These transactions are typically part of our non-trading lending activities (such as loans and contingent liabilities) as well as our direct trading activity with clients (such as OTC derivatives). These also include traded bonds and debt securities. Based on the annual risk identification and materiality assessment. Credit risk is grouped into five categories, namely default/migration risk, country risk, transaction/settlement risk (exposure risk), mitigation (failure) risk and concentration risk.

- Default risk, is the risk that a counterparty defaults on its payment obligations or experiences material credit quality deterioration increasing the likelihood of a default
- Country risk is the risk that otherwise solvent and willing counterparties are unable to meet their obligations due to direct sovereign intervention or policies
- Transaction/settlement risk (exposure risk) is the risk that arises from any existing, contingent or potential future positive exposure
- Mitigation risk is the risk of higher losses due to risk mitigation measures not performing as anticipated
- Concentration risk is the risk of an adverse development in a specific single counterparty, country, industry or product leading to a disproportionate deterioration in the risk profile of Deutsche Bank’s credit exposures to that counterparty, country, industry or product.

An overview of the risk management responsibilities, processes and methods follows, with more detailed information in our Group risk report which can be found within the annual report at https://www.db.com/ir/en/download/Deutsche_Bank_Annual_Report_2019.pdf (refer to pages 66 to 78).

Credit risk responsibilities and processes

DB’s credit risk appetite is set globally and is broken down to divisions and business units via the strategic, risk and capital plan approved by the management board of Deutsche Bank Group. As a result, each credit exposure is authorised only if the relevant business division at Deutsche Bank global level is satisfied that the exposure meets the pre-set criteria and limits.

CRM is globally organized and carries out risk identification, assessments, management and reporting. The CRM department is independent from the business. Accordingly, the credit policies of DB Group are adopted and the local CRO is responsible for ensuring that they remain suitable for the business of DBJ.

Credit risk is managed for DB Group globally on the basis of a “one obligor principle”; new credit exposures as well as annual/biannual reviews of credit exposures require approval by the appropriate authority holder covering the entire DB Group exposure. All credit risk decisions relevant to DBJ are subject to the approval of DBJ’s management and Deutsche Bank’s credit risk management (CRM).

Management of limits

Global limits are monitored by CRM at DB Group level via a credit IT system based on the risk appetite approved by the Group management board. DB measures and aggregates all exposures to the same obligor (one obligor principle). At DBJ, the ultimate responsibility for management of the credit risk limits resides with the CRO function. All credit limits and exposures are monitored on a frequent basis, and reviewed at least quarterly. Individually significant transactions that subject DBJ to credit risk are subject to rigorous local review and sign-off prior to commitment.

Credit risk continued

Monitoring and management of concentrations

The large exposure regulations and credit policies on Group level limiting concentration risk are adopted for DBJ. Besides the limits of DB Group, there are the regulatory single-name and portfolio limits in place as described above. Both limits are monitored by risk management function. Credit risk concentration is not only closely monitored at a single-name level, but also on an industry and country basis.

Credit risk mitigation techniques

In addition to determining counterparty credit quality and our risk appetite, we also use various credit risk mitigation techniques to optimise credit exposure and reduce potential credit losses. Credit risk mitigants are applied in the following forms:

- Comprehensive and enforceable credit documentation with adequate terms and conditions
- Collateral held as security to reduce losses by increasing the recovery of obligations
- Risk transfers, which shift the loss arising from the probability of default risk of an obligor to a third party including hedging executed by our CIB – counterparty portfolio management division
- Netting and collateral arrangements which reduce the credit exposure from derivatives and securities financing transactions (eg repo transactions).

Basel approaches adopted to measure risk

Credit risk

The branch currently applies the standardised approach for its credit portfolios.

Counterparty Credit risk

The branch currently applies the current exposure method for its portfolios subject to counterparty credit risk.

The section below presents key measurement metrics of DBJ's credit position as at 31 December 2019, as required by the revised Pillar 3 disclosures.

Credit risk

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 R'000
	Defaulted exposures R'000	Non-defaulted exposures R'000	Allowances/ impairments R'000	
1 Loans	–	2 766 705	812	2 765 893
2 Debt securities	–	3 444 290	633	3 443 657
3 Off-balance sheet exposures	–	297 915	–	297 915
4 Total	–	6 508 910	1 445	6 507 465

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.

	December 2019
1 Defaulted loans and debt securities at end of the previous reporting period	502 631
2 Loans and debt securities that have defaulted since the last reporting period	–
3 Returned to non-defaulted status	–
4 Amounts written off	492 272
5 Other changes	10 359
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	2 765 893	–	–	–	–	–	–
2 Debt securities	3 443 657	–	–	–	–	–	–
3 Total	6 209 550	–	–	–	–	–	–
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	3 444 290	–	3 444 290	–	–	0
Non-central government public sector entities	1 672 257	–	–	–	–	0
Multilateral development banks	–	–	–	–	–	–
Banks	785 176	–	2 457 433	–	141 915	6
Securities firms	0	3 140 063	–	–	–	0
Corporates	350 152	690 423	350 152	690 423	499 110	48
Regulatory retail portfolios	–	–	–	–	–	–
Secured by residential property	–	–	–	–	–	–
Secured by commercial real estate	–	–	–	–	–	–
Equity	–	–	–	–	–	–
Past due loans	–	–	–	–	–	–
Higher risk categories	–	–	–	–	–	–
Other assets	–	–	–	–	–	–
Total	6 251 875	3 830 487	6 251 875	690 423	641 024	9

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%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post-CCF and post- CRM)
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Sovereigns and their central banks	3 444 290	–	–	–	–	–	–	–	–	3 444 290
Non-central government public sector entities (PSEs)	–	–	–	–	–	–	–	–	–	–
Multilateral development banks (MDBs)	–	–	–	–	–	–	–	–	–	–
Banks	1 747 859	–	709 574	–	–	–	–	–	–	2 457 433
Securities firms	–	–	–	–	–	–	–	–	–	–
Corporates	–	–	–	–	–	–	499 110	–	–	499 110
Regulatory retail portfolios	–	–	–	–	–	–	–	–	–	–
Secured by residential property	–	–	–	–	–	–	–	–	–	–
Secured by commercial real estate	–	–	–	–	–	–	–	–	–	–
Equity	–	–	–	–	–	–	–	–	–	–
Past due loans	–	–	–	–	–	–	–	–	–	–
Higher risk categories	–	–	–	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	–	–	–	–	–
Total	5 192 149	0	709 574	0	0	0	499 110	0	0	6 400 833

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 CEM (for derivatives)	1 706 892	1 507 056			2 915 023	980 029
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)					89 696	17 939
5 VAR for SFTs					–	–
6 Total						997 968

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	951 635	1 806 103
4 Total subject to the CVA capital charge	951 635	1 806 103

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	25 000	–	–	–	–	–	–	–	25 000
Non-central government public sector entities (PSEs)	–	–	150 384	–	–	–	–	–	150 384
Multilateral development banks (MDBs)	–	–	–	–	–	–	–	–	–
Banks	1 782 826	–	98 272	–	–	115 015	–	–	1 996 113
Securities firms	–	–	–	–	–	23	–	–	23
Corporates	–	–	–	–	–	833 199	–	–	833 199
Regulatory retail portfolios	–	–	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	–	–	–	–
Total	1 782 826	–	248 656	–	–	948 237	–	–	3 004 719

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 R'000	Unsegregated R'000	Segregated R'000	Unsegregated R'000	R'000	R'000
Cash – domestic currency	–	–	–	–	–	–
Cash – other currencies	–	–	–	–	–	–
Domestic sovereign debt	428 198	–	–	–	760 018	754 672
Other sovereign debt	–	–	–	–	–	–
Government agency debt	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Equity securities	–	–	–	–	–	–
Other collateral	–	–	–	–	–	–
Total	428 198	–	–	–	760 018	754 672

Liquidity risk

Liquidity risk

Liquidity risk is the risk arising from our potential inability to meet all payment obligations when they come due or only being able to meet these obligations at excessive costs. Management of liquidity risk at DBJ is fully integrated into the Group's liquidity risk management framework. The objective of the Group's liquidity risk management framework is to ensure that the Group can fulfil its payment obligations at all times and can manage liquidity and funding risks within its risk appetite. The framework considers relevant and significant drivers of liquidity risk, whether on-balance sheet or off-balance sheet. DBJ manages liquidity risk in line with the overall Group's liquidity risk management framework and according to policies and guidelines set locally by Treasury. The internal liquidity adequacy assessment policy (ILAAP) provides comprehensive documentation of the bank's liquidity risk management framework, including: identifying the key liquidity and funding risk to which the Group is exposed; describing how these risk are identified, monitored and measured and describing the techniques and resources used to manage and mitigate these risks.

An overview of the risk management responsibilities, processes and methods follows, with more detailed information in our Group risk report which can be found within the annual report at [https://www.db.com/ir/en/download/Deutsche Bank Annual Report 2019.pdf](https://www.db.com/ir/en/download/Deutsche_Bank_Annual_Report_2019.pdf) (refer to pages 90 to 94).

Monitoring and management of liquidity risk limits

Several tools/metrics are used to measure and manage short and long-term liquidity risk at DBJ level including but not limited to daily MCO, stressed net liquidity position (SNLP), intra-group funding lines and utilisation, funding matrix, regulatory liquidity coverage ratio (LCR) and net stable funding ratio (NSFR).

Key liquidity ratios and figures are monitored in the ALCO report on a regular basis and form the basis of liquidity reports.

Liquidity risk mitigation

Treasury may decide to temporarily reduce limits in the event of contingency situations to reduce (potential) liquidity risk. Additional local contingency measures form part of a local contingency plan including a stress funding line available to the branch from the Group's liquid asset pool. The bank does not consider additional capital as an appropriate mitigant for liquidity risk.

Liquidity risk continued

Liquidity coverage ratio

Illustrated below is DBJ's short-term liquidity position as measured by the LCR. The minimum requirements of the LCR follow an internationally agreed phase-in arrangement with the minimum required LCR being 60% as of 1 January 2015 increasing annually by 10% to a required minimum of 100% as of 1 January 2019.

		Total unweighted value 30 December 2019 R'000	Total weighted value 30 December 2019 R'000
Deutsche Bank AG – Johannesburg Branch			
High-quality liquid assets			
1	Total high-quality liquid assets (HQLA)	2 308 844	2 308 844
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:	4 476 109	1 787 447
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	–	–
7	Non-operational deposits (all counterparties)	4 476 109	1 787 447
8	Unsecured debt	–	–
9	Secured wholesale funding	748 014	–
10	Additional requirements, of which:	–	–
11	Outflows related to derivative exposures and other collateral requirements	42 663	42 663
12	Outflows related to loss of funding on debt products	–	–
13	Credit and liquidity facilities	3 830 486	206 421
14	Other contractual funding obligations	–	–
15	Other contingent funding obligations	–	–
16	Total cash outflows	9 097 272	2 036 531
Cash inflows			
17	Secured lending (eg reverse repos)	754 409	–
18	Inflows from fully performing exposures	1 145 244	968 081
19	Other cash inflows	8 827	0
20	Total cash inflows	1 908 480	968 081
21	Total HQLA		2 308 844
21	Total net cash outflows		1 068 450,40
23	Liquidity coverage ratio (%)		216

		Quarter ended December 2019
LCR for the period 1 October 2019 to 31 December 2019		
1	Total high-quality liquid assets (HQLA)	2 302 205
2	Total net cash outflows	745 939
3	Liquidity coverage ratio (%)	373

Operational risk

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. Operational risk excludes business and reputational risk. It forms a subset of the bank's non-financial risks, as does reputational risk.

The governance of operational risks follows the Three Lines of Defence (3LoD) approach, to protect the bank, its customers and shareholders against risk losses and resulting reputational damages. It seeks to ensure that all our operational risks are identified and covered, that accountabilities regarding the management of operational risks are clearly assigned and risks are taken on and managed in the best and long-term interest of the Bank. The 3LoD approach and its underlying principles, ie, the full accountability of the First Line of defence (1st LoD) to manage its own risks and the existence of an independent Second Line of Defence (2nd LoD) to oversee and challenge risk-taking and risk management, applies to all levels of the organisation including the Group level, regions, countries and legal entities.

In 2019, we further enhanced the management of operational risks by simplifying our risk management processes, by promoting an active and continuous dialogue between the 1st and 2nd LoDs on operational risks, by strengthening our controls, and by making the management of operational risks more transparent, meaningful and embedded in day-to-day business decisions.

An overview of the risk management responsibilities, processes and methods follows, with more detailed information in our Group risk report which can be found within the annual report at [https://www.db.com/ir/en/download/Deutsche Bank Annual Report 2019.pdf](https://www.db.com/ir/en/download/Deutsche_Bank_Annual_Report_2019.pdf) (refer to pages 75 to 89).

Operational risk responsibilities and processes

Group Operational Risk Management (Group ORM) is a portfolio risk management function for operational risk and is responsible for developing and maintaining the Group ORMF, defining the roles and responsibilities for the OR management process to identify, assess, mitigate, monitor, report and escalate GORMF operational risks. Group ORM is mandated to define an effective risk management framework and outline the components, processes and responsibilities for a consistent management across all Deutsche Bank divisions/infrastructure functions /legal entities for all operational risk types.

The GORMF defines the consistent management of risk across all operational risk types and is comprised of a number of processes, specified in the operational risk management policy:

- Timely and complete OR identification/loss capture through continuous collection of internal operational risk events and external loss information. Internal scenarios are also developed to complete the bank's risk profile.
- Timely, accurate and complete assessment of risks and controls mainly through a comprehensive risk and control assessment (R&CA), lessons Learned and read across processes.
- Holistic and efficient risk mitigation/risk acceptance within the defined operational risk appetite/tolerance.
- Effective risk and mitigation monitoring.
- Timely, accurate and effective risk reporting/escalation.

DBJ is covered within the existing GORMF. This GORMF governs issues such as reporting, recording and escalation of OR events and losses. At local level, all business units in addition to risk are responsible for adequate monitoring and reporting to Group ORM.

Operational risk continued

Operational risk monitoring and management

Flashcards are prepared on a regular basis representing current operational risks in DBJ and are reviewed and discussed with the regional ORM management. The flashcard is built on new operational risk events that have taken place, trend analysis and economic capital over the past quarters and key actions agreed and tracked via a DB tool.

Operational risk mitigation techniques

Once operational risks are identified and assessed, a determination of the most appropriate action is required within the risk specific appetite through remediation actions, insurance, risk acceptance or by ceasing/reducing business activities..

The GORMF supports these decisions, based on an evaluation of remediation costs and potential impacts, resulting in three possible mitigating strategies:

- Self-Identified Issue: control gaps or weaknesses are supported by remediation actions and monitored to resolution in a timely manner.
- Risk Acceptance: where remediation is not feasible, having appropriate regard to cost of control and potential impacts, risks may be accepted subject to appropriate evaluation and governance.
- Ceasing or reducing business activities.

As part of DB Group's operational risk mitigation, risk transfer comprehends the use of all kind of insurance lines available in any market worldwide but is limited to the mitigation of insurable risk only. These policies cover a variety of risks including professional indemnity, errors and omissions liability, directors and officers liability and credit risks. The insurance covers DB AG and all majority-owned subsidiaries.

Basel approaches adopted to measure risk

The branch currently applies the basic indicator approach for operational risk.

Operational risk: Risk weighted assets

	December 2019 R'000	December 2018 R'000
Risk weighted assets		
Operational risk	211 001	328 013

Market risk

Market risk

The vast majority of our businesses are subject to market risk, defined as the potential for change in the market value of our trading and invested positions. Risk can arise from changes in interest rates, credit spreads, foreign exchange rates, equity prices, commodity prices and other relevant parameters, such as market volatility and market implied default probabilities.

One of the primary objectives of market risk management: (MRM) a part of our independent risk function, is to ensure that our business units' risk exposure is within the approved appetite commensurate with its defined strategy. To achieve this objective, market risk management works closely together with risk takers (the business units) and other control and support groups.

We distinguish between three substantially different types of market risk:

- Trading market risk arises primarily through the market-making and client facilitation activities of the corporate and investment bank corporate division. This involves taking positions in debt, equity, foreign exchange, other securities and well as in equivalent derivatives
- Traded default risk arising from defaults and rating migrations relating to trading instruments
- Non-trading market risk arises from market movements, primarily outside the activities of our trading units, in our banking book and from off-balance sheet items. This includes interest rate risk, credit spread risk, investment risk and foreign exchange risk as well as market risk arising from our pension schemes, guaranteed funds and equity compensation. Non-trading market risk also includes risk from the modelling of client deposits as well as savings and loan products.

Market risks assumed by DBJ are managed by the MRM department as part of MRM's global risk management framework.

DBJ passes on the majority of its market risk to DB Group by entering into risk transfer trades which mirror external market risk assumed.

An overview of the risk management responsibilities, processes and methods follows, with more detailed information in our Group risk report which can be found within the annual report at https://www.db.com/ir/en/download/Deutsche_Bank_Annual_Report_2019.pdf (refer to pages 79 to 85).

Market risk responsibilities and processes

Our primary mechanism to manage trading market risk is the application of our risk appetite framework of which the limit framework is a key component. Our management board, supported by MRM sets group-wide value-at-risk, economic capital and portfolio stress testing limits for market risk in the trading book. MRM allocates this overall appetite to our corporate divisions and individual business units within them based on established and agreed business plans. We also have business aligned heads within MRM who establish business limits, by allocating the limit down to individual portfolios, geographical regions and types of market risks. The types of risks that are assumed by DBJ may include one or more of these market risk types.

Value-at-risk, economic capital and portfolio stress testing limits are used for managing all types of market risk at an overall portfolio level. As an additional and important complementary tool for managing certain portfolios or risk types, Market Risk Management performs risk analysis and business specific stress testing. Limits are also set on sensitivity and concentration/liquidity, exposure, business-level stress testing and event risk scenarios, taking into consideration business plans and the risk versus return assessment.

Business units are responsible for adhering to the limits against which exposures are monitored and reported. The market risk limits set by MRM are monitored on a daily, weekly and monthly basis, dependent on the risk management tool being used.

Management of limits

DBJ is integrated into Deutsche Bank Group's global limit system, which is defined, monitored and controlled by MRM. MRM supports the use of key risk management metrics to monitor the bank's market risks.

Market risk continued

Market risk monitoring and management

Market risk measures are calculated on a daily basis by market risk operations (MRO) centrally and exposures monitored against the established limits, if applicable. Risk reports are sent daily to businesses as well as submitted to oversight functions on a daily basis.

Basel approaches adopted to measure risk

The branch currently applies the standardised approach to portfolios that attract market risk.

Market risk under standardised approach

The table below presents the components of the capital requirement under the standardised approach for market risk.

Market risk: Risk weighted assets

	December 2019 R'000	December 2018 R'000
Risk weighted assets		
Outright products		
1 Interest rate risk (general and specific)	151 725	79 525
2 Equity risk (general and specific)	–	–
3 Foreign exchange risk	5 232	9 245
4 Commodity risk	–	–
Options		
5 Simplified approach	–	–
6 Delta-plus method	–	–
7 Scenario approach	–	–
8 Securitisation	–	–
9 Total	156 957	88 770

Interest rate risk

Interest rate risk in the banking book

Interest rate risk in the banking book (IRRBB) is the current or prospective risk, to both the bank's capital and earnings, arising from movements in interest rates, which affect the bank's banking book exposures. This includes gap risk, which arises from the term structure of banking book instruments, basis risk, which describes the impact of relative changes in interest rates for financial instruments that are priced using different interest rate curves, as well as option risk, which arises from option derivative positions or from optional elements embedded in financial instruments.

The bank manages its IRRBB exposure using economic value as well as earnings based measures. Our Group treasury division is mandated to manage the interest rate risk centrally on a fiduciary basis, with MRM acting as an independent oversight function.

In DBJ the majority of the interest rate risk arising from non-trading asset and liability positions has been transferred through internal transactions to treasury pool management, subject to banking book value-at-risk limits. Treasury pool management hedges the transferred net banking book risk with Deutsche Bank's trading books within the CIB division. The treatment of interest rate risk in our trading portfolios and the application of the value-at-risk model is discussed in detail in "market risk section" of the Group risk report. The market risk VAR limits set by MRM are monitored on a daily, weekly and monthly basis. The measurement and reporting of interest rate risk in the banking book is reported on a monthly basis to the local regulator.

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.

	December 2019 R'000	December 2018 R'000
Economic value of equity sensitivity		
200 basis points parallel shift		
Increase	(11 081)	(4 924)
Decrease	11 081	4 924

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 1.5% of our total regulatory capital at 31 December 2019. Consequently, outright interest rate risk in the banking book is considered immaterial for the branch.

Equity risk in the banking book

DBJ is not exposed to equity position risk.

Other risks

Other risk includes business (strategic) risk, model risk, and reputational risk. For detailed disclosures on these risks please refer to the 2019 Group risk report which can be found within the annual report at https://www.db.com/ir/en/download/Deutsche_Bank_Annual_Report_2019.pdf

Remuneration

Compensation strategy

Deutsche Bank recognises that its compensation system plays a vital role in supporting its strategic objectives. It enables us to attract and retain the individuals required to achieve our bank's objectives. The Group compensation strategy is aligned to Deutsche Bank's strategic objectives and to its corporate values and beliefs. The Group compensation policy informs our employees about the implementation of the compensation strategy, governance processes as well as compensation structures and practices. All relevant documents are available to employees via our intranet site.

Total compensation framework

Our compensation framework emphasises an appropriate balance between fixed pay (FP) and variable compensation (VC) – together total compensation (TC). It aligns incentives for sustainable performance at all levels of Deutsche Bank while ensuring the transparency of compensation decisions and their impact on shareholders and employees. The underlying principles of our compensation framework are applied to all employees equally, irrespective of differences in seniority, tenure or gender.

Pursuant to CRD 4 and the requirements subsequently adopted in the German Banking Act, Deutsche Bank is subject to a ratio of 1:1 with regard to fixed-to-variable remuneration components, which was increased to 1:2 with shareholder approval on May 22, 2014 with an approval rate of 95.27%, based on valid votes by 27.68% of the share capital represented at the annual general meeting. Nonetheless, the bank has determined that employees in specific infrastructure functions should continue to be subject to a ratio of at least 1:1 while control functions as defined by InstVV are subject to a ratio of 2:1 with regard to fixed-to-variable remuneration components.

The bank has assigned a reference total compensation (RTC) to eligible employees that describes a reference value for their role. This value provides our employees orientation on their FP and VC. Actual individual TC can be at, above or below the RTC, based on Group affordability, and performance expectations having been satisfied at Group, divisional and individual levels, as determined by Deutsche Bank at its sole discretion.

FP is used to compensate employees for their skills, experience and competencies, commensurate with the requirements, size and scope of their role. The appropriate level of FP is determined with reference to the prevailing market rates for each role, internal comparisons and applicable regulatory requirements. FP plays a key role in permitting us to meet our strategic objectives by attracting and retaining the right talent. For the majority of our employees, FP is the primary compensation component with a share of greater than 50% of TC.

VC reflects affordability and performance at Group, divisional, and individual level. It allows us to differentiate individual performance and to drive behavior through appropriate incentive systems that can positively influence culture. It also allows for flexibility in the cost base. VC generally consists of two elements – the Group VC component and the Individual VC component. The Individual VC component is delivered either in the form of Individual VC (generally applicable for employees at the level of vice president (VP) and above) or as recognition award (generally applicable for employees at the level of assistant vice president (AVP) and below). In cases of negative performance contributions or misconduct, an employee's VC can be reduced accordingly and can go down to zero. VC is granted and paid out subject to Group affordability. Under our compensation framework, there continues to be no guarantee of VC in an existing employment relationship. Such arrangements are utilised only on a very limited basis for new hires in the first year of employment and are subject to the bank's standard deferral requirements.

The Group VC component is based on one of the overarching goals of the compensation framework – to ensure an explicit link between VC and the performance of the Group. To assess our annual achievements in reaching our strategic targets, the four key performance indicators (KPIs) utilized as the basis for determining the 2018 Group VC component were: Common Equity Tier 1 (CET 1) capital ratio (fully loaded), leverage ratio, adjusted costs, and post-tax return on tangible equity (RoTE). These four KPIs represent important metrics for the capital, risk, cost and the revenue profile of our bank and provide an indication of the sustainable performance of Deutsche Bank.

Individual VC takes into consideration a number of financial and non-financial factors, including the applicable divisional performance, the employee's individual performance, conduct, and adherence to values and beliefs, as well as additional factors such as the comparison of pay levels with the employee's peer group and retention considerations.

Recognition awards provide the opportunity to acknowledge and reward outstanding contributions made by the employees of lower seniority levels in a timely and transparent manner. Generally, the overall size of the recognition award budget is directly linked to a set percentage of FP for the eligible population and it is currently paid out twice a year, based on a review of nominations and contributions in a process managed at the divisional level.

Remuneration continued

Employee benefits complement TC and are considered FP from a regulatory perspective, as they have no direct link to performance or discretion. They are granted in accordance with applicable local market practices and requirements. Pension expenses represent the main element of the bank's benefits portfolio, globally.

In the context of InstVV, severance payments are considered VC. The bank has updated its severance framework to ensure full alignment with the respective new InstVV requirements.

Limited to extraordinary circumstances, the bank reserves the right to grant retention awards to help induce select employees which are at risk of leaving and that are critical to the bank's future, to remain at the bank. Retention awards are generally linked to certain critical events in which the bank has a legitimate interest in retaining the employee for a defined period of time. This serves to minimise operational, financial or reputational risk. These awards are considered VC in a regulatory sense and are generally subject to the same requirements as other VC elements.

DBJ is subject to the Group's compensation framework, as outlined above, further details can be found at [https://www.db.com/ir/en/download/Deutsche Bank Compensation Report 2019.pdf](https://www.db.com/ir/en/download/Deutsche_Bank_Compensation_Report_2019.pdf).

Illustrated below is salient information with respect to Branch Management remuneration as of 31 December 2019.

The table below sets out the key components of the remuneration expense borne by DBJ in respect of the year ended 31 December 2019:

	Fixed compensation R'000	Variable cash bonus expense R'000	Deferred bonus expense R'000	Total expense R'000
Deutsche Bank AG – Johannesburg Branch				
Branch management	39 625	1 591	3 690	44 906

The table below sets out a reconciliation of the deferred compensation, split between cash-based and equity-linked, awarded to branch management:

	Deferred compensation (1 January 2019)		Awarded 2019		Paid 2019		Valuation / management changes		Deferred compensation (31 December 2019)	
	Cash R'000	Equity- linked R'000	Cash R'000	Equity- linked R'000	Cash R'000	Equity- linked R'000	Cash R'000	Equity- linked R'000	Cash R'000	Equity- linked R'000
Branch management	8 971	6 252	8 321	9 591	(2 385)	(1 089)	(731)	(2 708)	14 176	12 046

Glossary of risk terms and definitions

Term	Definition
Asset liability management	<p>Asset liability management is the ongoing process of formulating, implementing, monitoring, and revising strategies related to banking book assets and liabilities in an attempt to:</p> <ul style="list-style-type: none"> — maximise the interest margin and — manage the risk to earnings and capital from changes in financial market rates, which result from the branch's mix of assets and liabilities. <p>ALM encompasses the management of liquidity risk, interest rate risk and exchange rate risk in the banking book through the use of both on and off-balance sheet instruments and strategies.</p>
Banking book	Bank assets, liabilities and off-balance sheet items that are not in the trading book.
Corporate governance	<p>Corporate governance encompasses the structures, systems, processes, procedures, and controls within an organisation, at both board of directors level and within the management structure, that are designed to ensure the branch achieves its business objectives effectively, efficiently, ethically and within prudent risk management parameters.</p> <p>Good governance requires that an effective risk management process exists that can ensure that the risks to which the branch is exposed are addressed effectively.</p>
Currency	Referred to as foreign exchange.
Hedge	A risk management technique used to reduce the possibility of loss resulting from adverse movements in commodity prices, equity prices, interest rates or exchange rates arising from normal banking operations. Most often, the hedge involves the use of a financial instrument or derivative such as a forward, futures, option or swap. Hedging may prove to be ineffective in reducing the possibility of loss as a result of, inter alia, breakdowns in observed correlations between instruments, or markets or currencies and other market rates.
Hedging	Action taken by the branch to reduce or eliminate the possibility of loss resulting from adverse movements in commodity prices, equity prices, interest rates or exchange rates.
Interest rate risk in the banking book (sub-risk of market risk in the banking book)	<p>Interest rate risk in the banking book is the risk that the branch's earnings or economic value will decline as a result of changes in interest rates. The sources of interest rate risk in the banking book are:</p> <ul style="list-style-type: none"> — Repricing risk (mismatch risk): timing differences in the maturity (for fixed rate) and repricing (for floating-rate) of bank assets, liabilities, and off balance sheet positions — Basis risk: imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics — Yield curve risk: changes in the shape and slope of the yield curve — Embedded options risk: the risk pertaining to interest-related options embedded in bank products.
Regulatory capital	The total of Tier 1 and Tier 2 capital.
Risk	Risk is anything which may prevent the bank from achieving its objectives or otherwise have an adverse impact on the bank.
Risk appetite	The quantum of risk the branch is willing to accept in pursuit of its business strategy. Risk appetite is expressed quantitatively as risk measures such as economic capital and risk limits, and qualitatively in terms of policies and controls.

Glossary of risk terms and definitions continued

Term	Definition
Risk-weighted assets	Risk-weighted assets are determined by applying risk weights to balance sheet assets and off-balance sheet financial instruments according to the relative credit risk of the counterparty. The risk weighting for each balance sheet asset and off-balance sheet financial instrument is regulated by the South African Banks Act, 94 of 1990.
Trading book	Positions in financial instruments and commodities, including derivative products and other off-balance sheet instruments that are held with trading intent or to hedge other elements of the trading book. This will include financial instruments and commodities that: <ul style="list-style-type: none"> — Are held for short-term resale — Are held with the intention of benefiting from short-term price variations — Arise from broking and market making — Are held to hedge other elements of the trading book.
Value-at, risk (VAR)	Formally, the probabilistic bound of losses over a given period of time (the holding period) expressed in terms of a specified degree of confidence (the confidence interval). Put more simply, VAR is the worst-case loss expected over the holding period within the probability set out by the confidence interval. Larger losses are possible but with a lower probability. For example: if a portfolio has a VAR of R10 million over a one-day holding period with a 95% confidence interval, the portfolio would have a 5% chance of suffering a one-day loss greater than R10 million.

Acronyms and abbreviations

A

ALCO asset and liability management committee

B

BA South African Banks Act 1990 (as amended)
BIA Basic indicator approach

C

CaR Capital and risk committee
CCP Central clearing counterparty
CET1 Common Equity Tier 1
CIB Corporate and investment banking
CEM Current exposure method
CPSG Credit portfolio strategies group
CSA Credit support annexes
CRM Credit risk management
CRO Chief risk officer

D

DB Deutsche Bank
DBJ Deutsche Bank Johannesburg Branch
DAM Deutsche asset management

E

EXCO Executive committee

F

FX Foreign exchange

G

GTB Global transaction banking
GM Global markets

H

HQLA High-quality liquid assets

I

IT Information technology
ILAAP Internal liquidity adequacy assessment policy
ISDA International Swaps and Derivatives Association

L

LCR Liquidity coverage ratio

M

MCO Maximum cash outflow
MR Market risk
MRC Minimum required capital
MRM Market risk management
MRSA Market risk standardised approach
MRO Market risk operations

N

NCOU Non-core operations unit
NPA New product approval
NSFR Net stable funding ratio
NTMR Non-traded market risk

O

OR Operational risk
OTC Over the counter
ORM Operational risk management

R

RWA Risk weighted assets

S

SA Standardised approach
SFT Securities financing transactions

T

T1 Tier 1 capital
T2 Tier 2 capital
TC Total capital
TDR Traded default risk
TLAC Total loss absorbing capacity

V

VAR Value-at-risk

