

Deutsche Bank
Risk & Capital
Management

Deutsche Bank AG Johannesburg Pillar 3 Disclosure

For the half year ended 30 June 2015

Passion to Perform



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Overview

The following information is compiled in terms of the requirements of the Banks Act 1990 (as amended) and Regulation 43(1)(e)(ii) 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 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.

Period of reporting

This report is in respect of the half year ended 30 June 2015, including comparative information (where applicable) for the half year ended 30 June 2014.

Financial performance

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.

Balance sheet¹

The balance sheet reflects what the branch owns, owes and the equity that is attributable to shareholders at 30 June 2015.

	2015 R'000	2014 R'000
Assets		
Cash and balances with central bank	164 142	22 222
Short-term negotiable securities	–	644 242
Loans and advances to customers	8 389 761	9 202 540
Investment and trading securities	2 456 058	535 613
Derivative financial instruments	6 502 880	6 079 841
Property and equipment	435	520
Deferred income tax assets	34 077	48 825
Other assets	114 437	38 944
Total assets	17 661 790	16 572 747
Liabilities		
Deposits, current accounts and other creditors	9 471 197	9 177 170
Derivative financial instruments and other trading liabilities	6 691 160	6 014 465
Other liabilities	215 283	124 685
Total liabilities	16 377 640	15 316 320
Equity		
Total equity attributable to equity holders	1 284 150	1 256 427
Total equity	1 284 150	1 256 427
Total equity and liabilities	17 661 790	16 572 747

¹ Source: 30 June BA 100

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 30 June 2015.

	2015 R'000	2014 R'000
Net interest income	72 033	(75 964)
Non-interest revenue	(1 723)	101 217
Operating income	70 310	25 253
Operating expenses	24 069	47 668
Profit/(loss) before income tax	46 241	(22 415)
Income tax	13 170	(6 201)
Profit/(loss) for the year	33 071	(16 214)

² Source: 30 June BA 120

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, appropriated retained earnings and share-based payment reserve.
- 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.

	June 2015	June 2014
Minimum capital requirements per Basel III	%	%
National Common Equity Tier 1 minimum ratio	6,50	5,50
National Tier 1 minimum ratio	8,00	7,00
National Total Capital minimum ratio	10,00	10,00

Summary of regulatory capital requirements and risk weighted assets

Risk type	June 2015		June 2014	
	RWA ¹ R'000	MRC ² R'000	RWA ¹ R'000	MRC ² R'000
Credit risk				
Standardised Approach	3 422 907	342 291	1 668 652	166 865
Corporates	1 647 356	164 736	603 491	60 349
Banks	9 514	951	385 629	38 563
Public sector entities and local authorities	–	–	–	–
Securities firms	1 766 037	176 604	679 532	67 953
Counterparty credit risk				
Current exposure method	4 904 041	490 404	2 947 654	294 765
Market risk				
Standardised Approach	82 538	8 254	135 663	13 566
Operational risk				
Basic Indicator Approach	248 574	24 857	331 069	33 107
Other assets				
100% risk weighting	113 469	11 347	73 314	7 332
Total risk weighted assets/ minimum required capital	8 771 529	877 153	5 156 352	515 635
Total minimum required capital		877 153		515 635
Pillar 1 MRC ²		701 722		412 508
Pillar 2a MRC ²		175 431		103 127
Total qualifying capital and reserves		1 284 103		1 237 669
Surplus capital		406 950		722 034

1 Risk weighted assets.

2 Minimum required capital – Pillar 1 MRC is measured at 8% in line with SARB regulations, Pillar 2a MRC is measured at 2%.

Capital composition

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

	June 2015 R'000	June 2014 R'000
Tier 1		
Common Equity Tier 1 capital: instruments and reserves	1 284 150	1 256 426
Dotation capital	884 639	884 639
Retained earnings	399 511	367 229
Accumulated other comprehensive income (and other reserves)	–	4 558
Common Equity Tier 1 capital: regulatory adjustments	(13 756)	(29 847)
Deferred tax assets	(13 756)	(29 847)
Tier 1 capital (T1)	1 270 394	1 226 579
Tier 2		
Provisions	13 709	11 090
Tier 2 capital (T2)	13 709	11 090
Total capital (TC = T1 + T2)	1 284 103	1 237 669
Total risk weighted assets	8 771 529	5 156 352
Capital ratios		
Common Equity Tier 1 (as a percentage of risk weighted assets)	(%) 14,48	23,79
Tier 1 (as a percentage of risk weighted assets)	(%) 14,48	23,79
Total capital (as a percentage of risk weighted assets)	(%) 14,64	24,00
RECONCILIATION OF ACCOUNTING CAPITAL TO REGULATORY CAPITAL		
Accounting capital – as reported per financial statements	1 284 150	1 256 426
Dotation capital	884 639	884 639
Share-based payment reserve	–	4 558
Retained earnings	399 511	367 229
Add: General allowance for credit impairments	13 709	11 090
	1 297 859	1 267 516
Less: Regulatory adjustments and deductions	(13 756)	(29 847)
Total regulatory capital	1 284 103	1 237 669

Credit risk

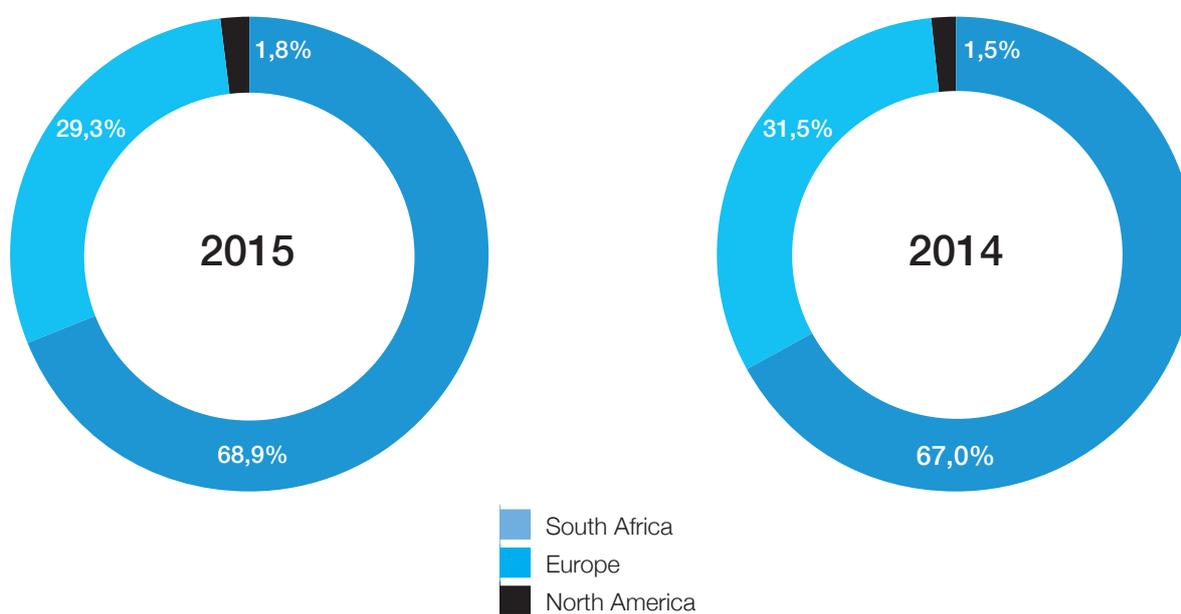
The section below presents key measurement metrics of the DBJ's credit position.

Credit risk

Gross on and off-balance sheet exposures at 30 June are reflected below:

Asset class	Gross exposure June 2015 R'000	Gross exposure June 2014 R'000	Exposure post credit mitigation June 2015 R'000	Exposure post credit mitigation June 2014 R'000
On balance sheet	23 776 434	23 237 092	19 151 189	14 944 180
Corporates	5 079 809	4 521 205	2 612 636	1 941 488
Public sector entities	2 514 844	130 215	46 829	100 663
Local government and municipalities	1 028	1 837	207	530
Sovereigns	2 502 268	1 197 724	2 502 268	1 197 724
Banks	10 671 271	13 127 344	11 982 035	9 675 117
Securities firms	3 007 214	4 258 767	2 007 214	2 028 658
Off-balance sheet	8 006 771	4 408 466	8 006 771	4 408 466
Corporates	1 421 503	217 718	1 421 503	217 718
Banks	3 880 000	2 190 748	3 880 000	2 190 748
Securities firms	2 705 268	2 000 000	2 705 268	2 000 000
Total credit exposure	31 783 205	27 645 558	27 157 960	19 352 646

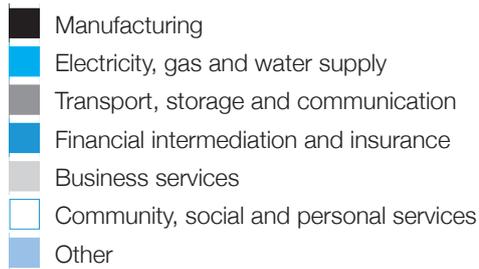
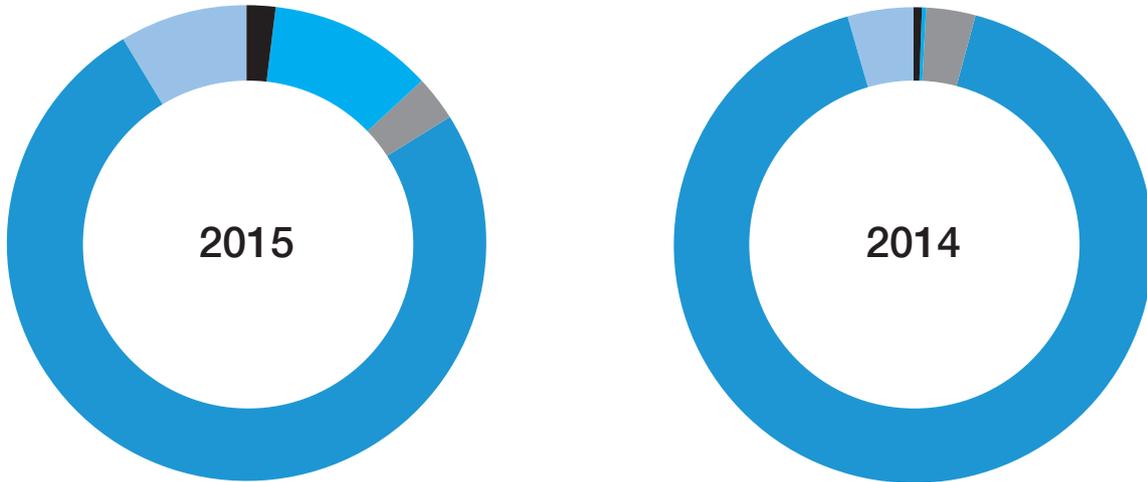
Geographical distribution of credit exposures as at 30 June illustrated below:





Credit risk continued

Industry distribution of credit exposures as at 30 June illustrated below:



Maturity analysis of credit exposures

	R'000
<1 year	19 029 075
1 to 5 years	5 688 155
>5 years	7 065 975

Analysis of credit impairments

All impairments presented below relate to general credit loss provisions

	R'000
Balance at 1 January 2015	10 728
Provisions raised in the year	2 981
Balance at 30 June 2015*	13 709

* As at 30 June 2015 the branch had no specific impairment provisions.

Counterparty credit risk

	Gross positive fair value R'000	Potential future exposure R'000	Netting benefit R'000	Collateral held R'000	Exposure at default R'000
2015					
Interest rate contracts	5 360 665	2 195 514	1 647 457	–	5 908 722
FX contracts	1 121 550	1 610 775	–	–	2 732 325
Equity contracts	20 666	186 468	–	–	207 134
Securities financing transactions	3 104 038			2 977 788	126 250
Total	9 606 919	3 992 757	1 647 457	2 977 788	8 974 431
2014					
Interest rate contracts	5 600 025	2 219 462	1 743 598	–	6 075 889
FX contracts	465 854	416 003	–	–	881 857
Equity contracts	13 962	121 505	–	–	135 467
Securities financing transactions	7 916 334			6 549 316	1 367 018
Total	13 996 175	2 756 970	1 743 598	6 549 316	8 460 231

Operational risk

	June 2015 R'000	June 2014 R'000
Risk weighted assets		
Operational risk	248 574	331 069

Market risk

	June 2015 R'000	June 2014 R'000
Risk weighted assets		
Foreign exchange net open position	82 538	135 663

Interest rate risk

Interest rate risk in the banking book

	June 2015 R'000
Economic value of equity sensitivity	
200 basis points parallel shift	
Increase	7 639
Decrease	(7 639)

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 30 June 2015. Consequently, outright interest rate risk in the banking book is considered immaterial for the branch.

Liquidity risk

Liquidity coverage ratio (LCR)

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. DBJ has decided to adopt the minimum of 100% effective 1 January 2015 prior to full phase in.

Line	Total unweighted value June 2015 R'000	Total weighted value June 2015 R'000
High-quality liquid assets		
1 Total high-quality liquid assets (HQLA)	2 725 241	2 725 241
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:	3 487 164	1 753 342
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	–	–
7 Non-operational deposits (all counterparties)	3 487 164	1 753 342
8 Unsecured debt	–	–
9 Secured wholesale funding	313 354	–
10 Additional requirements, of which:	–	–
11 Outflows related to derivative exposures and other collateral requirements	–	–
12 Outflows related to loss of funding on debt products	–	–
13 Credit and liquidity facilities	1 213 147	121 315
14 Other contractual funding obligations	–	–
15 Other contingent funding obligations	–	–
16 Total cash outflows	5 013 665	1 874 657
Cash inflows		
17 Secured lending (e.g. reverse repos)	691 445	–
18 Inflows from fully performing exposures	4 317 047	4 019 510
19 Other cash inflows	681 340	87 638
20 Total cash inflows	5 689 832	4 107 148
21 Total HQLA		2 725 241
21 Total net cash outflows		468 664
23 Liquidity coverage ratio (%)		581