



Deutsche Bank AG, Colombo Branch  
Pillar 3 Disclosures  
as at March 31, 2019

# Contents

INTRODUCTION.....	3
REGULATORY REQUIREMENTS ON CAPITAL AND LIQUIDITY.....	4
Key Regulatory Ratios – Capital and Liquidity .....	4
Basel III Computation of Capital Ratios.....	5
Basel III Computation of Leverage Ratios .....	7
Basel III Computation of Liquidity Coverage Ratio (All currency) .....	8
Main features of Regulatory Capital Instruments .....	9
RISK WEIGHTED ASSETS (RWA).....	10
Credit Risk under Standardised Approach: Credit Risk Exposure and Credit Risk Mitigation (CRM) Effect .	10
Market Risk under Standardised Measurement Method.....	11
Operational Risk under Basic Indicator Approach .....	12
LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES.....	13
Differences between Accounting and Regulatory Scopes and Mapping of Financial Statement Categories with Regulatory Risk Categories – Bank only.....	13

# INTRODUCTION

The purpose of this Report is to provide Pillar 3 disclosures of DB Colombo Branch as required by Banking Act Direction No. 1 of 2016 issued by the Monetary Board, Central Bank of Sri Lanka, for capital requirements under Basel III for Licensed Commercial Banks and Licensed Specialized Banks.

DB Colombo Branch is a financial institution authorized and regulated by the Central Bank of Sri Lanka as a wholly owned branch of Deutsche Bank AG (“DBAG”) the main banking subsidiary of the Deutsche Bank Group of Germany (“DB Group”) located in Frankfurt am Main, Germany and DB Colombo Branch’s accounts are consolidated with the accounts of DB Group.

DB Group offers a wide variety of investment, financial and related products and services to private individuals, corporate entities and institutional clients around the world and organized under three divisions : Corporate & Investment Banking (CIB), Private & Commercial Bank (PCB) and Asset Management (AM). CIB combines Deutsche Bank’s Corporate Finance, Equities, Fixed Income & Currencies and Global Transaction Banking Businesses with the latter providing cash management, trade finance and securities services, delivering the full range of commercial banking products and services for both corporates and institutions worldwide. PCB corporate division combines the bank’s expertise in private and commercial banking and Wealth Management in one corporate division. AM offers individuals and institutions traditional and alternative investments across all major asset classes.

DB Colombo Branch offers a comprehensive range of services such as Cash Management, Trade Finance, Investor Services, Foreign Exchange (FX) and Debt Capital Markets (DCM) products within the Corporate & Investment Banking (CIB) Business. From 1<sup>st</sup> January, 2019 onwards, DB Colombo Branch has started offering services under Fixed Income & Currencies (FIC) business.

DB Colombo Branch is made up of several supporting local/global infrastructure functions namely; risk, finance, compliance, legal, human resources, etc.

DB Colombo Branch publishes the Pillar 3 disclosure report on a quarterly basis in accordance with Banking Act Direction No. 1 of 2016 issued by the Monetary Board, Central Bank of Sri Lanka and posts the disclosure report in accordance with this Direction on its website at [www.db.com/srilanka](http://www.db.com/srilanka).

DB Colombo Branch Pillar 3 disclosure is on a stand-alone basis, there are no branches or subsidiaries to be consolidated.

The information provided in this Pillar 3 Report is unaudited.

# REGULATORY REQUIREMENTS ON CAPITAL AND LIQUIDITY

## Key Regulatory Ratios – Capital and Liquidity

Item	Reporting Period	Previous Reporting Period
	Mar 31, 2019	Dec 31, 2018
<b>Regulatory Capital (LKR '000)</b>		
Common Equity Tier 1, adjusted	9,916,497	9,934,623
Tier 1 Capital	9,916,497	9,934,623
Total Capital	9,916,497	9,934,623
<b>Regulatory Capital Ratios (%)</b>		
Common Equity Tier 1 Capital Ratio ( <i>Minimum Requirement - 7.00%</i> )	39.19%	36.60%
Tier 1 Capital Ratio ( <i>Minimum Requirement - 8.50%</i> )	39.19%	36.60%
Total Capital Ratio ( <i>Minimum Requirement - 12.50%</i> )	39.19%	36.60%
Leverage Ratio ( <i>Minimum Requirement - 3%</i> )	22.49%	N/A
<b>Regulatory Liquidity</b>		
Statutory Liquid Assets (LKR'000)	25,422,022	28,217,603
Statutory Liquid Assets Ratio ( <i>Minimum Requirement - 20%</i> )		
Domestic Banking Unit (%)	83.50%	105.19%
Off-Shore Banking Unit (%)	85.74%	98.93%
Liquidity Coverage Ratio (%) – Rupee ( <i>Minimum Requirement - 100%</i> )	827.57%	724.59%
Liquidity Coverage Ratio (%) – All Currency ( <i>Minimum Requirement - 100%</i> )	537.80%	338.17%

## Basel III Computation of Capital Ratios

in LKR '000

Item	Reporting Period	Previous Reporting Period
	Mar 31, 2019	Dec 31, 2018
<b>Common Equity Tier 1 (CET1) Capital after Adjustments</b>	<b>9,916,497</b>	<b>9,934,623</b>
<b>Common Equity Tier 1 (CET1) Capital</b>	<b>9,921,584</b>	<b>9,921,584</b>
Equity Capital (Stated Capital)/Assigned Capital	4,410,461	4,410,461
Reserve Fund	641,506	641,506
Published Retained Earnings/(Accumulated Retained Losses) *	1,126,404	1,126,404
Published Accumulated Other Comprehensive Income (OCI)	-	-
General and other Disclosed Reserves	3,743,213	3,743,213
Unpublished Current Year's Profit/Loss and Gains reflected in OCI	-	-
Ordinary Shares issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
<b>Total Adjustments to CET1 Capital</b>	<b>(5,087)</b>	<b>13,039</b>
Goodwill (net)	-	-
Intangible Assets (net)	-	-
Others (Deferred Tax Assets, Vostro)	(5,087)	13,039
<b>Additional Tier 1 (AT1) Capital after Adjustments</b>	<b>-</b>	<b>-</b>
<b>Additional Tier 1 (AT1) Capital</b>	<b>-</b>	<b>-</b>
Qualifying Additional Tier 1 Capital Instruments	-	-
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
<b>Total Adjustments to AT1 Capital</b>	<b>-</b>	<b>-</b>
Investment in Own Shares	-	-
Others (specify)	-	-
<b>Tier 2 Capital after Adjustments</b>	<b>-</b>	<b>-</b>
<b>Tier 2 Capital</b>	<b>-</b>	<b>-</b>
Qualifying Tier 2 Capital Instruments	-	-
Revaluation Gains	-	-
Loan Loss Provisions	-	-
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
<b>Total Adjustments to Tier 2</b>	<b>-</b>	<b>-</b>
Investment in Own Shares	-	-
Others (specify)	-	-
<b>CET1 Capital</b>	<b>9,916,497</b>	<b>9,934,623</b>
<b>Total Tier 1 Capital</b>	<b>9,916,497</b>	<b>9,934,623</b>
<b>Total Capital</b>	<b>9,916,497</b>	<b>9,934,623</b>

in LKR '000

Item	Reporting Period Mar 31, 2019	Previous Reporting Period Dec 31, 2018
<b>Total Risk Weighted Assets (RWA)</b>	25,302,164	27,140,456
RWAs for Credit Risk	19,592,157	21,274,779
RWAs for Market Risk	1,798,976	1,732,817
RWAs for Operational Risk	3,911,030	4,132,861
<b>CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer &amp; Surcharge on D-SIBs) (%)</b>	<b>39.19%</b>	<b>36.60%</b>
of which: Capital Conservation Buffer (%)	1.875%	1.88%
of which: Countercyclical Buffer (%)	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-
<b>Total Tier 1 Capital Ratio (%)</b>	<b>39.19%</b>	<b>36.60%</b>
<b>Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer &amp; Surcharge on D-SIBs) (%)</b>	<b>39.19%</b>	<b>36.60%</b>
of which: Capital Conservation Buffer (%)	1.875%	1.88%
of which: Countercyclical Buffer (%)	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-

Total Capital Ratio increased by 2.59% points as a result of decreased Risk Weighted Assets of LKR 1.8 bn mainly driven by decreased credit risk exposure as a result of lower level of investments in SLDB & placements as at 31 March 2019. No significant changes in Capital base between two reporting periods.

## Basel III Computation of Leverage Ratios

in LKR '000

Item	Reporting Period Mar 31, 2019	Previous Reporting Period Dec 31, 2018
<b>Tier 1 Capital</b>	9,916,497	N/A
<b>Total Exposures</b>	44,100,875	N/A
<b>On-Balance Sheet Items</b>	38,849,668	N/A
<b>(excluding Derivatives and Securities Financing Transactions, but including Collateral)</b>		
Derivative Exposures	38,329	N/A
Securities Financing Transaction Exposures	-	N/A
Other Off-Balance Sheet Exposures	5,212,878	N/A
<b>Basel III Leverage Ratio (%) (Tier 1/Total Exposure)</b>	<b>22.49%</b>	<b>N/A</b>

Leverage Ratio under Basel III was implemented w.e.f 01.01.2019 as per the Banking Act Direction No 12 of 2018.

## Basel III Computation of Liquidity Coverage Ratio (All currency)

in LKR '000	Reporting Period		Previous Reporting Period	
	Mar 31, 2019		Dec 31, 2018	
	Total	Total	Total	Total
Item	Un-weighted Value	Weighted Value	Un-weighted Value	Weighted Value
<b>Total Stock of High-Quality Liquid Assets (HQLA)</b>	-	9,609,114	-	8,335,633
<b>Total Adjusted Level 1A Assets</b>	-	9,609,114	-	8,335,633
<b>Level 1 Assets</b>	-	9,609,114	-	8,335,633
<b>Total Adjusted Level 2A Assets</b>	-	-	-	-
<b>Level 2A Assets</b>	-	-	-	-
<b>Total Adjusted Level 2B Assets</b>	-	-	-	-
<b>Level 2B Assets</b>	-	-	-	-
<b>Total Cash Outflows</b>	35,613,917	7,146,961	32,624,243	9,859,822
Deposits	113,398	12,600	323,401	35,933
Unsecured Wholesale Funding	12,984,522	6,636,465	10,186,907	9,173,864
Secured Funding Transactions	-	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other	-	-	-	-
Contingent Funding Obligations	22,515,997	437,435	22,113,935	550,395
Additional Requirements	-	60,461	-	99,630
<b>Total Cash Inflows</b>	9,307,991	11,558,282	8,003,400	12,610,701
<b>Maturing Secured Lending Transactions Backed by Collateral</b>	-	-	-	-
<b>Committed Facilities</b>	-	-	-	-
<b>Other Inflows by Counterparty which are Maturing within 30 Days</b>	5,867,667	11,548,967	5,612,259	12,521,259
<b>Operational Deposits</b>	3,440,323	-	2,306,412	-
<b>Other Cash Inflows</b>	-	9,315	84,730	89,443
<b>Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100</b>		537.80		338.17



## Main features of Regulatory Capital Instruments

Description of the Capital Instrument	Mar 31, 2019	Dec 31, 2018
<b>Assigned Capital</b>		
DB Colombo, being a branch of Deutsche Bank AG Frankfurt, is provided assigned capital to support both business requirements and maintain minimum regulatory capital requirements. It is consequently governed by the laws and regulations of the Central Bank of Sri Lanka.		
Amount Recognised in Regulatory Capital (in LKR '000 as at the Reporting Date)	4,410,461	4,410,461
Accounting Classification	Equity	Equity
<b>Reserve Fund</b>		
This represents accumulated annual transfer of 5 % of profits after tax as required under Section 20 (1) of the Banking Act No. 30 of 1988.		
Amount Recognised in Regulatory Capital (in LKR '000 as at the Reporting Date)	641,506	641,506
Accounting Classification	Equity	Equity
<b>Retained Earnings</b>		
This represents all unremitted /audited profits of DB Colombo		
Amount Recognised in Regulatory Capital (in LKR '000 as at the Reporting Date)	1,126,404	1,126,404
Accounting Classification	Equity	Equity
<b>Accumulated Other Comprehensive Income (OCI)</b>		
This represents reserves created on changes in Fair Value of Available-for-Sale instruments, Actuarial loss on defined benefit plans and related taxes.		
Amount Recognised in Regulatory Capital (in LKR '000 as at the Reporting Date)	-	-
Accounting Classification	Equity	Equity
<b>General and other Disclosed Reserves</b>		
This represents all amounts due to DB Group which cannot be paid due to the threshold imposed by the Central Bank of Sri Lanka. Unpaid amounts have been transferred to a "Special Reserve" with due approval from the regulators.		
Amount Recognised in Regulatory Capital (in LKR '000 as at the Reporting Date)	3,743,213	3,743,213
Accounting Classification	Equity	Equity

## RISK WEIGHTED ASSETS (RWA)

### Credit Risk under Standardised Approach: Credit Risk Exposure and Credit Risk Mitigation (CRM) Effect

Asset Class	in LKR '000						Mar 31, 2019		Dec 31, 2018	
	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA Density (%)		RWA and RWA Density (%)			
	On-Balance Sheet Amount	Off-Balance Sheet Amount	On-Balance Sheet Amount	Off-Balance Sheet Amount	RWA	RWA Density (%)	RWA	RWA Density (%)		
Claims on Central Government and CBSL	16,243,471	-	701,200	-	701,200	3%	1,463,600	5%		
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-	-	-		
Claims on Public Sector Entities	-	-	-	-	-	-	-	-		
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-	-	-		
Claims on Banks Exposures	2,441,420	4,115,189	489,855	3,010,351	3,500,205	14%	4,375,043	16%		
Claims on Financial Institutions	-	-	-	-	-	-	-	-		
Claims on Corporates	13,151,530	1,109,558	13,104,861	1,010,274	14,115,135	56%	12,876,423	47%		
Retail Claims	260,814	-	215,281	-	215,281	1%	215,928	1%		
Claims Secured by Residential Property	119,705	-	119,705	-	119,705	0%	120,627	0%		
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-	-		
Non-Performing Assets (NPAs) (i)	-	-	-	-	-	-	-	-		
Higher-risk Categories	-	-	-	-	-	-	-	-		
Cash Items and Other Assets	994,789	-	940,631	-	940,631	4%	2,223,158	8%		
<b>Total</b>	<b>33,211,729</b>	<b>5,224,747</b>	<b>15,571,532</b>	<b>4,020,625</b>	<b>19,592,157</b>	<b>77%</b>	<b>21,274,779</b>	<b>84%</b>		

Credit Risk Exposure on Central Government and CBSL has decreased by 52% due to maturity of 20 MUSD SLDB bonds in Q1-2019. Also, low investments in placements has resulted in reduction of Credit Risk Exposure on Banks by 20%. However Credit Risk Exposure on lending to corporates has increased by 10% as at March 31, 2019.

## Market Risk under Standardised Measurement Method

in LKR '000 Item	RWA amount	
	Mar 31, 2019	Dec 31, 2018
<b>(a) RWA for Interest Rate Risk</b>	-	-
General Interest Rate Risk	-	-
(i) Net Long or Short Position	-	-
(ii) Horizontal Disallowance	-	-
(iii) Vertical Disallowance	-	-
(iv) Options	-	-
Specific Interest Rate Risk	-	-
<b>(b) RWA for Equity</b>	-	-
(i) General Equity Risk	-	-
(ii) Specific Equity Risk	-	-
<b>(c) RWA for Foreign Exchange &amp; Gold</b>	224,872	205,772
<b>Capital Charge for Market Risk [(a) + (b) + (c)] * CAR</b>	<b>1,798,976</b>	<b>1,732,817</b>

No significant change in Market Risk between two reporting periods.

## Operational Risk under Basic Indicator Approach

Business Lines	Capital Charge Factor			Gross Income (LKR'000) as at Mar 31, 2019			Gross Income (LKR'000) as at Dec 31, 2018		
	Capital Charge Factor	Fixed Factor	1st Year	2nd Year	3rd Year	1st Year	2nd Year	3rd Year	
<b>The Basic Indicator Approach</b>	15%		3,410,910	3,307,127	3,059,539	3,379,805	3,344,968	3,090,771	
<b>The Standardised Approach</b>									
Corporate Finance	18%		-	-	-	-	-	-	
Trading and Sales	18%		-	-	-	-	-	-	
Payment and Settlement	18%		-	-	-	-	-	-	
Agency Services	15%		-	-	-	-	-	-	
Asset Management	12%		-	-	-	-	-	-	
Retail Brokerage	12%		-	-	-	-	-	-	
Retail Banking	12%		-	-	-	-	-	-	
Commercial Banking	15%		-	-	-	-	-	-	
<b>The Alternative Standardised Approach</b>									
Corporate Finance	18%		-	-	-	-	-	-	
Trading and Sales	18%		-	-	-	-	-	-	
Payment and Settlement	18%		-	-	-	-	-	-	
Agency Services	15%		-	-	-	-	-	-	
Asset Management	12%		-	-	-	-	-	-	
Retail Brokerage	12%		-	-	-	-	-	-	
Retail Banking	12%	0.035	-	-	-	-	-	-	
Commercial Banking	15%	0.035	-	-	-	-	-	-	
<b>Capital Charges for Operational Risk (LKR'000)</b>									
The Basic Indicator Approach	488,879								
The Standardised Approach	-								
The Alternative Standardised Approach	-								
<b>Risk Weighted Amount for Operational Risk (LKR'000)</b>									
The Basic Indicator Approach	3,911,030								
The Standardised Approach	-								
The Alternative Standardised Approach	-								

## LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES

### Differences between Accounting and Regulatory Scopes and Mapping of Financial Statement Categories with Regulatory Risk Categories – Bank only

in LKR '000 Mar 31, 2019	<b>a</b>	<b>b</b>	<b>c</b>	<b>d</b>	<b>e</b>	<b>a-b</b>
	Carrying Values as Reported in Published Financial Statements	Carrying Values under Scope of Regulatory Reporting	Subject to Credit Risk Framework	Subject to Market Risk Framework	Not subject to Capital Requirements or Subject to Deduction from Capital	Difference between Published Financials and Regulatory Reporting
<b>Assets</b>	<b>38,883,507</b>	<b>38,854,755</b>				
Cash and cash equivalents	76,717	76,716	76,716	-	-	-
Balances with Central Banks	3,233,244	3,233,244	3,233,244	-	-	(0)
Placement with Banks	1,002,075	1,000,000	1,000,000	-	-	2,075
Placements with Branches	3,681,300	3,681,300	-	-	3,681,300	-
Securities borrowed	-	-	-	-	-	-
Derivative financial instruments	8,572	-	-	-	-	8,572
Group balances receivable	3,518,586	3,518,586	1,519,683	-	1,998,903	0
Financial assets recognized through profit or loss	-	-	-	-	-	-
- measured at fair value	-	-	-	-	-	-
- designated at fair value	-	-	-	-	-	-
Financial assets at amortised cost	-	-	-	-	-	-
- loans and advances	13,522,990	13,464,388	13,532,048	-	-	58,602
- debt and other instruments	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income	13,068,329	13,011,826	13,011,826	-	-	56,503
Securities held to maturity	-	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	-
Investments in associates and joint ventures	-	-	-	-	-	-
Property, plant and equipment	47,341	47,341	47,341	-	-	(0)
Investment properties	-	-	-	-	-	-
Goodwill and intangible assets	-	-	-	-	-	-
Assets for current tax	-	-	-	-	-	-
Deferred tax assets	24,824	24,302	-	-	24,824	522
Other assets	699,528	797,052	797,052	-	-	(97,523)

in LKR '000  
Mar 31, 2019

	<b>a</b>	<b>b</b>	<b>c</b>	<b>d</b>	<b>e</b>	<b>a-b</b>
	Carrying Values as Reported in Published Financial Statements	Carrying Values under Scope of Regulatory Reporting	Subject to Credit Risk Framework	Subject to Market Risk Framework	Not subject to Capital Requirements or Subject to Deduction from Capital	Difference between Published Financials and Regulatory Reporting
<b>Liabilities</b>	<b>38,883,507</b>	<b>38,854,755</b>				
Due to banks	31	-	N/A	N/A	N/A	
Due to branches	5,643,346	5,618,365			5,618,365	24,981
Derivative financial instruments	4,017	-	N/A	N/A	N/A	4,017
Financial liabilities designated at fair value			N/A	N/A	N/A	-
- measured at fair value	-	-	N/A	N/A	N/A	-
- designated at fair value	-	-	N/A	N/A	N/A	-
Financial liabilities at amortised cost			N/A	N/A	N/A	-
- due to depositors	18,618,258	18,604,810	N/A	N/A	N/A	13,448
- due to debt securities holders	-	-	N/A	N/A	N/A	-
- due to other borrowers	-	-	N/A	N/A	N/A	-
Debt securities issued	-	-	N/A	N/A	N/A	-
Retirement benefit obligations	81,068	81,068	N/A	N/A	N/A	-
Current tax liabilities	635,425	675,787	N/A	N/A	N/A	(40,362)
Deferred tax liabilities	-	-	N/A	N/A	N/A	-
Long term debts	-	-	N/A	N/A	N/A	-
Other provisions	-	-	N/A	N/A	N/A	-
Other liabilities	914,130	906,932.44	N/A	N/A	N/A	7,197
Group balances payable	2,310,429	2,310,429			81,576	(0)
<b>Off-Balance Sheet Liabilities</b>						
Guarantees	7,530,090	7,530,090	7,530,090	-	-	-
Performance Bonds	-	-	-	-	-	-
Letters of Credit	1,209,340	1,209,340	1,209,340	-	-	-
Other Contingent Items	1,225,856	3,162,936	1,812,048	-	-	(1,937,080)
Undrawn Loan Commitments	14,204,740	14,204,740	14,204,740	-	-	-
Other Commitments	-	-	-	-	-	-
<b>Shareholders' Equity</b>						
Equity Capital (Stated Capital)/Assigned Capital	4,410,461	4,410,461	N/A	N/A	N/A	-
of which Amount Eligible for CET1	4,410,461	4,410,461	N/A	N/A	N/A	-
of which Amount Eligible for AT1	-	-	N/A	N/A	N/A	-
Retained Earnings	1,199,965	1,230,139	N/A	N/A	N/A	(30,173)
Accumulated Other Comprehensive Income	(31,691)	-	N/A	N/A	N/A	(31,691)
Other Reserves	5,098,069	5,016,764	N/A	N/A	N/A	81,304
<b>Total Shareholders' Equity</b>	<b>10,676,804</b>	<b>10,657,364</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	