



Deutsche Bank AG, Colombo Branch
Pillar 3 Disclosures
as of June 30, 2022

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INTRODUCTION

The purpose of this Report is to provide the 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 parent company of the Deutsche Bank Group (“DB Group”) located in Frankfurt am Main, Germany. DB Colombo Branch’s accounts are consolidated into 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. In July 2019, DB Group announced a material repositioning of DB to refocus on our core strengths and to allow us to improve our structural profitability. Our strategic transformation is designed to refocus our Core Bank around our core, market-leading businesses which typically operate in growing markets with attractive return potential. Our Core Bank comprises our four core operating divisions, namely the Corporate Bank (CB), the Investment Bank (IB), the Private Bank (PB), and Asset Management (AM). Aside from that, a Capital Release Unit (CRU) was created to wind down or dispose non-strategic positions, low yielding assets, or businesses that no longer fit into the new strategy. Moreover, we have Infrastructure functions, which perform control and service functions and, in particular, tasks relating to Group-wide, divisional resource-planning, steering and control, as well as tasks relating to risk, liquidity and capital management which form part of the Corporate & Other segment. CB combines Deutsche Bank’s Corporate Finance 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. IB is focusing on Origination & Advisory as well as Fixed Income & Currencies. PB corporate division combines the bank’s expertise in private 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 Bank and Investment Bank Business.

DB Colombo Branch Local/Global Infrastructure functions perform control and service functions and, in particular, tasks relating to Bank-wide, supra divisional, resource-planning, steering and control, as well as tasks relating to risk, liquidity and capital management. These include such as Risk, Finance, Compliance, Legal and Human Resources.

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.

DB Colombo Branch’s Pillar 3 disclosure is prepared 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	Page	Reporting Period Jun 30, 2022	Comparison Reporting Period Dec 31, 2021
Regulatory Capital (LKR '000)			
Common Equity Tier 1, adjusted	5	15,206,475	14,725,692
Tier 1 Capital	5	15,206,475	14,725,692
Total Capital	5	15,223,310	14,735,021
Regulatory Capital Ratios (%)			
Common Equity Tier 1 Capital Ratio (<i>Minimum Requirement - 7.00%</i>)	6	25.04%	34.14%
Tier 1 Capital Ratio (<i>Minimum Requirement - 8.50%</i>)	6	25.04%	34.14%
Total Capital Ratio (<i>Minimum Requirement - 12.50%</i>)	6	25.07%	34.16%
Leverage Ratio (<i>Minimum Requirement - 3%</i>)	10	16.42%	20.70%
Regulatory Liquidity			
Statutory Liquid Assets (LKR'000)		30,474,844	30,842,435
Statutory Liquid Assets Ratio (<i>Minimum Requirement - 20%</i>)			
Domestic Banking Unit (%)		70.07%	73.89%
Off-Shore Banking Unit (%)		72.55%	72.86%
Liquidity Coverage Ratio (%) – Rupee (<i>Minimum Requirement - 100%</i>)		771.72%	246.45%
Liquidity Coverage Ratio (%) – All Currency (<i>Minimum Requirement - 100%</i>)	11	465.62%	146.84%

The total Capital Ratio decreased by 9.09 percentage points mainly on account of current year loss MLKR 249 reported in first half 2022 and 41% increase in total RWA.

The Tier 1 Capital Ratio and CET 1 Capital Ratio also decreased by 9.1 percentage points each due to the same reasons as the total Capital ratio. The Total Capital Ratio differs from the Tier 1 and CET 1 Capital Ratios due to Tier 2 capital adjustment for Loan Loss provisions under SLFRS 9.

During the two reporting periods, Statutory Liquid Assets in the Domestic Banking Unit marginally decreased by 3.82 percentage points. Decrease mainly attributable to decrease in excess funds available at CBSL. Further, Statutory Liquid Assets in the Off-Shore Banking Unit was same level as Dec 2021.

Increase in Liquidity Coverage Ratio (LCR) for all currencies in Q2-2022 is mainly due to increase in excess funds placed with CBSL (SDF), as CBSL agreed to recognize O/N Standing Deposit Facility (SDF) placements as HQLA for LCR reporting purpose. Increase in LKR Liquidity Coverage ratio also attributable to the same reason as all currency LCR increase.

Basel III Computation of Capital Ratios

Between the two reporting periods, Regulatory capital decreased.

Item	Page	in LKR '000	
		Reporting Period Jun 30, 2022	Comparison Reporting Period Dec 31, 2021
Common Equity Tier 1 (CET1) Capital after Adjustments		15,206,475	14,725,692
Common Equity Tier 1 (CET1) Capital		15,735,621	14,823,163
Equity Capital (Stated Capital)/Assigned Capital	12	4,410,461	4,410,461
Reserve Fund	12	793,635	793,635
Published Retained Earnings/(Accumulated Retained Losses)	12	3,777,226	4,026,214
Published Accumulated Other Comprehensive Income (OCI)		(25,701)	(25,701)
General and other Disclosed Reserves	12	6,780,000	5,618,554
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		-	-
Total Adjustments to CET1 Capital		(529,146)	(97,471)
Goodwill (net)		-	-
Intangible Assets (net)		-	-
Others (Deferred Tax Assets, Vostro)		(529,146)	(97,471)
Additional Tier 1 (AT1) Capital after Adjustments		-	-
Additional Tier 1 (AT1) Capital		-	-
Qualifying Additional Tier 1 Capital Instruments		-	-
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties		-	-
Total Adjustments to AT1 Capital		-	-
Investment in Own Shares		-	-
Others (specify)		-	-
Tier 2 Capital after Adjustments		16,835	9,329
Tier 2 Capital		16,835	9,329
Qualifying Tier 2 Capital Instruments		-	-
Revaluation Gains		-	-
Loan Loss Provisions		16,835	9,329

Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
Total Adjustments to Tier 2	-	-
Investment in Own Shares	-	-
Others (specify)	-	-
CET1 Capital	15,206,475	14,725,692
Total Tier 1 Capital	15,206,475	14,725,692
Total Capital	15,223,310	14,735,021

Common Equity Tier 1 Capital consists of the following items:

- Assigned Capital is equity funds provided by the Head Office to the Branch at the time of incorporation in Sri Lanka.
- Reserve Fund is building up with Five percentage (5%) transfer of the profit after tax as per Direction issued by the Central Bank of Sri Lanka under section 76 (j) (1) of the Banking Act No. 30 of 1988 as amended by Banking (Amendment) Act No. 33 of 1995.
- Published Retained Earnings include Branch's un-remitted 2018 to 2021 profits to the Head Office.
- General and other Disclosed Reserves include the un-remittable head office expenses converted to equity during the financial year 2013, 2016, 2020 and 2022 with the prior written approval of Central Bank of Sri Lanka.

Tier 2 Capital includes the Loan Loss provisions which are eligible for inclusion in Tier 2 Capital under the Explanatory Note No. 03 of 2019 issued by CBSL. Accordingly, 100% of the impairment for the assets in SLFRS Stage 1 and 50% of impairments for assets in SLFRS Stage 2 (subject to a maximum limit of 1.25% of RWA on credit risk under the Standardized Approach) are considered here.

Item	Page	Reporting Period Jun 30, 2022	Comparison Reporting Period Dec 31, 2021
Total Risk Weighted Assets (RWA)		60,723,505	43,135,487
RWAs for Credit Risk	7	46,555,391	36,234,258
RWAs for Market Risk	8	9,405,388	2,780,719
RWAs for Operational Risk	9	4,762,726	4,120,510
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)		25.04%	34.14%
of which: Capital Conservation Buffer (%)		1.88%	1.88%
of which: Countercyclical Buffer (%)		-	-
of which: Capital Surcharge on D-SIBs (%)		-	-
Total Tier 1 Capital Ratio (%)		25.04%	34.14%
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)		25.07%	34.16%
of which: Capital Conservation Buffer (%)		1.88%	1.88%
of which: Countercyclical Buffer (%)		-	-

of which: Capital Surcharge on D-SIBs (%)

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Risk Weighted Assets (RWA)

a) Credit Risk under the Standardized Approach: Credit Risk Exposure and Credit Risk Mitigation (CRM) Effect

Dec 31, 2021
in LKR '000

Asset Class	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	24,073,704	-	1,203,250	-	1,203,250	2%	372,199	1%
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	4,867,060	12,782,567	973,412	6,005,682	6,979,094	11%	6,348,963	15%
Claims on Financial Institutions	-	-	-	-	-	-	-	-
Claims on Corporates	26,793,051	6,662,303	25,374,244	5,362,260	30,736,504	51%	26,006,440	2%
Retail Claims	4,361,704	-	3,286,635	-	3,286,635	5%	929,029	2%
Claims Secured by Residential Property	96,259	-	96,259	-	96,259	0%	-	0%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	92,885	-
Non-Performing Assets (NPAs)(i)	-	-	-	-	-	-	-	-
Higher-risk Categories	-	-	-	-	-	-	-	-
Cash Items and Other Assets	4,318,698	-	4,253,648	-	4,253,648	7%	69,658	0%
Total	64,510,477	19,444,871	35,187,449	11,367,942	46,555,391	77%	8,571,853	20%

Credit Risk Exposures on Banks have been increased by 9.9% in Q2 2022. This increase is mainly driven by unrated foreign currency off-balance sheet exposures with corresponding Risk Weight of 100% in the RWA computation.

Credit Risk Exposures on corporates increased by 18% as of June 30, 2022. During the two reporting periods total RWA on credit risk increased by 28%.

On & Off-balance sheet rupee & foreign currency exposures pertaining to unrated corporate counterparties increased by 12% in Q2-22.

b) Market Risk under Standardized Measurement Method

Item	in LKR '000	
	Jun 30, 2022	Dec 31, 2021
(a) RWA for Interest Rate Risk	-	-
General Interest Rate Risk	-	-
(i) Net Long or Short Position	-	-
(ii) Horizontal Disallowance	-	-
(iii) Vertical Disallowance	-	-
(iv) Options	-	-
Specific Interest Rate Risk	-	-
(b) RWA for Equity	-	-
(i) General Equity Risk	-	-
(ii) Specific Equity Risk	-	-
(c) RWA for Foreign Exchange & Gold	1,175,674	347,590
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	9,405,388	2,780,719

Market risk is defined as the risk of losses in on-balance sheet and off-balance sheet positions arising from movements in market prices. The market risks subject to the capital charge requirements and the risks pertaining to interest rate related instruments, equities in the trading book also the risks pertaining to foreign exchange position (including gold positions) across the bank.

The Colombo Branch's Market Risk RWA is attributable to the Interest Rate Risk of Securities in the Trading Book as well as FX Risk on open Foreign Exchange position. Market risk exposure of the Branch increased, on account of increase in open Foreign exchange position in Q2, 2022.

c) Operational Risk under Basic Indicator Approach

Business Lines	Fixed Factor	Gross Income (LKR'000) as at Jun 30, 2022	Fixed Factor	Gross Income (LKR'000) as at Dec 31, 2021
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	Capital Charge Factor	1st Year	2nd Year	3rd Year	Capital Charge Factor	1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%	3,422,891	3,618,858	4,865,065	15%	3,110,921	3,525,900	3,664,452
The Standardized Approach	18%				18%			
Corporate Finance		-	-	-		-	-	-
Trading and Sales	18%	-	-	-	18%	-	-	-
Payment and Settlement	18%	-	-	-	18%	-	-	-
Agency Services	15%	-	-	-	15%	-	-	-
Asset Management	12%	-	-	-	12%	-	-	-
Retail Brokerage	12%	-	-	-	12%	-	-	-
Retail Banking	12%	-	-	-	12%	-	-	-
Commercial Banking	15%	-	-	-	15%	-	-	-
The Alternative Standardized Approach								
Corporate Finance	18%	-	-	-	18%	-	-	-
Trading and Sales	18%	-	-	-	18%	-	-	-
Payment and Settlement	18%	-	-	-	18%	-	-	-
Agency Services	15%	-	-	-	15%	-	-	-
Asset Management	12%	-	-	-	12%	-	-	-
Retail Brokerage	12%	-	-	-	12%	-	-	-
Retail Banking	12%	-	-	-	12%	0.035	-	-
Commercial Banking	15%	-	-	-	15%	0.035	-	-
		0.035						
			0.035					

Capital Charges for Operational Risk (LKR'000)		
The Basic Indicator Approach	595,341	515,064
The Standardized Approach	-	-
The Alternative Standardized Approach	-	-
Risk Weighted Amount for Operational Risk (LKR'000)		
The Basic Indicator Approach	4,762,726	4,120,510
The Standardized Approach	-	-
The Alternative Standardized Approach	-	-

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events, and includes legal risk. Operational Risk (OR) excludes Business and Reputational Risk.

The Branch uses the Basic Indicator Approach which measures the RWA for Operational risk based on past three years net interest income and non-interest income, considering the adjustments listed in the Banking Act Directions No. 01 of 2016.

Basel III Computation of Leverage Ratios

Item	Page	Reporting Period	Comparison Reporting Period
		Jun 30, 2022	Dec 31, 2021
Tier 1 Capital		15,735,621	14,725,692
Total Exposures		95,822,976	71,122,722

On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	13	75,664,197	56,274,448
Derivative Exposures		714,433	3,621
Securities Financing Transaction Exposures		-	-
Other Off-Balance Sheet Exposures		19,444,346	14,844,653
Basel III Leverage Ratio (%) (Tier 1/Total Exposure)		16.42%	20.70%

The Leverage Ratio calculated based on Tier1 Capital and the sum of our Total Assets along with off-Balance Sheet exposures. DB Colombo Branch's Leverage Ratio decreased by 4.28 % points to 16.42 % in Q2-2022. Exposures perspective ON BS items increased by 34.45% and 30.98% increase in OFF balance sheet exposures was noted between two reporting period.

Basel III Computation of Liquidity Coverage Ratio (All currency)

in LKR '000	Reporting Period		Comparison Reporting Period	
	Jun 30, 2022		Dec 31, 2021	
Item	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)	-	17,299,278	-	3,655,208
Total Adjusted Level 1A Assets	-	17,299,278	-	3,655,208
Level 1 Assets	-	17,299,278	-	3,655,208
Total Adjusted Level 2A Assets	-	-	-	-
Level 2A Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	83,112,041	14,861,362	60,355,784	9,957,291
Deposits	581,410	2,614	522,039	58,004
Unsecured Wholesale Funding	27,030,635	12,638,352	15,811,008	8,197,640
Secured Funding Transactions	-	-	-	-

Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	55,499,995	2,209,341	44,022,737	1,613,380
Additional Requirements	-	11,055	-	88,267
Total Cash Inflows	20,823,870	15,225,913	15,426,368	29,356,146
Maturing Secured Lending Transactions Backed by Collateral	-	-	-	-
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	10,454,158	15,218,618	12,808,384	29,301,684
Operational Deposits	10,369,712	-	2,563,522	-
Other Cash Inflows	-	7,295	54,462	54,462
Liquidity Coverage Ratio (%) (Stock of High-Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		465.62		146.84

Between the two reporting periods HQLAs increased by 373%. Increase is mainly attributable to increase Standing Deposit Facility (SDF) /O/N Placement with Central bank of Sri Lanka as CBSL agreed to recognize O/N Standing Deposit Facility (SDF) placements as HQLA for LCR purpose.

During the two reporting periods, total Cash Outflows increased by 49% mainly due to increase in customer CASA deposits while the total Cash Inflows decreased by 48% between the two reporting periods on account of reclassification SDF placements with CBSL under HQLA category.

Note : Calculation basis of Total Net Cash Flow

If, Total Cash Inflows are greater than 75% of Total Cash Outflows : Total Net Cash Outflows = Total Cash Outflows - 75% * Total Cash Outflows
If, Total Cash Inflows are not greater than 75% of Total Cash Outflows : Total Net Cash Outflows = Total Cash Outflows - Total Cash Inflows

Main features of Regulatory Capital Instruments

Description of the Capital Instrument	Jun 30, 2022	Dec 31, 2021
Assigned Capital		
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 Recognized in Regulatory Capital (in LKR '000 as at the Reporting Date)	4,410,461	4,410,461
Accounting Classification	Equity	Equity
Reserve Fund		
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 Recognized in Regulatory Capital (in LKR '000 as at the Reporting Date)	793,635	793,635
Accounting Classification	Equity	Equity
<hr/>		
Retained Earnings		
This represents all unremitted /audited profits of DB Colombo		
Amount Recognized in Regulatory Capital (in LKR '000 as at the Reporting Date)	3,777,226	4,026,214
Accounting Classification	Equity	Equity
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Accumulated Other Comprehensive Income (OCI)		
This represents reserves created on changes in Fair Value of Available-for-Sale instruments, Actuarial loss on defined benefit plans and related taxes.		
Amount Recognized in Regulatory Capital (in LKR '000 as at the Reporting Date)	(25,701)	(25,701)
Accounting Classification	Equity	Equity
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General and other Disclosed Reserves		
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 Recognized in Regulatory Capital (in LKR '000 as at the Reporting Date)	6,780,000	5,618,554
Accounting Classification	Equity	Equity
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