



Deutsche Bank AG, Colombo Branch
Pillar 3 Disclosures
as at March 31, 2018



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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 A.G. (“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 and 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 with Postbank in Germany 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.

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.

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 Mar 31, 2018	Previous Reporting Period Dec 31, 2017
Regulatory Capital (LKR '000)		
Common Equity Tier 1	9,945,133	10,913,782
Tier 1 Capital	9,945,133	10,913,782
Total Capital	9,945,133	10,913,782
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (<i>Minimum Requirement - 6.375%</i>)	49.69%	51.67%
Tier 1 Capital Ratio (<i>Minimum Requirement - 7.875%</i>)	49.69%	51.67%
Total Capital Ratio (<i>Minimum Requirement - 11.875%</i>)	49.69%	51.67%
Regulatory Liquidity		
Statutory Liquid Assets (LKR'000)	32,030,677	31,163,892
Statutory Liquid Assets Ratio (<i>Minimum Requirement - 20%</i>)		
Domestic Banking Unit (%)	123.40%	96.86%
Off-Shore Banking Unit (%)	108.35%	101.31%
Liquidity Coverage Ratio (%) – Rupee (<i>Minimum Requirement - 90%</i>)	720.22%	1021.01%
Liquidity Coverage Ratio (%) – All Currency (<i>Minimum Requirement - 90%</i>)	430.40%	730.76%



Basel III Computation of Capital Ratios

in LKR '000

Item	Reporting Period	Previous Reporting Period
	Mar 31, 2018	Dec 31, 2017
Common Equity Tier 1 (CET1) Capital after Adjustments	9,945,133	10,913,782
Common Equity Tier 1 (CET1) Capital	9,923,098	10,925,881
Equity Capital (Stated Capital)/Assigned Capital	4,410,461	4,410,461
Reserve Fund	619,600	619,600
Published Retained Earnings/(Accumulated Retained Losses)	1,149,824	2,152,607
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	-	-
Total Adjustments to CET1 Capital	22,035	(12,099)
Goodwill (net)	-	-
Intangible Assets (net)	-	-
Others (Deferred Tax Assets, Vostro)	22,035	(12,099)
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	-	-
Tier 2 Capital	-	-
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	-	-
Total Adjustments to Tier 2	-	-
Investment in Own Shares	-	-
Others (specify)	-	-
CET1 Capital	9,945,133	10,913,782
Total Tier 1 Capital	9,945,133	10,913,782
Total Capital	9,945,133	10,913,782



in LKR '000

Item	Reporting Period Mar 31, 2018	Previous Reporting Period Dec 31, 2017
Total Risk Weighted Assets (RWA)	20,014,548	21,123,917
RWAs for Credit Risk	15,591,646	16,389,123
RWAs for Market Risk	298,291	335,004
RWAs for Operational Risk	4,124,612	4,399,789
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	49.69%	51.67%
of which: Capital Conservation Buffer (%)	1.875%	1.25%
of which: Countercyclical Buffer (%)	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-
Total Tier 1 Capital Ratio (%)	49.69%	51.67%
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	49.69%	51.67%
of which: Capital Conservation Buffer (%)	1.875%	1.25%
of which: Countercyclical Buffer (%)	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-

Total Capital Ratio reduced by 1.98 % due to decline in Capital Base since 31 December 2017 due to repatriation of 2016 retained earnings of LKR 1 bn. The impact of this was offset by reduced Risk Weighted Assets of LKR 1.1 bn.



Basel III Computation of Liquidity Coverage Ratio

(All currency)

in LKR '000	Reporting Period		Previous Reporting Period	
	Total	Total	Total	Total
Item	Un-weighted Value	Weighted Value	Un-weighted Value	Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)	-	9,995,972	-	8,743,968
Total Adjusted Level 1A Assets	-	9,995,972	-	8,743,968
Level 1 Assets	-	9,995,972	-	8,743,968
Total Adjusted Level 2A Assets	-	-	-	-
Level 2A Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	45,843,251	9,289,832	38,596,836	4,786,226
Deposits	343,342	3,159	675,100	2,624
Unsecured Wholesale Funding	13,570,176	8,661,923	7,653,549	4,073,097
Secured Funding Transactions	-	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	31,929,733	574,686	30,268,187	651,098
Additional Requirements	-	50,063	-	59,407
Total Cash Inflows	7,443,226	16,367,822	5,972,210	8,335,546
Maturing Secured Lending Transactions Backed by Collateral	-	-	-	-
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	4,608,436	16,354,436	4,021,578	8,335,078
Operational Deposits	2,824,165	-	1,950,631	-
Other Cash Inflows	10,625	13,386	-	467
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		430.40		730.76



Main features of Regulatory Capital Instruments

Description of the Capital Instrument	Mar 31, 2018	Dec 31, 2017
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 Recognised 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 Recognised in Regulatory Capital (in LKR '000 as at the Reporting Date)	619,600	619,600
Accounting Classification	Equity	Equity
Retained Earnings		
This represents all unremitted /audited profits of DB Colombo		
Amount Recognised in Regulatory Capital (in LKR '000 as at the Reporting Date)	1,149,824	2,152,607
Accounting Classification	Equity	Equity
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 Recognised in Regulatory Capital (in LKR '000 as at the Reporting Date)	-	-
Accounting Classification	Equity	Equity
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 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	Exposures before Credit				Exposures post CCF and CRM				Mar 31, 2018		Dec 31, 2017	
	Conversion Factor (CCF) and CRM		On- Balance Sheet Amount		On- Balance Sheet Amount		Off- Balance Sheet Amount		RWA and RWA Density (%)		RWA and RWA Density (%)	
	On- Balance Sheet Amount	Off- Balance Sheet Amount	On- Balance Sheet Amount	Off- Balance Sheet Amount	On- Balance Sheet Amount	Off- Balance Sheet Amount	On- Balance Sheet Amount	Off- Balance Sheet Amount	RWA	RWA density (%)	RWA	RWA density (%)
in LKR '000												
Claims on Central Government and CBSL	20,817,413	-	1,244,800	-	1,244,800	-	-	-	1,244,800	6%	1,535,343	7%
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	2,999,772	2,513,243	602,016	1,569,441	2,171,457	1,569,441	1,569,441	2,171,457	2,171,457	11%	2,818,898	13%
Claims on Financial Institutions	-	-	-	-	-	-	-	-	-	-	-	-
Claims on Corporates	9,338,892	1,461,286	9,172,310	1,436,153	10,608,463	1,436,153	1,436,153	10,608,463	10,608,463	53%	10,559,846	50%
Retail Claims	302,307	-	246,888	-	246,888	-	-	246,888	246,888	1%	259,980	1%
Claims Secured by Residential Property	103,885	-	103,885	-	103,885	-	-	103,885	103,885	1%	99,217	0%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-	-	-	-	-	-
Non-Performing Assets (NPAs) ⁽ⁱ⁾	-	-	-	-	-	-	-	-	-	-	-	-
Higher-risk Categories	-	-	-	-	-	-	-	-	-	-	-	-
Cash Items and Other Assets	1,399,935	-	1,216,153	-	1,216,153	-	-	-	1,216,153	6%	1,115,840	5%
Total	34,962,204	3,974,529	12,586,052	3,005,594	15,591,646	3,005,594	3,005,594	16,389,123	16,389,123	78%	16,389,123	82%

Credit Risk Exposure (lending to Banks) as at March 31, 2017 has decreased from December 31, 2017 resulting in 23 % decrease in Risk Weighted Assets for this category.

Further, Risk Weighted Assets on Cash Items and Other assets has increased by 9% since December 31, 2017.



Market Risk under Standardised Measurement Method

in LKR '000 Item	RWA amount	
	Mar 31, 2018	Dec 31, 2017
(a) RWA for Interest Rate Risk	35,422	37,688
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	35,422	37,688
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	298,291	335,004

Capital charge on Market Risk as at Mar 31, 2018 has declined by 11 % since Dec 31, 2017 due to lower Risk weighted assets and application of higher minimum capital requirement of 11.875% commencing Jan 1, 2018 (Previous period 11.25 %)

Operational Risk under Basic Indicator Approach



Business Lines	Capital Charge Factor	Gross Income (LKR'000) as at Mar 31, 2018			Capital Charge Factor	Gross Income (LKR'000) as at Dec 31, 2017		
		Fixed Factor	1st Year	2nd Year		3rd Year	Fixed Factor	1st Year
The Basic Indicator Approach	15%		3,076,917	3,411,910	15%	3,174,763	3,379,805	3,344,968
The Standardised 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%	-	-	-
Commercial Banking	15%		-	-	15%	-	-	-
The Alternative Standardised 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%	0.035	-	-	12%	-	-	-
Commercial Banking	15%	0.035	-	-	15%	-	-	-
Capital Charges for Operational Risk (LKR'000)								
The Basic Indicator Approach	489,798				489,798			
The Standardised Approach	-				-			
The Alternative Standardised Approach	-				-			
Risk Weighted Amount for Operational Risk (LKR'000)								
The Basic Indicator Approach	4,124,612				4,399,789			
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, 2018	a	b	c	d	e
	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
Assets	42,189,419	42,155,778			
Cash and Cash Equivalents	1,226,451	225,922	225,922	-	-
Balances with Central Banks	4,815,638	4,815,638	4,815,638	-	-
Placements with Banks	1,951,427	1,950,000	1,950,000	-	-
Group balances receivable	7,269,714	8,270,243	1,007,633	-	7,262,610
Derivative Financial Instruments	49,283	-	-	-	-
Other Financial Assets Held-For- Trading	-	-	-	-	-
Financial Assets Designated at Fair Value	-	-	-	-	-
Loans and Receivables to Banks	-	-	-	-	-
Loans and Receivables to Other Customers	9,742,313	9,696,359	9,745,085	-	-
Financial Investments - Available- For-Sale	15,940,226	16,003,377	16,003,377	-	-
Financial Investments - Held-To- Maturity	-	-	-	-	-
Investments in Subsidiaries	-	-	-	-	-
Investments in Associates and Joint	-	-	-	-	-
Property, Plant and Equipment	63,076	63,076	63,076	-	-
Investment Properties	-	-	-	-	-
Goodwill and Intangible Assets	-	-	-	-	-
Deferred Tax Assets	17,249	17,249	-	-	17,249
Other Assets	1,114,042	1,113,914	1,113,914	-	-
Liabilities	42,189,419	42,155,778			
Due to Banks	267,324	251,682	N/A	N/A	N/A
Derivative Financial Instruments	28,224	-	N/A	N/A	N/A
Other Financial Liabilities Held-For- Trading	-	-	N/A	N/A	N/A
Financial Liabilities Designated at Fair	-	-	N/A	N/A	N/A
Due to Other Customers	18,581,512	18,566,094	N/A	N/A	N/A
Other Borrowings	-	-	N/A	N/A	N/A
Debt Securities Issued	-	-	N/A	N/A	N/A
Current Tax Liabilities	590,664	625,779	N/A	N/A	N/A
Deferred Tax Liabilities	-	-	N/A	N/A	N/A
Other Provisions	103,848	103,848	N/A	N/A	N/A
Other Liabilities	444,116	1,989,183	N/A	N/A	N/A
Group balances payable	11,470,230	9,984,826	N/A	N/A	9,984,826
Off-Balance Sheet Liabilities					
Guarantees	6,894,396	6,894,396	6,894,396	-	-
Performance Bonds	-	-	-	-	-
Letters of Credit	2,800,687	2,800,687	2,800,687	-	-
Other Contingent Items	1,678,618	9,595,474	2,343,302	-	-
Undrawn Loan Commitments	21,009,694	21,009,694	21,009,694	-	-
Other Commitments	121,573	121,573	121,573	-	-



in LKR '000
Mar 31, 2018

	a	b	c	d	e
	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
Shareholders' Equity					
Equity Capital (Stated Capital)/Assigned	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	1,486,908	1,555,074	N/A	N/A	N/A
Accumulated Other Comprehensive Income	4,957	-	N/A	N/A	N/A
Other Reserves	4,801,175	4,668,831	N/A	N/A	N/A
Total Shareholders' Equity	10,703,501	10,634,366	N/A	N/A	N/A