



Deutsche Bank AG, Colombo Branch  
Pillar 3 Disclosures  
as at September 30, 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 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 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 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](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
	Sep 30, 2018	Dec 31, 2017
<b>Regulatory Capital (LKR '000)</b>		
Common Equity Tier 1, adjusted	9,950,200	10,913,782
Tier 1 Capital	9,950,200	10,913,782
Total Capital	9,950,200	10,913,782
<b>Regulatory Capital Ratios (%)</b>		
Common Equity Tier 1 Capital Ratio ( <i>Minimum Requirement - 6.375%</i> )	39.37%	51.67%
Tier 1 Capital Ratio ( <i>Minimum Requirement - 7.875%</i> )	39.37%	51.67%
Total Capital Ratio ( <i>Minimum Requirement - 11.875%</i> )	39.37%	51.67%
<b>Regulatory Liquidity</b>		
Statutory Liquid Assets (LKR'000)	25,420,257	31,163,892
<b>Statutory Liquid Assets Ratio (<i>Minimum Requirement - 20%</i>)</b>		
Domestic Banking Unit (%)	95.96%	98.96%
Off-Shore Banking Unit (%)	72.38%	101.31%
Liquidity Coverage Ratio (%) – Rupee ( <i>Minimum Requirement - 90%</i> )	995.13%	1021.01%
Liquidity Coverage Ratio (%) – All Currency ( <i>Minimum Requirement - 90%</i> )	459.85%	730.76%

## Basel III Computation of Capital Ratios

in LKR '000

Item	Reporting Period	Previous Reporting Period
	Sep 30, 2018	Dec 31, 2017
<b>Common Equity Tier 1 (CET1) Capital after Adjustments</b>	<b>9,950,200</b>	<b>10,913,782</b>
<b>Common Equity Tier 1 (CET1) Capital</b>	<b>9,923,098</b>	<b>10,925,881</b>
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	-	-
<b>Total Adjustments to CET1 Capital</b>	<b>27,102</b>	<b>(12,099)</b>
Goodwill (net)	-	-
Intangible Assets (net)	-	-
Others (Deferred Tax Assets, Vostro)	27,102	(12,099)
<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>9,950,200</b>	<b>10,913,782</b>
<b>Total Tier 1 Capital</b>	<b>9,950,200</b>	<b>10,913,782</b>
<b>Total Capital</b>	<b>9,950,200</b>	<b>10,913,782</b>

in LKR '000

Item	Reporting Period Sep 30, 2018	Previous Reporting Period Dec 31, 2017
<b>Total Risk Weighted Assets (RWA)</b>	25,273,883	21,123,917
RWAs for Credit Risk	19,317,529	16,389,123
RWAs for Market Risk	1,811,840	335,004
RWAs for Operational Risk	4,144,514	4,399,789
<b>CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer &amp; Surcharge on D-SIBs) (%)</b>	<b>39.37%</b>	<b>51.67%</b>
of which: Capital Conservation Buffer (%)	1.875%	1.25%
of which: Countercyclical Buffer (%)	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-
<b>Total Tier 1 Capital Ratio (%)</b>	<b>39.37%</b>	<b>51.67%</b>
<b>Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer &amp; Surcharge on D-SIBs) (%)</b>	<b>39.37%</b>	<b>51.67%</b>
of which: Capital Conservation Buffer (%)	1.875%	1.25%
of which: Countercyclical Buffer (%)	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-

Total Capital Ratio decreased by 12.30 % as a result of increased Risk Weighted Assets of LKR 4.1 bn mainly from increased credit risk exposure (higher lending to corporates) as at 30 September 2018 and reclassification of certain guarantees to the 100 % risk weight category commencing 30 September 2018. Capital Base decreased since 31 December 2017 due to repatriation of 2016 retained earnings of LKR 1 bn.

Note \*: Subsequent to reporting date, retained earnings of LKR 455 mn was remitted to Head Office after regulatory approvals.

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

in LKR '000	Reporting Period		Previous Reporting Period	
	Sep 30, 2018		Dec 31, 2017	
	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>	-	8,659,814	-	8,743,968
<b>Total Adjusted Level 1A Assets</b>	-	8,659,814	-	8,743,968
<b>Level 1 Assets</b>	-	8,659,814	-	8,743,968
<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>	32,644,490	7,532,689	38,596,836	4,786,226
Deposits	-	-	675,100	2,624
Unsecured Wholesale Funding	8,877,148	6,873,729	7,653,549	4,073,097
Secured Funding Transactions	-	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	23,767,342	582,879	30,268,187	651,098
Additional Requirements	-	76,081	-	59,407
<b>Total Cash Inflows</b>	7,735,498	11,918,558	5,972,210	8,335,546
<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>	6,041,226	11,918,101	4,021,578	8,335,078
<b>Operational Deposits</b>	1,694,272	-	1,950,631	-
<b>Other Cash Inflows</b>	-	457	-	467
<b>Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100</b>		459.85		730.76

## Main features of Regulatory Capital Instruments

Description of the Capital Instrument	Sep 30, 2018	Dec 31, 2017
<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)	619,600	619,600
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)	1,149,824	2,152,607
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, Acturial 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						Sep 30, 2018		Dec 31, 2017	
	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	On-Balance Sheet Amount	Off-Balance Sheet Amount	RWA	RWA density (%)	RWA	RWA density (%)
Claims on Central Government and CBSL	17,374,458	-	1,354,000	-	1,354,000	-	1,354,000	5%	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	2,226,347	3,365,362	447,694	2,397,164	2,844,858	2,844,858	2,844,858	11%	2,818,898	13%
Claims on Financial Institutions	-	-	-	-	-	-	-	-	-	-
Claims on Corporates	12,294,919	2,486,285	12,277,456	1,657,137	13,934,592	10,559,846	10,559,846	55%	10,559,846	50%
Retail Claims	331,200	-	269,272	-	269,272	259,980	259,980	1%	259,980	1%
Claims Secured by Residential Property	115,820	-	115,820	-	115,820	99,217	99,217	0%	99,217	0%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-	-	-	-
Non-Performing Assets (NPAs)(i)	-	-	-	-	-	-	-	-	-	-
Higher-risk Categories	-	-	-	-	-	-	-	-	-	-
Cash Items and Other Assets	882,112	-	798,988	-	798,988	1,115,840	1,115,840	3%	1,115,840	5%
<b>Total</b>	<b>33,224,856</b>	<b>5,851,647</b>	<b>15,263,229</b>	<b>4,054,300</b>	<b>19,317,529</b>	<b>16,389,123</b>	<b>16,389,123</b>	<b>76%</b>	<b>16,389,123</b>	<b>65%</b>

Credit Risk Exposure (lending to Corporates) as at September 30, 2018 has increased from December 31, 2017 due to 32 % increase in customer lending portfolio and reclassification of certain guarantees to the 100 % risk weight category commencing 30 September 2018.

Credit Risk Exposure on Cash Items and Other Assets as at September 30, 2018 has decreased by 28 % compared to December 31, 2017 as a result of reduced clearing balances. Further, Risk Weighted Assets on Central Government and CBSL has decreased by 12% since December 31, 2017 due to lower foreign currency bond holdings.

## Market Risk under Standardised Measurement Method

in LKR '000 Item	RWA amount	
	Sep 30, 2018	Dec 31, 2017
<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>	215,156	37,688
<b>Capital Charge for Market Risk [(a) + (b) + (c)] * CAR</b>	<b>1,811,840</b>	<b>335,004</b>

Increase in market risk observed over 31st December 2018 due to change of basis of computation to exclude US dollar based capital in foreign exchange risk exposure commencing 30 September 2018

## Operational Risk under Basic Indicator Approach

Business Lines	Capital Charge Factor	Gross Income (LKR'000) as at Sep 30, 2018			Capital Charge Factor	Gross Income (LKR'000) as at Dec 31, 2017		
		1st Year	2nd Year	3rd Year		1st Year	2nd Year	3rd Year
<b>The Basic Indicator Approach</b>	15%	3,372,703	3,423,214	3,047,312	15%	3,174,753	3,379,805	3,344,968
<b>The Standardised Approach</b>								
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%	-	-	-
<b>The Alternative Standardised Approach</b>								
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%	0.035	-	-
Commercial Banking	15%	0.035	-	-	15%	0.035	-	-
<b>Capital Charges for Operational Risk (LKR'000)</b>								
The Basic Indicator Approach	492,161				494,976			
The Standardised Approach	-				-			
The Alternative Standardised Approach	-				-			
<b>Risk Weighted Amount for Operational Risk (LKR'000)</b>								
The Basic Indicator Approach	4,144,514				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 Sep 30, 2018	<b>a</b>	<b>b</b>	<b>c</b>	<b>d</b>	<b>e</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
<b>Assets</b>	<b>37,378,889</b>	<b>37,381,722</b>			
Cash and Cash Equivalents	102,186	102,186	102,186	-	-
Balances with Central Banks	2,109,375	709,375	709,375	-	-
Placements with Banks	1,517,417	2,915,000	2,915,000	-	-
Group balances receivable	4,973,000	4,973,000	774,325	-	4,198,675
Derivative Financial Instruments	4,877	-	-	-	-
Other Financial Assets Held-For- Trading	-	-	-	-	-
Financial Assets Designated at Fair Value	-	-	-	-	-
Loans and Receivables to Banks	-	-	-	-	-
Loans and Receivables to Other Customers	12,740,564	12,678,229	12,741,939	-	-
Financial Investments - Available- For-Sale	-	15,266,683	15,266,683	-	-
Financial assets at fair value through other comprehensive income	15,209,842	-	-	-	-
Financial Investments - Held-To- Maturity	-	-	-	-	-
Investments in Subsidiaries	-	-	-	-	-
Investments in Associates and Joint	-	-	-	-	-
Property, Plant and Equipment	55,838	55,838	55,838	-	-
Investment Properties	-	-	-	-	-
Goodwill and Intangible Assets	-	-	-	-	-
Deferred Tax Assets	17,249	23,592	-	-	17,249
Other Assets	648,542	657,819	657,819	-	-
<b>Liabilities</b>	<b>37,378,889</b>	<b>37,381,722</b>			
Due to Banks	-	-	N/A	N/A	N/A
Derivative Financial Instruments	6,008	-	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	12,860,155	12,852,462	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	595,952	632,867	N/A	N/A	N/A
Deferred Tax Liabilities	-	-	N/A	N/A	N/A
Other Provisions	99,674	99,674	N/A	N/A	N/A
Other Liabilities	410,700	2,243,974	N/A	N/A	N/A
Group balances payable	12,419,032	10,556,122	N/A	N/A	10,556,122
<b>Off-Balance Sheet Liabilities</b>					
Guarantees	7,130,129	7,130,129	7,130,129	-	-
Performance Bonds	-	-	-	-	-
Letters of Credit	3,263,508	3,263,508	3,263,508	-	-
Other Contingent Items	1,262,026	2,178,738	1,984,103	-	-
Undrawn Loan Commitments	12,692,644	12,692,644	12,692,644	-	-
Other Commitments	-	-	-	-	-

in LKR '000 Sep 30, 2018	<b>a</b>	<b>b</b>	<b>c</b>	<b>d</b>	<b>e</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
<b>Shareholders' Equity</b>					
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	1,570,951	1,588,087	N/A	N/A	N/A
Accumulated Other Comprehensive Income	23,619	-	N/A	N/A	N/A
Other Reserves	4,982,337	4,998,075	N/A	N/A	N/A
<b>Total Shareholders' Equity</b>	<b>10,987,368</b>	<b>10,996,623</b>	N/A	N/A	N/A