



Deutsche Bank AG, Colombo Branch
Pillar 3 Disclosures
as at September 30, 2017



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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 REQUIRMENTS ON CAPITAL AND LIQUIDITY

Key Regulatory Ratios – Capital and Liquidity

Item	Reporting Period	Previous Reporting Period
	Sep 30, 2017	Dec 31, 2016
Regulatory Capital (LKR '000)		
Common Equity Tier 1	10,405,308	12,468,591
Tier 1 Capital	10,405,308	12,468,591
Total Capital	10,405,308	12,468,591
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (<i>Minimum Requirement - 5.75%</i>)	46.61%	64.15%
Tier 1 Capital Ratio (<i>Minimum Requirement - 7.25%</i>)	46.61%	64.15%
Total Capital Ratio (<i>Minimum Requirement - 11.25%</i>)	46.61%	64.15%
Leverage Ratio (<i>Minimum Requirement - 3%</i>) ⁽¹⁾	20.92%	28.20%
Regulatory Liquidity		
Statutory Liquid Assets (LKR'000)	30,879,494	29,622,817
Statutory Liquid Assets Ratio (<i>Minimum Requirement - 20%</i>)		
Domestic Banking Unit (%)	96.86%	96.13%
Off-Shore Banking Unit (%)	107.88%	104.43%
Liquidity Coverage Ratio (%) – Rupee (<i>Minimum Requirement - 80%</i>)	796.29%	1634.40%
Liquidity Coverage Ratio (%) – All Currency (<i>Minimum Requirement - 80%</i>)	344.01%	1110.91%

Note ⁽¹⁾ : To be implemented by Central Bank of Sri Lanka



Basel III Computation of Capital Ratios

in LKR '000

Item	Reporting Period	Previous Reporting Period
	Sep 30, 2017	Dec 31, 2016
Common Equity Tier 1 (CET1) Capital after Adjustments	10,405,308	12,468,591
Common Equity Tier 1 (CET1) Capital	10,442,119	12,500,558
Equity Capital (Stated Capital)/Assigned Capital	4,410,461	4,410,461
Reserve Fund	595,653	595,653
Published Retained Earnings/(Accumulated Retained Losses)	1,704,627	3,756,059
Published Accumulated Other Comprehensive Income (OCI)	(11,835)	(4,828)
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	36,811	31,967
Goodwill (net)	-	-
Intangible Assets (net)	-	-
Others (specify)	36,811	31,967
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	10,405,308	12,468,591
Total Tier 1 Capital	10,405,308	12,468,591
Total Capital	10,405,308	12,468,591



in LKR '000

Item	Reporting Period Sep 30, 2017	Previous Reporting Period Dec 31, 2016
Total Risk Weighted Assets (RWA)	22,322,482	19,437,070
RWAs for Credit Risk	17,556,565	14,367,476
RWAs for Market Risk	289,564	307,253
RWAs for Operational Risk	4,476,352	4,762,341
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	46.61%	61.15%
of which: Capital Conservation Buffer (%)	1.25%	-
of which: Countercyclical Buffer (%)	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-
Total Tier 1 Capital Ratio (%)	46.61%	61.15%
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	46.61%	61.15%
of which: Capital Conservation Buffer (%)	1.25%	-
of which: Countercyclical Buffer (%)	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-

Total Capital Ratio reduced by 14.54 % over December 31, 2016 due to:

- Increased Risk Weighted Assets on Credit Risk due to increased exposures to Corporates since December 31, 2016.
- Decline in Capital Base LKR 2.1 bn since 31 December 2016 due to repatriation of 2014 and 2015 retained earnings.



Basel III Computation of Liquidity Coverage Ratio

Item	Reporting Period		Previous Reporting Period	
	Total	Total	Total	Total
	Un-weighted Value	Weighted Value	Un-weighted Value	Weighted Value
in LKR '000				
Total Stock of High-Quality Liquid Assets (HQLA)	-	9,877,788	-	16,401,278
Total Adjusted Level 1A Assets	-	9,877,788	-	16,401,278
Level 1 Assets	-	9,877,788	-	16,401,278
Total Adjusted Level 2A Assets	-	-	-	-
Level 2A Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	39,454,253	11,485,465	34,105,427	5,905,509
Deposits	361,578	1,648	339,409	2,397
Unsecured Wholesale Funding	10,971,400	10,689,312	8,697,294	5,229,325
Secured Funding Transactions	-	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	28,121,275	691,943	25,068,724	555,612
Additional Requirements	-	102,562	-	118,176
Total Cash Inflows	7,173,949	10,927,121	7,993,209	7,922,747
Maturing Secured Lending Transactions Backed by Collateral	-	-	-	-
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	2,648,389	10,926,639	4,203,084	7,903,084
Operational Deposits	4,525,560	-	3,772,040	-
Other Cash Inflows	-	482	18,086	19,663
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		344		1,111



Main features of Regulatory Capital Instruments

Description of the Capital Instrument	
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
Accounting Classification	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)	595,653
Accounting Classification	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)	1,704,627
Accounting Classification	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)	(11,835)
Accounting Classification	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
Accounting Classification	Equity



RISK WEIGHTED ASSETS (RWA)

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

in LKR '000 as at Sep 30, 2017

Asset Class	Exposures before Credit		Exposures post CCF and CRM		RWA and RWA Density (%)	
	Conversion Factor (CCF) and CRM				RWA	RWA density (%)
	On- Balance Sheet Amount	Off- Balance Sheet Amount	On- Balance Sheet Amount	Off- Balance Sheet Amount		
Claims on Central Government and CBSL	18,602,959	-	-	-	-	-
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	5,368,190	2,918,522	1,075,403	1,916,555	2,991,958	13%
Claims on Financial Institutions	-	-	-	-	-	-
Claims on Corporates	11,147,867	2,306,038	11,037,901	2,292,216	13,330,117	60%
Retail Claims	281,813	-	230,757	-	230,757	1%
Claims Secured by Residential Property	96,551	-	96,551	-	96,551	0%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)(i)	-	-	-	-	-	-
Higher-risk Categories	-	-	-	-	-	0%
Cash Items and Other Assets	1,065,237	-	907,182	-	907,182	4%
Total	36,562,618	5,224,560	13,347,794	4,208,771	17,556,565	79%

Credit Risk Exposure (lending to Corporates) as at September 30, 2017 has increased from December 31, 2016 resulting in 22 % increase Risk Weighted Assets.



Market Risk under Standardised Measurement Method

in LKR '000	RWA Amount
Item	Sept 30, 2017
(a) RWA for Interest Rate Risk	32,576
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	32,576
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	289,564

Market Risk Exposure as at Sept 30, 2017 has not changed significantly over Dec 31, 2016 and resulting in marginal variance in Risk Weighted Assets over the period.



Operational Risk under Basic Indicator Approach

Business Lines	Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at Sept 30, 2017		
			1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		3,272,876	3,372,703	3,426,214
The Standardised Approach					
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%		-	-	-
The Alternative Standardised Approach					
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	-	-	-
Capital Charges for Operational Risk (LKR'000)					
The Basic Indicator Approach	503,590				
The Standardised Approach	-				
The Alternative Standardised Approach	-				
Risk Weighted Amount for Operational Risk (LKR'000)					
The Basic Indicator Approach	4,476,352				
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	Sept 30, 2017				
	a	b	c	d	e
Item	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					
Cash and Cash Equivalents	174,746	174,745	174,745	-	-
Balances with Central Banks	1,266,830	1,266,830	1,266,830	-	-
Placements with Banks	3,852,197	3,850,000	3,850,000	-	-
Group balances receivable	8,378,710	8,337,120	1,501,500	-	6,835,620
Derivative Financial Instruments	2,885	2,885	-	2,885	-
Other Financial Assets Held-For- Trading	-	-	-	-	-
Financial Assets Designated at Fair Value	-	-	-	-	-
Loans and Receivables to Banks	-	-	-	-	-
Loans and Receivables to Other Customers	11,458,465	11,468,599	11,526,230	-	-
Financial Investments - Available- For-Sale	17,337,729	17,337,730	17,337,730	-	-
Financial Investments - Held-To- Maturity	-	-	-	-	-
Investments in Subsidiaries	-	-	-	-	-
Investments in Associates and Joint	-	-	-	-	-
Property, Plant and Equipment	64,925	64,925	64,925	-	-
Investment Properties	-	-	-	-	-
Goodwill and Intangible Assets	-	-	-	-	-
Deferred Tax Assets	31,967	36,288	-	-	36,288
Other Assets	793,984	837,772	840,657	-	-
Liabilities					
Due to Banks	1,215,642	1,200,000	N/A	N/A	N/A
Derivative Financial Instruments	3,360	3,360	N/A	N/A	N/A
Other Financial Liabilities Held-For- Trading	-	-	N/A	N/A	N/A
Financial Liabilities Designated at Fair Value	-	-	N/A	N/A	N/A
Due to Other Customers	16,411,579	16,402,469	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	606,597	652,627	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	570,135	1,673,146.63	N/A	N/A	N/A
Group balances payable	11,645,270	10,507,707	N/A	N/A	10,507,707
Subordinated Term Debts	1,583,310	1,565,498	N/A	N/A	N/A
Off-Balance Sheet Liabilities					
Guarantees	8,218,219	8,218,219	8,218,219	-	-
Performance Bonds	-	-	-	-	-
Letters of Credit	4,545,676	4,545,676	4,545,676	-	-
Other Contingent Items	1,018,600	1,756,952	1,740,015	-	-
Undrawn Loan Commitments	14,974,363	14,974,363	14,974,363	-	-
Other Commitments	55,110	55,110	55,110	-	-



in LKR '000

Sept 30, 2017

Item	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	2,123,889	2,155,525	N/A	N/A	N/A
Accumulated Other Comprehensive Income	(67,987)	-	N/A	N/A	N/A
Other Reserves	4,756,335	4,702,253	N/A	N/A	N/A
Total Shareholders' Equity	11,222,698	11,268,239	N/A	N/A	N/A