



Deutsche Bank AG, Colombo Branch
Pillar 3 Disclosures
as at June 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 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 June 30, 2018	Previous Reporting Period Dec 31, 2017
Regulatory Capital (LKR '000)		
Common Equity Tier 1	9,911,630	10,913,782
Tier 1 Capital	9,911,630	10,913,782
Total Capital	9,911,630	10,913,782
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (<i>Minimum Requirement - 6.375%</i>)	52.58%	51.67%
Tier 1 Capital Ratio (<i>Minimum Requirement - 7.875%</i>)	52.58%	51.67%
Total Capital Ratio (<i>Minimum Requirement - 11.875%</i>)	52.58%	51.67%
Regulatory Liquidity		
Statutory Liquid Assets (LKR'000)	26,405,007	31,163,892
Statutory Liquid Assets Ratio (<i>Minimum Requirement - 20%</i>)		
Domestic Banking Unit (%)	119.33%	98.96%
Off-Shore Banking Unit (%)	86.79%	101.31%
Liquidity Coverage Ratio (%) – Rupee (<i>Minimum Requirement - 90%</i>)	881.20%	1021.01%
Liquidity Coverage Ratio (%) – All Currency (<i>Minimum Requirement - 90%</i>)	606.29%	730.76%



Basel III Computation of Capital Ratios

in LKR '000

Item	Reporting Period	Previous Reporting Period
	June 30, 2018	Dec 31, 2017
Common Equity Tier 1 (CET1) Capital after Adjustments	9,911,630	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	(11,468)	(12,099)
Goodwill (net)	-	-
Intangible Assets (net)	-	-
Others (Deferred Tax Assets, Vostro)	(11,468)	(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	9,911,630	10,913,782
Total Tier 1 Capital	9,911,630	10,913,782
Total Capital	9,911,630	10,913,782



in LKR '000

Item	Reporting Period June 30, 2018	Previous Reporting Period Dec 31, 2017
Total Risk Weighted Assets (RWA)	18,849,984	21,123,917
RWAs for Credit Risk	14,421,471	16,389,123
RWAs for Market Risk	328,000	335,004
RWAs for Operational Risk	4,100,514	4,399,789
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	52.58%	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 (%)	52.58%	51.67%
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	52.58%	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 increased by 0.91 % as a result of reduced Risk Weighted Assets of LKR 2.3 bn mainly from reduced credit risk exposure (Lower lending to Banks and lower holdings of FCY bonds with Central Bank of Sri Lanka) as at 30 June 2018. However Capital Base decreased since 31 December 2017 due to repatriation of 2016 retained earnings of LKR 1 bn.



Basel III Computation of Liquidity Coverage Ratio

(All currency)

in LKR '000	Reporting Period		Previous Reporting Period	
	June 30, 2018		Dec 31, 2017	
	Total	Total	Total	Total
Item	Un-weighted Value	Weighted Value	Un-weighted Value	Weighted Value
Total Stock of High-Quality Liquid Assets (HQLA)	-	8,250,714	-	8,743,968
Total Adjusted Level 1A Assets	-	8,250,714	-	8,743,968
Level 1 Assets	-	8,250,714	-	8,743,968
Total Adjusted Level 2A Assets	-	-	-	-
Level 2A Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	35,806,705	5,443,386	38,596,836	4,786,226
Deposits	250,352	2,825	675,100	2,624
Unsecured Wholesale Funding	9,017,281	4,814,454	7,653,549	4,073,097
Secured Funding Transactions	-	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	26,539,072	555,758	30,268,187	651,098
Additional Requirements	-	70,350	-	59,407
Total Cash Inflows	4,030,969	11,362,785	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	3,772,987	11,103,987	4,021,578	8,335,078
Operational Deposits	-	-	1,950,631	-
Other Cash Inflows	257,982	258,798	-	467
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		606.29		730.76



Main features of Regulatory Capital Instruments

Description of the Capital Instrument	June 30, 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

in LKR '000	June 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	Conversion Factor (%)	On-Balance Sheet Amount	Off-Balance Sheet Amount	Conversion Factor (%)	RWA	RWA density (%)	RWA	RWA density (%)	RWA	RWA density (%)
Asset Class												
Claims on Central Government and CBSL	17,969,106	-	-	1,266,400	-	-	1,266,400	7%	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	2,048,428	2,418,363	-	411,489	1,527,403	-	1,938,892	10%	2,818,898	13%		
Claims on Financial Institutions	-	-	-	-	-	-	-	-	-	-	-	-
Claims on Corporates	8,426,344	1,831,966	-	8,369,842	1,396,623	-	9,766,465	52%	10,559,846	50%		
Retail Claims	326,492	-	-	265,199	-	-	265,199	1%	259,980	1%		
Claims Secured by Residential Property	108,782	-	-	108,782	-	-	108,782	1%	99,217	0%		
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-	-	-	-	-	-
Non-Performing Assets (NPAs)(i)	-	-	-	-	-	-	-	-	-	-	-	-
Higher-risk Categories	-	-	-	-	-	-	-	-	-	-	-	-
Cash Items and Other Assets	1,251,251	-	-	1,075,733	-	-	1,075,733	6%	1,115,840	5%		
Total	30,130,403	4,250,329	-	11,497,445	2,924,025	-	14,421,471	77%	16,389,123	87%		

Credit Risk Exposure (lending to Banks) as at June 30, 2018 has decreased from December 31, 2017 resulting in 31 % decrease in Risk Weighted Assets for this category.

Further, Risk Weighted Assets on Central Government and CBSL has decreased by 18% since December 31, 2017 due to lower fcy bond holdings.



Market Risk under Standardised Measurement Method

in LKR '000 Item	RWA amount	
	June 30, 2018	Dec 31, 2017
(a) RWA for Interest Rate Risk	38,950	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	38,950	37,688
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	328,000	335,004

No material movement in Market risk as at reported period, against 31st December 2017.



Operational Risk under Basic Indicator Approach

Business Lines	Capital Charge Factor	Gross Income (LKR'000) as at June 30, 2018			Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at Dec 31, 2017		
		1st Year	2nd Year	3rd Year			1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%	3,060,990	3,590,924	3,086,809	15%		3,174,753	3,379,805	3,344,988
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%	0.035	-	-	-
Commercial Banking	15%	0.035	-	-	15%	0.035	-	-	-
Capital Charges for Operational Risk (LKR'000)									
The Basic Indicator Approach	486,936							494,976	
The Standardised Approach	-							-	
The Alternative Standardised Approach	-							-	
Risk Weighted Amount for Operational Risk (LKR'000)									
The Basic Indicator Approach	4,100,515							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 June 30, 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	34,805,443	34,840,675			
Cash and Cash Equivalents	194,728	194,728	194,728	-	-
Balances with Central Banks	3,605,229	3,605,229	3,605,229	-	-
Placements with Banks	1,201,965	1,200,000	1,200,000	-	-
Group balances receivable	5,633,383	5,633,383	829,218	-	4,804,165
Derivative Financial Instruments	61,536	-	-	-	-
Other Financial Assets Held-For- Trading	-	-	-	-	-
Financial Assets Designated at Fair Value	-	-	-	-	-
Loans and Receivables to Banks	-	-	-	-	-
Loans and Receivables to Other Customers	8,858,532	8,817,310	8,861,618	-	-
Financial Investments - Available- For-Sale	-	14,365,477	14,365,477	-	-
Financial assets at fair value through other	14,295,899	-	-	-	-
Financial Investments - Held-To- Maturity	-	-	-	-	-
Investments in Subsidiaries	-	-	-	-	-
Investments in Associates and Joint	-	-	-	-	-
Property, Plant and Equipment	61,917	61,917	61,917	-	-
Investment Properties	-	-	-	-	-
Goodwill and Intangible Assets	-	-	-	-	-
Deferred Tax Assets	17,249	23,592	-	-	17,249
Other Assets	875,006	939,039	939,039	-	-
Liabilities	34,805,443	34,840,675			
Due to Banks	-	-	N/A	N/A	N/A
Derivative Financial Instruments	61,115	-	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	12,972,878	12,960,233	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	607,662	654,499	N/A	N/A	N/A
Deferred Tax Liabilities	-	-	N/A	N/A	N/A
Other Provisions	102,074	102,074	N/A	N/A	N/A
Other Liabilities	427,372	2,098,474	N/A	N/A	N/A
Group balances payable	9,892,070	8,245,677	N/A	N/A	8,245,677
Off-Balance Sheet Liabilities					
Guarantees	6,649,581	6,649,581	6,649,581	-	-
Performance Bonds	-	-	-	-	-
Letters of Credit	3,512,649	3,512,649	3,512,649	-	-
Other Contingent Items	955,350	3,490,796	1,752,337	-	-
Undrawn Loan Commitments	15,979,677	15,979,677	15,979,677	-	-
Other Commitments	-	-	-	-	-



in LKR '000
June 30, 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 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	1,495,336	1,520,822	N/A	N/A	N/A
Accumulated Other Comprehensive Income	4,957	-	N/A	N/A	N/A
Other Reserves	4,831,518	4,848,435	N/A	N/A	N/A
Total Shareholders' Equity	10,742,272	10,779,718	N/A	N/A	N/A