



Deutsche Bank AG, Colombo Branch
Pillar 3 Disclosures
as at June 30, 2019

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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 & 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. From 1st January, 2019 onwards, DB Colombo Branch has started offering services under Fixed Income & Currencies (FIC) 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	Previous Reporting Period
	June 30, 2019	Dec 31, 2018
Regulatory Capital (LKR '000)		
Common Equity Tier 1, adjusted	9,983,721	9,934,623
Tier 1 Capital	9,983,721	9,934,623
Total Capital	10,092,651	9,934,623
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (<i>Minimum Requirement - 7.00%</i>)	31.68%	36.60%
Tier 1 Capital Ratio (<i>Minimum Requirement - 8.50%</i>)	31.68%	36.60%
Total Capital Ratio (<i>Minimum Requirement - 12.50%</i>)	32.03%	36.60%
Leverage Ratio (<i>Minimum Requirement - 3%</i>)	17.76%	N/A
Regulatory Liquidity		
Statutory Liquid Assets (LKR'000)	31,350,787	28,217,603
Statutory Liquid Assets Ratio (<i>Minimum Requirement - 20%</i>)		
Domestic Banking Unit (%)	82.86%	105.19%
Off-Shore Banking Unit (%)	171.09%	98.93%
Liquidity Coverage Ratio (%) – Rupee (<i>Minimum Requirement - 100%</i>)	568.95%	724.59%
Liquidity Coverage Ratio (%) – All Currency (<i>Minimum Requirement - 100%</i>)	322.41%	338.17%

Statutory Liquid Assets increased by 11% end of Q2, 2019 compared to 31 Dec, 2018 as a result of increase in investments in Govt. Securities specially in SLDB with the commencement of FIC business in the Branch. Also investments in placements and nostro balances have moved upward between two reporting periods.

Liquidity Coverage Ratios decreased in Q2, 2019 as a result of increased cash outflows which was mainly driven by the deposit base & DBSG short term borrowings.

Basel III Computation of Capital Ratios

in LKR '000

Item	Reporting Period June 30, 2019	Previous Reporting Period Dec 31, 2018
Common Equity Tier 1 (CET1) Capital after Adjustments	9,983,721	9,934,623
Common Equity Tier 1 (CET1) Capital	9,921,584	9,921,584
Equity Capital (Stated Capital)/Assigned Capital	4,410,461	4,410,461
Reserve Fund	641,506	641,506
Published Retained Earnings/(Accumulated Retained Losses)	1,126,404	1,126,404
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	62,137	13,039
Goodwill (net)	-	-
Intangible Assets (net)	-	-
Others (Deferred Tax Assets, Vostro)	62,137	13,039
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	108,930	-
Tier 2 Capital	108,930	-
Qualifying Tier 2 Capital Instruments	-	-
Revaluation Gains	-	-
Loan Loss Provisions	108,930	-
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	9,983,721	9,934,623
Total Tier 1 Capital	9,983,721	9,934,623
Total Capital	10,092,651	9,934,623

in LKR '000

Item	Reporting Period June 30, 2019	Previous Reporting Period Dec 31, 2018
Total Risk Weighted Assets (RWA)	31,512,201	27,140,456
RWAs for Credit Risk	24,427,856	21,274,779
RWAs for Market Risk	3,192,709	1,732,817
RWAs for Operational Risk	3,891,636	4,132,861
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	31.68%	36.60%
of which: Capital Conservation Buffer (%)	1.875%	1.88%
of which: Countercyclical Buffer (%)	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-
Total Tier 1 Capital Ratio (%)	31.68%	36.60%
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	32.03%	36.60%
of which: Capital Conservation Buffer (%)	1.875%	1.88%
of which: Countercyclical Buffer (%)	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-

Total Capital Ratio decreased by 4.92% points as a result of increased Risk Weighted Assets of LKR 4.4 bn mainly driven by increased credit risk exposure and market risk exposure. Credit risk increased due to higher level of investments in SLDB & increase in loan portfolio as at 30 June 2019. Market risk increased as a result of consideration of interest rate risk associated with government securities under trading category. Capital base was changed between two reporting periods as per consideration of Explanatory Note issued by Central Bank of Sri Lanka on 18 July 2019 to implement a consistent approach with financial reporting under SLFR 9 and capital adequacy ratio computation.

Basel III Computation of Leverage Ratios

in LKR '000

Item	Reporting Period June 30, 2019	Previous Reporting Period Dec 31, 2018
Tier 1 Capital	9,983,721	N/A
Total Exposures	56,215,727	N/A
On-Balance Sheet Items	49,143,334	N/A
(excluding Derivatives and Securities Financing Transactions, but including Collateral)		
Derivative Exposures	181,012	N/A
Securities Financing Transaction Exposures	-	N/A
Other Off-Balance Sheet Exposures	6,891,381	N/A
Basel III Leverage Ratio (%) (Tier 1/Total Exposure)	17.76%	N/A

Leverage Ratio under Basel III was implemented w.e.f 01.01.2019 as per the Banking Act Direction No 12 of 2018.

Basel III Computation of Liquidity Coverage Ratio (All currency)

in LKR '000	Reporting Period				Previous Reporting Period	
	June 30, 2019		Dec 31, 2018			
	Total	Total	Total	Total		
Item	Un-weighted Value	Weighted Value	Un-weighted Value	Weighted Value		
Total Stock of High-Quality Liquid Assets (HQLA)	-	9,659,747	-	8,335,633		
Total Adjusted Level 1A Assets	-	9,659,747	-	8,335,633		
Level 1 Assets	-	9,659,747	-	8,335,633		
Total Adjusted Level 2A Assets	-	-	-	-		
Level 2A Assets	-	-	-	-		
Total Adjusted Level 2B Assets	-	-	-	-		
Level 2B Assets	-	-	-	-		
Total Cash Outflows	39,760,693	11,984,439	32,624,243	9,859,822		
Deposits	115,141	12,793	323,401	35,933		
Unsecured Wholesale Funding	13,051,197	11,103,035	10,186,907	9,173,864		
Secured Funding Transactions	-	-	-	-		
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	26,594,356	753,351	22,113,935	550,395		
Additional Requirements	-	115,260	-	99,630		
Total Cash Inflows	13,364,060	12,542,329	8,003,400	12,610,701		
Maturing Secured Lending Transactions Backed by Collateral	-	-	-	-		
Committed Facilities	-	-	-	-		
Other Inflows by Counterparty which are Maturing within 30 Days	6,680,311	12,417,811	5,612,259	12,521,259		
Operational Deposits	6,601,081	-	2,306,412	-		
Other Cash Inflows	82,668	124,518	84,730	89,443		
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		322.41		338.17		

Total Stock of High-Quality Liquid Assets (HQLA) increased by 16% as of 30 June, 2019 due to increase in investments in Govt. securities.

Total Cash Outflows increased by 22% as of 30 June, 2019 as a result of increase in the deposit base & DBSG short term borrowings.

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	June 30, 2019	Dec 31, 2018
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)	641,506	641,506
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)	1,126,404	1,126,404
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 Conversion Factor (CCF) and CRM				Exposures post CCF and CRM				June 30, 2019		Dec 31, 2018	
	On-Balance Sheet Amount		Off-Balance Sheet Amount		On-Balance Sheet Amount		Off-Balance Sheet Amount		RWA	RWA and RWA Density (%)	RWA	RWA and RWA Density (%)
	Sheet Amount	21,645,074	Sheet Amount	1,750,760	Sheet Amount	1,750,760	Sheet Amount	1,750,760	1,750,760	6%	1,463,600	5%
Claims on Central Government and CBSL	-	-	-	-	-	-	-	-	-	-	-	-
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	2,465,935	5,201,248	494,765	3,894,780	4,389,545	14%	4,375,043	16%	4,375,043	16%	4,375,043	16%
Claims on Financial Institutions	-	-	-	-	-	-	-	-	-	-	-	-
Claims on Corporates	15,195,523	1,819,433	14,921,745	1,724,975	16,646,720	53%	12,876,423	47%	12,876,423	47%	12,876,423	47%
Retail Claims	538,322	-	423,031	-	423,031	1%	215,928	1%	215,928	1%	215,928	1%
Claims Secured by Residential Property	108,980	-	108,980	-	108,980	0%	120,627	0%	120,627	0%	120,627	0%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-	-	-	-	-	-
Non-Performing Assets (NPAs)(i)	-	-	-	-	-	-	-	-	-	-	-	-
Higher-risk Categories	-	-	-	-	-	-	-	-	-	-	-	-
Cash Items and Other Assets	1,167,545	-	1,108,821	-	1,108,821	4%	2,223,158	8%	2,223,158	8%	2,223,158	8%
Total	41,121,379	7,020,681	18,808,102	5,619,755	24,427,856	78%	21,274,779	68%	21,274,779	68%	21,274,779	68%

Credit Risk Exposure on Central Government and CBSL has increased by 20% due to purchase of 30 MUUSD SLDB bonds in Q2-2019. Credit Risk Exposure on lending to corporates and retail claims (Small and Medium Enterprises) have increased by 29% & 96% respectively as at June 30, 2019.

Market Risk under Standardised Measurement Method

in LKR '000 Item	RWA amount	
	June 30, 2019	Dec 31, 2018
(a) RWA for Interest Rate Risk	144,860	-
General Interest Rate Risk	144,860	-
(i) Net Long or Short Position	144,860	-
(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	254,229	205,772
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	3,192,709	1,732,817

Market risk increased as a result of consideration of interest rate risk associated with government securities under trading category.

Operational Risk under Basic Indicator Approach

Business Lines	Capital Charge Factor			Gross Income (LKR'000) as at June 30, 2019			Gross Income (LKR'000) as at Dec 31, 2018		
	Capital Charge Factor	Fixed Factor	1st Year	2nd Year	3rd Year	1st Year	2nd Year	3rd Year	
The Basic Indicator Approach	15%		3,590,924	3,086,809	3,051,357	3,379,805	3,344,968	3,090,771	
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	486,455								
The Standardised Approach	-								
The Alternative Standardised Approach	-								
Risk Weighted Amount for Operational Risk (LKR'000)									
The Basic Indicator Approach	3,891,636								
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, 2019

	a	b	c	d	e	a-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	Difference between Published Financials and Regulatory Reporting
Assets	49,081,275	49,015,156				
Cash and cash equivalents	78,631	78,631	78,631	-	-	-
Balances with Central Banks	3,290,252	3,290,252	3,290,252	-	-	0
Placement with Banks	1,102,341	1,100,000	1,100,000	-	-	2,341
Placements with Branches	2,647,500	2,647,500	-	-	2,647,500	-
Securities borrowed	-	-	-	-	-	-
Derivative financial instruments	15,333	-	-	-	-	15,333
Group balances receivable	6,677,010	6,677,010	1,441,864	-	5,235,146	0
Financial assets recognized through profit or loss	-	-	-	-	-	-
- measured at fair value	7,333,426	-	-	-	-	7,333,426
- designated at fair value	-	-	-	-	-	-
Financial assets at amortised cost	-	-	-	-	-	-
- loans and advances	15,837,797	15,763,611	15,842,825	-	-	74,186
- debt and other instruments	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income	11,371,412	18,416,283	18,416,283	-	-	(7,044,871)
Securities held to maturity	-	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	-
Investments in associates and joint ventures	-	-	-	-	-	-
Property, plant and equipment	56,722	56,722	56,722	-	-	(0)
Investment properties	-	-	-	-	-	-
Goodwill and intangible assets	-	-	-	-	-	-
Assets for current tax	-	-	-	-	-	-
Deferred tax assets	24,824	24,302	-	-	24,824	522
Other assets	646,029	960,845	960,845	-	-	(314,816)

in LKR '000	a	b	c	d	e	a-b
June 30, 2019	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	Difference between Published Financials and Regulatory Reporting
Liabilities	49,081,275	49,015,156				
Due to banks	457	457	N/A	N/A	N/A	
Due to branches	15,584,791	15,505,525			15,505,525	79,266
Derivative financial instruments	11,754	-	N/A	N/A	N/A	11,754
Financial liabilities designated at fair value through			N/A	N/A	N/A	-
- measured at fair value	-	-	N/A	N/A	N/A	-
- designated at fair value	-	-	N/A	N/A	N/A	-
Financial liabilities at amortised cost			N/A	N/A	N/A	-
- due to depositors	18,862,481	18,847,843	N/A	N/A	N/A	14,638
- due to debt securities holders	-	-	N/A	N/A	N/A	-
- due to other borrowers	-	-	N/A	N/A	N/A	-
Debt securities issued	-	-	N/A	N/A	N/A	-
Retirement benefit obligations	77,261	77,261	N/A	N/A	N/A	-
Current tax liabilities	675,386	718,757	N/A	N/A	N/A	(43,371)
Deferred tax liabilities	-	-	N/A	N/A	N/A	-
Long term debts	-	-	N/A	N/A	N/A	-
Other provisions	-	-	N/A	N/A	N/A	-
Other liabilities	413,647	487,300.67	N/A	N/A	N/A	(73,654)
Group balances payable	2,662,783	2,642,086			165,340	20,697
Off-Balance Sheet Liabilities						
Guarantees	9,196,480	9,196,480	9,196,480	-	-	-
Performance Bonds	-	-	-	-	-	-
Letters of Credit	5,190,962	5,190,962	5,190,962	-	-	-
Other Contingent Items	708,716	7,863,736	7,144,588	-	-	(7,155,020)
Undrawn Loan Commitments	12,280,690	12,280,690	12,280,690	-	-	-
Other Commitments	-	-	-	-	-	-
Shareholders' Equity						
Equity Capital (Stated Capital)/Assigned Capital	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	1,293,403	1,305,532	N/A	N/A	N/A	(12,129)
Accumulated Other Comprehensive Income	19,424	-	N/A	N/A	N/A	19,424
Other Reserves	5,069,425	5,019,932.58	N/A	N/A	N/A	49,493
Total Shareholders' Equity	10,792,714	10,735,926	N/A	N/A	N/A	