DEUTSCHE BANK AG – COLOMBO BRANCH

FINANCIAL REPORT

31 DECEMBER 2024

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Management's Report on Internal Controls over Financial Reporting

The management of Deutsche Bank AG, Colombo Branch ("Branch") is responsible for establishing and maintaining adequate internal control over financial reporting. The Branch's internal control system is designed to provide reasonable assurance to management regarding the preparation and fair presentation of published financial statements in accordance with Sri Lanka Accounting standards. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Management has established an ongoing process for identifying, evaluating, and managing the significant risks faced by the Branch and this process includes enhancing the system of internal controls as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the management and accords with the guidance for directors of Banks on the Directors' Statement of Internal Control issued by the Institute of Chartered Accountants of Sri Lanka.

To the best of our knowledge, we did not identify any material deficiencies or weaknesses, in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Branch's ability to record, process, summarize and report financial data. Based on our understanding, there has been no fraud that involves management or other employees who have a significant role in the Branch's internal controls over financial reporting which requires disclosure.

The Branch management assessed the effectiveness of the Branch's internal control over financial reporting as of December 31, 2024, based on the guidelines issued by the Institute of Chartered Accountants of Sri Lanka in relation to statement of internal control. Based on this assessment, management believes that, as of December 31, 2024, the Branch's internal control over financial reporting is effective.

Internal Control Governance

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls and governance of the Branch include the following:

The Committees are established by the Management in ensuring the effectiveness of the Branch's daily operations and that the Branch's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.

In accordance with the requirement of CBSL, Group Audit (GA) conducts an annual audit of DB AG Colombo Branch using a risk-based audit approach as outlined in GA policy and GA manual. The methodology enables GA to increase transparency of audit coverage, refine the Risk Assessment (RA) approach, better align risk and resources, and exercise greater judgment in audit coverage. The RA process is fundamental to GA's understanding of the Bank's strategy, plans and objectives and is used to develop an audit plan focused on the most relevant areas in any plan year. The RA is the primary instrument for documenting the assessment of Inherent Risk (IR) and the Control Environment Indicator (CEI) for all applicable risk categories, including fraud risk. The RA results in an overall score for each Auditable Area (AA) in the Audit Universe (AU), which drives the cycle of audit coverage, to a maximum of 5 years. GA also adds coverage based on regulatory requirements and override the risk-based cycle either for all or parts of the AA. Group Audit APAC is primarily responsible for audit coverage in Sri Lanka and, where necessary, is assisted by global teams.

Operational committees have also been established with appropriate empowerment to ensure effective management and supervision of the Branch's core areas of business operations. The committees established locally are the Branch Management Board and Asset and Liability Committee. The Branch also comes under the purview of the following Global Committees:

- Audit Committee
- Risk Committee
- Regulatory Oversight Committee
- Compensation Control Committee
- Strategy and Sustainability Committee
- Technology, Data and Innovation Committee

In assessing the internal control system, the Branch relies on documented procedures and controls that are connected with significant accounts and disclosures of the financial statements of the Branch. These are under the overall purview of the above committees and Group Audit for suitability of design and effectiveness on an ongoing basis.

In relation to the remote working arrangements,

Many staff members have been able to work from home with (1) Secure access to operating systems. (2) The Bank continued to encourage customers to use digital platforms to perform transactions as an alternative to visit the Branch. (3) Arrangements were made to closely monitor the evolving conditions of internal and external environment. The Branch Management Board ensures that the alternative arrangements do not compromise the internal control procedures of the Bank and also ensures that the security of data due to these alternative arrangements such as working from home or working from disaster recovery site. Remote working arrangements were facilitated as per the Bank's IT security policies. Additional controls/monitoring procedures were introduced as relevant.

Confirmation

Based on the above processes, the Management confirms that:

The financial reporting system of the Branch has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

There was no material change in internal control over financial reporting that occurred during the period covered by the report that has materially affected or is reasonably likely to materially affect internal control over financial reporting, including any corrective actions with regard to significant deficiencies and material weaknesses.

Review of the Statement by External Auditors

The external auditors have reviewed the above Management's Statement on Internal Controls for the year ended 31 December 2024 and reported to the Management that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Management in the review of the design and effectiveness of the internal control system of the Branch.

Aw Yoke Lin
Managing Director - CFO Singapore, ASEAN and MEA
27 February 2025

Shape the future
with confidence

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GSM/MA

INDEPENDENT ASSURANCE REPORT
TO THE MANAGEMENT OF DEUTSCHE BANK AG - SRI LANKA BRANCH

Report on the Management's Statement on Internal Control

We were engaged by the Management of Deutsche Bank AG - Sri Lanka Branch ("The Branch") to provide assurance on the Management's Statement on Internal Control over Financial Reporting ("Statement") for the year ended 31 December 2024.

Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued in compliance with section 3(8)(ii)(b) of the Banking Act Direction No. 11 of 2007, by the Institute of Chartered Accountants of Sri Lanka.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities and compliance with SLSAE 3050 (Revised)

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for management and appropriately reflects the process the management have adopted in reviewing the design and effectiveness of the internal control of the Branch.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3050 (Revised), Assurance Report for Banks on Directors' Statement on Internal Control, issued by the Institute of Charted Accountants of Sri Lanka.

This Standard required that we plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control Over Financial Reporting.

For purpose of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed an audit or review of the financial information.

(Contd...5/)

Building a better working world

Summary of work performed

We conducted our engagement to assess whether the Statement is supported by the documentation prepared by or for management; and appropriately reflected the process the management have adopted in reviewing the system of internal control over financial reporting of the Branch.

The procedures performed were limited primarily to inquiries of Branch personnel and the existence of documentation on a sample basis that supported the process adopted by the Branch Management Board.

SLSAE 3050 (Revised) does not require us to consider whether the Statement covers all risks and controls or to form an opinion on the effectiveness of the Branch's risk and control procedures.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Branch, the event or transaction in respect of which the Statement has been prepared.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement is inconsistent with our understanding of the process the Branch Management Board has adopted in the review of the design and effectiveness of internal control over financial reporting of the Branch.

27 February 2025
Colombo

CCO's and CFO's Responsibility for Financial Reporting

Audited Financial Statements, 31 December 2024

The Financial Statements of Deutsche Bank - Colombo Branch as at 31 December 2024 are prepared in compliance with Sri Lanka Accounting Standards (SLFRS/LKAS) issued by The Institute of Chartered Accountants of Sri Lanka; Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Banking Act No. 30 of 1988 and amendments thereto. In addition, these Financial Statements in compliance with the format and definitions prescribed issued by the Central Bank of Sri Lanka for the preparation of Annual Financial Statements of licensed commercial banks. The Accounting Policies used in the preparation of the Financial Statements are appropriate and are consistently applied by the Branch (material departures, if any are disclosed and explained in the notes to the Financial Statements). There are no departures from the Sri Lanka Financial Reporting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation.

We confirm that to the best of our knowledge, the Financial Statements, significant accounting policies and other financial information included in the Annual Financial Statement, fairly present in all material respects the financial condition, results of the operations and the cash flows of the Branch during the period under review. We also confirm that the Branch has adequate resources to continue in operation and have applied the 'going concern' basis in preparing the Financial Statements.

Significant Accounting Policies and estimates that involve a high degree of judgment and complexity are discussed with the External Auditors of the Branch and Branch's Accounting Policy Group.

The Branch Management accepts responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgments relating to the Financial Statements were made on a prudent and reasonable basis in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions and that the Branch's state of affairs is reasonably presented.

The Financial Statements of the Branch were audited by the Messrs EY, Chartered Accountants, the independent auditors.

We confirm that to the best of our knowledge:

- The Branch has complied with all applicable laws, regulations and prudential requirements and material non-compliances have been rectified.
- There are no material litigations that are pending against the Branch.
- All taxes, duties, levies and statutory payments by the Branch and all contributions, levies and taxes payable on behalf of and in respect of employees of the Branch as at the reporting date have been paid, or where relevant provided for.

Niranjan Figurado
Chief Country Officer

Imesha Sanjeewanie
Head of Finance

Deutsche Bank AG
Colombo Branch
27 February 2025

DEUTSCHE BANK AG – COLOMBO BRANCH

FINANCIAL STATEMENTS

31 DECEMBER 2024

Shape the future
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INDEPENDENT AUDITOR'S REPORT
TO THE MANAGEMENT OF DEUTSCHE BANK AG - SRI LANKA BRANCH

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Deutsche Bank AG - Sri Lanka Branch ("The Branch"), which comprise the statement of financial position as at 31 December 2024, and the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Branch as at 31 December 2024 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Branch in accordance with the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Branch ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Branch financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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EY

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As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Requirements of section 163(2) of the Companies Act No. 07 of 2007 and section 39 of the Banking Act No 30 of 1988 (as amended by Banking Act No.24 of 2024)

We have obtained all the information and explanations that were required for the audit. As far as appears from our examination, in our opinion, proper accounting records have been kept by the Branch.

In our opinion the disclosures made in the accompanying financial statements are in accordance with the requirements of Circular No.05 of 2024 issued by Central Bank of Sri Lanka.

27 February 2025
Colombo

INCOME STATEMENT

Year ended 31 December 2024

	Note	2024 Rs.	2023 Rs.
Gross income	6	8,405,081,068	14,008,145,154
Interest income		5,707,548,995	8,224,100,240
Interest expense		670,236,987	464,000,875
Net interest income	7	5,037,312,008	7,760,099,365
Fee and commission income		974,899,568	839,387,188
Fee and commission expenses		80,450,295	82,911,243
Net fee and commission income	8	894,449,273	756,475,945
Net gain from trading	9	1,184,499,031	2,117,063,232
Net gain/(loss) from financial instruments at fair value through profit and loss	10	31,565,979	2,723,531,766
Net gain/(loss) from derecognition of financial assets		-	-
Net other operating income	11	506,567,495	104,062,728
Total operating income		7,654,393,786	13,461,233,036
Impairment charge/(reversal)	12	58,669,548	146,260,500
Net operating income		7,595,724,239	13,314,972,536
Operating expenses			
Personnel expenses	13	670,538,366	672,497,932
Depreciation & amortisation expenses	26	138,039,712	138,036,943
Other expenses	14	2,540,819,420	2,619,236,338
Operating profit before VAT & SSCL on financial services		4,246,326,741	9,885,201,323
Value Added Tax (VAT) on financial services		703,431,904	1,549,201,313
Social Security Contribution Levy (SSCL) on financial services		100,315,605	216,218,940
Profit/(loss) before tax		3,442,579,232	8,119,781,070
Income tax expenses	15	1,124,495,436	2,989,447,109
Profit/(loss) for the year		2,318,083,796	5,130,333,961

The accounting policies and notes to the financial statements appearing on page 15 to 95 form an integral part of these financial statements.

ERNST & YOUNG
Chartered
Accountants
COLOMBO

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

	2024 Rs.	2023 Rs.
Profit for the year	2,318,083,796	5,130,333,961
Items that will be reclassified to income statement		
Exchage differences on translation of foreign operations	-	-
Net gains/(losses) on cash flow hedges	-	-
Net gains/(losses)on investments on debt	-	-
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income	-	-
Debt instruments at fair value through other comprehensive income	-	-
Less: Tax expense relating to items that will be reclassified to income statement	-	-
	-	-
Items that will not be reclassified to income statement		
(Loss)/ Gains on translating the Financial Statements of FCBU	(700,731,584)	(710,449,285)
Change in fair value on investments in equity instruments designated at fair value through other comprehensive income	-	-
Change in fair value attributable to change in the Bank's own credit risk on financial liabilities designated at fair value through profit or loss	-	-
Re-measurement of post-employment benefit obligations (Note 33.2)	(30,490,000)	(7,118,982)
Related tax (Note 27.1)	9,147,000	2,135,695
	(722,074,584)	(715,432,572)
Other comprehensive income for the year, net of taxes	(722,074,584)	(715,432,572)
Total comprehensive income for the year, net of taxes	1,596,009,212	4,414,901,388

The accounting policies and notes to the financial statements appearing on page 15 to 95 form an integral part of these financial statements.

ERNST & YOUNG
Chartered Accountants
COLOMBO

STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	2024 Rs.	2023 Rs.
Assets			
Cash and cash equivalents	16	180,069,548	542,720,883
Balances with Central Bank	17	11,590,303,122	12,346,487,518
Placements with banks	18	28,743,633,739	13,608,939,796
Placements with branches	19	-	48,582
Derivative financial instruments	20	131,660,218	38,982,666
Group balances receivables	21	1,177,399,851	1,719,104,826
Financial assets measured at fair value through profit or loss (FVTPL)	22	-	18,041,590,191
Financial assets at amortized cost - Loans and advances to customers	23	21,799,039,124	24,554,284,631
Financial assets at amortized cost - Debt and other instruments	24	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	25	42,338,984	42,338,984
Property, plant and equipment	26	481,916,234	617,455,063
Investment properties		-	-
Goodwill and intangible assets		-	-
Deferred tax assets	27	127,906,914	95,572,008
Other assets	28	670,153,221	1,464,148,868
Total assets		64,944,420,955	73,071,674,016
Liabilities			
Due to banks	29	-	-
Due to branches	30	1,464,608,821	1,460,629,166
Derivative financial instruments	31	26,919,385	3,333,424
Financial liabilities recognized through profit or loss measured at fair value		-	-
Financial liabilities at amortized cost - Due to depositors	32	30,032,808,121	38,684,924,991
Financial liabilities at amortized cost - Due to debt securities holders		-	-
Financial liabilities at amortized cost - Due to other borrowings		-	-
Debt securities issued		-	-
Retirement Benefit Obligations	33	134,214,480	96,008,876
Current tax liabilities	34	657,546,545	1,572,176,468
Deferred tax liabilities		-	-
Other provisions	35	1,402,615	3,045,444
Other liabilities	36	740,076,715	1,407,133,686
Group Balance Payable	37	3,874,383,603	2,528,895,096
Total liabilities		36,931,960,285	45,756,147,151
Equity			
Assigned capital	38	4,410,461,270	4,410,461,270
Statutory reserve fund	39	1,335,923,376	1,220,019,186
Retained earnings	40	10,713,335,021	9,491,621,981
Other reserves	41	11,552,741,003	12,193,424,428
Total shareholders' equity		28,012,460,670	27,315,526,865
Total equity and liabilities		64,944,420,955	73,071,674,016
Contingent liabilities and commitments	42	107,294,208,470	74,838,165,296
Memorandum Information			
Number of employees		49	56
Number of Branches		1	1

These financial statements have been prepared in compliance with requirements of the Companies Act No.7 of 2007.

The Management is responsible for the preparation and presentation of these Financial Statements.
Approved and signed for and on behalf of the Branch Management Board.

Imesha Sanjeewanie
Head of Finance

Niranjan Figurado
Chief Country Officer

The accounting policies and notes to the financial statements appearing on page 15 to 95 form an integral part of these financial statements.

ERNST & YOUNG
Chartered Accountants
COLOMBO
27 February 2025
Colombo

STATEMENT CASH FLOWS

Year ended 31 December 2024

	Note	2024 Rs.	2023 Rs.
Cash Flows from Operating Activities			
Profit before taxation		3,442,579,232	8,119,781,070
Adjustment for:			
Non-cash items included in profits before tax	48	1,672,383,352	2,095,404,315
Change in operating assets	49	7,537,080,904	(10,220,377,098)
Change in operating liabilities	50	(9,521,876,226)	(7,544,046,994)
Dividend income		(4,835,650)	(3,235,950)
Net unrealised gain/(loss) from translation of Financial statements of Foreign Operation		(700,731,584)	(710,449,285)
Cash generated from operating activities		2,424,600,028	(8,262,923,942)
Contribution paid to defined benefit plans		(12,655,396)	(6,334,615)
Income tax paid		(1,877,855,327)	(2,729,453,094)
Net cash generated from operating activities		534,089,305	(10,998,711,651)
Cash Flows from Investing Activities			
Purchase of Property, Plant and Equipment		(2,500,883)	(70,256,657)
Proceeds from the sale of property, plant and equipment		-	-
Dividend received from investment		4,835,650	3,235,950
Net cash used in investing activities		2,334,767	(67,020,707)
Cash Flows from Financing Activities			
Profit transfer to head office		(899,075,407)	(1,844,000,000)
Net cash used in financing activities		(899,075,407)	(1,844,000,000)
Net decrease in Cash & Cash Equivalents		(362,651,335)	(12,909,732,358)
Cash and Cash Equivalents at the beginning of the year		542,720,883	13,452,453,241
Cash and Cash Equivalents at the end of the year	16	180,069,548	542,720,883

The accounting policies and notes to the financial statements appearing on page 15 to 95 form an integral part of these financial statements.

ERNST & YOUNG
Chartered Accountants
COLOMBO

Deutsche Bank AG - Colombo Branch

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Assigned Capital	Reserves							Total equity
		Statutory Reserve Fund	Fair Value Reserve	ECL Reserve	Retained Earnings	Exchange equalization of capital	Exchange equalization of reserve	Reserve through contributed assets	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as of 1 January 2023	4,410,461,270	963,822,846	(22,702,559)	265,328,143	6,419,206,283	1,861,560,316	1,632,736,544	8,709,569,439	24,239,982,282
Total comprehensive income for the year									
Profit for the year (net of tax)	-	-	-	-	5,130,333,961			-	5,130,333,961
Other Comprehensive Income(net of tax)					(4,983,287)	(316,230,431)	(394,218,854)		(715,432,572)
Total comprehensive income for the year	-	-	-	-	5,125,350,674	(316,230,431)	(394,218,854)	-	4,414,901,389
Transactions with equity holders, recognized directly in equity									
Transfers to reserves during the year	-	256,196,340	-	-	(256,196,340)	-	-	-	-
Transfers to ECL reserve during the year	-	-	-	(95,255,817)	47,261,365	-	47,994,452	-	-
Profit remittance to Head Office	-	-	-	-	(1,844,000,000)	-	-	-	(1,844,000,000)
Unremittable HO Expenses capitalization	-	-	-	-	-	-	-	504,643,195	504,643,195
Total transactions with equity holders	-	256,196,340	-	(95,255,817)	(2,052,934,976)	-	47,994,452	504,643,195	(1,339,356,805)
Balance as at 31 December 2023	4,410,461,270	1,220,019,186	(22,702,559)	170,072,326	9,491,621,981	1,545,329,885	1,286,512,142	9,214,212,634	27,315,526,865
Balance as of 1 January 2024	4,410,461,270	1,220,019,186	(22,702,559)	170,072,326	9,491,621,981	1,545,329,885	1,286,512,142	9,214,212,634	27,315,526,865
Total comprehensive income for the year									
Profit for the year (net of tax)	-	-	-	-	2,318,083,796	-	-	-	2,318,083,796
Other Comprehensive Income (net of tax)					(21,343,000)	(224,594,653)	(476,136,931)		(722,074,584)
Total comprehensive income for the year	-	-	-	-	2,296,740,796	(224,594,653)	(476,136,931)	-	1,596,009,212
Transactions with equity holders, recognized directly in equity									
Transfers to reserves during the year	-	115,904,190	-	-	(32,703,910)	-	(83,200,280)	-	-
Transfers to ECL reserve during the year	-	-	-	143,248,439	(143,248,439)	-	-	-	-
Profit remittance to Head Office	-	-	-	-	(899,075,407)	-	-	-	(899,075,407)
Unremittable HO Expenses capitalization	-	-	-	-	-	-	-	-	-
Total transactions with equity holders	-	115,904,190	-	143,248,439	(1,075,027,756)	-	(83,200,280)	-	(899,075,407)
Balance as at 31 December 2024	4,410,461,270	1,335,923,376	(22,702,559)	313,320,765	10,713,335,021	1,320,735,232	727,174,931	9,214,212,634	28,012,460,670

The accounting policies and notes to the financial statements appearing on page 15 to 95 form an integral part of these financial statements.

1. REPORTING ENTITY

1.1 Reporting entity

Deutsche Bank AG ("Group") is a public quoted company incorporated in Germany with limited liability, which carries out banking activities in Sri Lanka through Deutsche Bank AG, Colombo Branch ("Branch"). The registered office of Deutsche Bank AG, Colombo Branch and the principal place of business are both located at Level 21, One Galle Face Tower, 1A Centre Road, Colombo 02.

1.2 Principal activities

The principal activities of the Branch continue to be banking and related activities such as accepting deposits, corporate banking, offshore banking, foreign currency operations, trade services, Trust & Domestic Custody services, Investment Banking etc.

1.3 Number of employees

The permanent staff strength of the Branch as at 31 December 2024 is 49 (2023 – 56 permanent staff).

1.4 Management Responsibility on Financial Statements

The Management of the Branch is responsible for preparing and presenting these financial statements in accordance with Sri Lanka Accounting Standards and with the requirements of the Banking Act No. 30 of 1988 and amendments thereto.

1.5 Approval of Financial Statements by the Management

These Financial Statements were authorized for issue by the Management on 27 February 2025.

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2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Branch have been prepared in accordance with Sri Lanka Accounting Standards (LKAS) prefixed both SLFRS and LKAS, promulgated by the Institute of Chartered Accountants of Sri Lanka (ICASL) and in compliance with the requirements of the Companies Act No. 07 of 2007. The presentation of the Financial Statements is also in compliance with the requirements of the Banking Act No.30 of 1988 and amendments thereto.

These Financial Statements include the following components:

- an Income Statement and Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Branch for the year;
- a Statement of Financial Position providing the information on the financial position of the Branch as at the year-end ;
- a Statement of Changes in Equity depicting all changes in shareholders' funds during the year;
- a Statement of Cash Flows providing the information to the users, on the ability of the Branch to generate cash and cash equivalents and the needs of entities to utilize those cash flows;
- Notes to the Financial Statements comprising material accounting policy information.

The formats used for preparation and presentation of Financial Statements and the disclosures made therein also comply with the format specified by the Central Bank of Sri Lanka in Circular No. 05 of 2024 on "Publication of Annual and Quarterly Financial Statements and Other Disclosures by Licensed Banks". The Branch also publishes annual and quarterly financial information and other disclosures in the Press and on the Website in compliance with the aforementioned Circular.

Going concern assessment of the Branch

The management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. In this assessment the management has considered the potential impact that market and country precent economic condition could bring to business operations of the Branch.

Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Branch's ability to continue as a going concern. Therefore, the financial statements of the Branch continue to be prepared on a going concern.

2.2 Functional and presentation currency

These financial statements are presented in Sri Lankan Rupees (LKR), which is the Branch's functional currency.

There was no change in the Branch's presentation and functional currency during the year under review.

2.3 Basis of measurement

The Financial Statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

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Item	Basis of Measurement	Note	Page
Financial assets measured at fair value through profit or loss	Fair Value	3.3.1.5	22
Derivative assets and derivative liabilities held for risk management	Fair Value	3.3.1.12 & 3.3.3.2.2	22 & 29
Financial Assets measured at fair value through other comprehensive income	Fair Value	3.3.1.4	22
Non-financial assets/liabilities			
Employee benefits	Present value of the defined benefit pension obligation less the net total of the pension assets	3.7.3	36

The Branch maintains separate books for Domestic Banking Unit (DBU) and Foreign Currency Banking Unit (FCBU). Accompanying financial statements have been prepared by amalgamating the financial statements of the Domestic Banking Unit and Foreign Currency Banking Unit.

2.4 Basis of amalgamation

The Branch's Financial Statements comprise the amalgamation of the Financial Statements of the Domestic Banking Unit (DBU) and the Off-Shore Banking Unit (FCBU). Both units have a common financial year which ends on December 31.

2.5 Presentation of Financial Statements

The assets and liabilities of the Branch presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

No adjustments have been made for inflationary factors affecting the Financial Statements.

Financial assets and financial liabilities are offset, and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Statement of Profit or Loss and Other Comprehensive Income unless required or permitted by an Accounting Standard or interpretation, and as specifically disclosed in the Accounting Policies of the Branch.

2.6 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by Sri Lanka Accounting Standard – LKAS 1 on 'Presentation of Financial Statements'.

2.7 Comparative Information

The comparative information is reclassified wherever necessary to confirm with the current year's presentation in order to provide better presentation.

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2.8 Use of estimates and judgments

The preparation of financial statements in conformity with LKAS/SLFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities at the balance sheet date. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

2.8.1 Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements, is included in the following notes.

- Note 3.3.1.2 classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are Solely Payment of Principal and Interest (SPPI) on the principal amount outstanding

- Note 3.3.2.1 establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of Expected Credit Loss (ECL) and selection and approval models used to measure ECL

- Going Concern: the Management has made an assessment of the Branch's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future

2.8.2 Assumptions and estimation uncertainties

Information about assumptions and estimation certainties that have a significant risk of resulting in a material adjustment included in the following notes:

Note 3.3.2 : impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward looking information.

Note 3.3.4 : determination of the fair value of financial instruments with significant unobservable inputs.

Note 3.7.3 : measurement of defined benefit obligations: key actuarial assumptions.

Note 3.2.1.b : recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be utilized.

Note 3.8 : recognition and measurement of contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

2.9 Off-setting

Income and expenses are presented on a net basis only when permitted under Sri Lanka Accounting Standards (SLFRSs/LKASs), or for gains and losses arising from a FCBU of similar transactions such as in the FCBU's trading activity.

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2.10 Changes in Accounting Policies

The Branch has consistently applied the accounting policies as set out in Notes 3 on pages 15 to 41 to all periods presented in these financial statements.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The Branch has consistently applied the accounting policies set out below to all period presented in these Financial Statements.

3.1 Foreign currency transactions

3.1.1 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Branch at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss, non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3.1.2 Translation of Measurement Currency

The Branch uses Sri Lankan Rupees as their measurement currency for Domestic Banking Unit and United State Dollars as their measurement currency for Foreign Currency Banking Unit books.

For amalgamation purposes accompanying Financial Statements have been prepared in Sri Lankan Rupees after converting the Foreign Currency Banking Unit financial statements into Sri Lankan Rupees.

The translation is performed based on the guidelines in LKAS 21 "The Effects of Changes in Foreign Exchange Rates" stated below:

- All assets and liabilities (i.e. including comparatives) are translated at the closing rate of each reporting date
- Income and expense items for all periods (i.e. including comparatives) are translated at average exchange rates pertaining to each period
- Equity items other than the net profit or loss for the period are translated at the historical rate existing at the date of each transaction

All exchange differences resulting from translation in accordance with the above are recognized in Other Comprehensive Income.

3.2 Taxation

3.2.1 Income Tax Expenses

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Penalties related to income taxes, including uncertain tax treatments, are accounted for under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

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a) Current Taxation

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable with respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

According to Inland Revenue Act, provision for taxation is made on the basis on the accounting profit for the year as adjusted for taxation purpose in accordance with the provision of the applicable Inland Revenue Act. According to Inland Revenue (Amendment) Act No. 45 of 2022, income tax rate of 30% is applicable with effect from 01 July 2022.

Current tax assets and liabilities are offset only if certain criteria are met.

b) Deferred Taxation

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the future asset can be utilized. Deferred tax assets are reduced to an extent that is no longer probable, that the related tax benefit will be realized.

3.2.2 Other taxes

a) Crop Insurance Levy (CIL)

As per the provision of section 14 of the finance Act No.12 of 2013, the CIL was introduced with effect from April 01, 2013 and is payable to the Nation Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

b) Value Added Tax on Financial Services (VAT)

VAT on financial services is calculated in accordance with Value Added Tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto. The value base for the computation of value added tax on financial services is calculated by adjusting the economic depreciation computed on rates prescribed by Department of Inland Revenue, emoluments payable and adjustments for VAT on supply of financial services payable and Social Security Contribution Levy (SSCL) on supply of financial services payable as per relevant regulatory guidelines, to the accounting profit before Income tax. Emoluments payable include benefits in money, and not in money including contribution or provision relating to terminal benefits.

c) Social Security Contribution Levy on Financial Services (SSCL)

With effect from 1 October 2022, SSCL of 2.5% was introduced on the value addition attributable to the supply of financial services through the Social Security Contribution Levy Act, No. 25 of 2022. SSCL is payable on 100% of the value addition attributable to financial services. The value addition attributable to financial services shall be computed for the payment of SSCL on the business of supplying financial services by applying the attributable method referred to in Chapter IIIA of the Value Added Tax Act No. 14 of 2002.

ASSETS AND BASES OF THEIR VALUATION

3.3 Financial Instruments - Classification, Initial Recognition and Subsequent Measurement Financial Assets and Liabilities

3.3.1 Financial assets

3.3.1.1 Recognition and measurement

The financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction cost that are directly attributable to its acquisition. Loans and advances are initially recognized on the date at which they are originated at fair value which is usually the loan amount granted, and subsequent measurement is at amortized cost.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

All other financial assets are initially recognized on the trade date at which the Branch becomes a party to the contractual provisions of the instrument.

3.3.1.2 Classification

Branch classifies financial assets in line with the classification and measurement requirements of SLFRS 9, where financial assets are classified based on both the business model used for managing the financial assets and the contractual cash flow characteristics of the financial asset (known as Solely Payments of Principal and Interest or "SPPI"). There are three business models available:

- Hold to Collect - Financial assets held with the objective to collect contractual cash flows. They are subsequently measured at amortized cost and are recorded in multiple lines on the Branch's balance sheet.
- Hold to Collect and Sell - Financial assets held with the objective of both collecting contractual cash flows and selling financial assets. They are recorded as Financial assets at Fair Value through Other Comprehensive Income on the Branch's balance sheet.
- Other - Financial assets that do not meet the criteria of either "Hold to Collect" or "Hold to Collect and Sell". They are recorded as Financial Assets at Fair Value through Profit or Loss on the Branch's balance sheet

The assessment of business model requires judgment based on facts and circumstances upon initial recognition. As part of this assessment, the Branch considers quantitative factors (e.g., the expected frequency and volume of sales) and qualitative factors such as how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Branch's key management personnel.

In addition to taking into consideration the risks that affect the performance of the business model and the financial assets held within that business model, in particular, the way in which those market and credit risks are managed; and how managers of the business are compensated (e.g., whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected). This assessment results in an asset being classified in either a Hold to Collect, Hold to Collect and Sell or Other business model.

If the Branch holds a financial asset either in a Hold to Collect or a Hold to Collect and Sell business model, then an assessment at initial recognition to determine whether the contractual cash flows of the financial asset are Solely Payments of Principal and Interest on the principal amount outstanding at initial recognition is required to determine the business model classification.

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Contractual cash flows, that are SPPI on the principal amount outstanding, are consistent with a basic lending arrangement. Interest in a basic lending arrangement is consideration for the time value of money and the credit risk associated with the principal amount outstanding during a particular period of time. It can also include consideration for other basic lending risks (e.g., liquidity risk) and costs (e.g., administrative costs) associated with holding the financial asset for a particular period of time, and a profit margin that is consistent with a basic lending arrangement.

3.3.1.3 Financial assets measured at amortized costs

A financial asset is classified and subsequently measured at amortized cost if the financial asset is held in a Hold to Collect business model and the contractual cash flows are SPPI. Under this measurement category, the financial asset is measured at fair value at initial recognition. Subsequently the carrying amount is reduced for principal payments, plus or minus the cumulative amortization using the effective interest method. The financial asset is assessed for impairment under the SLFRS 9 expected credit loss model, where provisions are recognized based on expectations of potential credit losses. Financial assets measured at amortized cost are recognized on a settlement date basis.

Financial Assets at Amortized Cost include predominately Loans at amortized cost, Central bank funds, Debt securities and certain receivables presented in Other Assets.

3.3.1.4 Financial assets at fair value through other comprehensive income

A financial asset shall be classified and measured at Fair Value through Other Comprehensive Income ("FVOCI"), if the financial asset is held in a Hold to Collect and Sell business model and the contractual cash flows are SPPI, unless designated under the fair value option.

Under FVOCI, a financial asset is measured at its fair value with any changes being recognized in Other Comprehensive Income ("OCI"), and is assessed for impairment under the SLFRS 9 expected credit loss model where provisions recorded through profit or loss are recognized based on expectations of potential credit losses.. The amortization of premiums and accretion of discounts are recorded in net interest income. Realized gains and losses are reported in net gains (losses) on financial assets at FVOCI. Generally, the weighted-average cost method is used to determine the cost of FVOCI financial assets.

Financial assets classified as FVOCI are recognized or derecognized on trade date. Trade date is the date on which the Branch commits to purchase or sell the asset.

3.3.1.5 Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss if they are held in the other business model because they are either held for trading or because they do not meet the criteria for Hold to Collect or Hold to Collect and Sell. In addition, it includes financial assets that meet the criteria for Hold to Collect or Hold to Collect and Sell business model, but the financial asset fails SPPI, or where the Branch designated the financial assets under the fair value option.

Financial assets classified as Financial Assets at fair value through profit or loss are measured at fair value, with realized and unrealized gains and losses included in Net gains (losses) on financial assets/liabilities at fair value through profit or loss. Interest on interest earning assets such as trading loans and debt securities and dividends on equity instruments, are presented in Interest and Similar Income.

Financial assets classified at fair value through profit or loss are recognized or derecognized on trade date. Trade date is the date on which the Branch commits to purchase or sell the asset.

Trading assets – Financial assets are classified as held for trading if they have been originated, acquired or incurred principally for the purpose of selling or repurchasing them in the near term, or they form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Trading assets include debt securities and derivatives held for trading purposes.

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3.3.1.6 Business model assessment

The Branch makes an assessment of the objective of a business model in which an asset is held at a portfolio level, because this best reflects the way the business is managed and information is provided to the Management. The information considered includes:

- how the performance of the portfolio is evaluated and reported to the Branch's Management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Branch's stated objective for managing the financial assets is achieved, and how cash flows are realized.

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Branch considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows, such that it would not meet this condition.

In making the assessment, the Branch considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Branch's claim to cash flows from
- specified assets; and
- Features that modify consideration of the time value of money.

3.3.1.7 Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in those rare circumstances when the Branch changes its objective of the business model for managing such financial assets. Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

3.3.1.8 De-recognition of financial assets

Financial assets are derecognized when the contractual right to receive cash flows from the asset has expired, or when Branch has transferred its contractual right to receive the cash flows of the financial assets, and either;

- Substantially all the risks and rewards of ownership have been transferred; or
- Branch has neither retained nor transferred substantially all the risks and rewards, but has not retained control of the financial asset.

3.3.1.9 Modifications of financial assets

When the terms of a financial asset are renegotiated or modified and the modification does not result in de-recognition, a gain or loss is recognized in the income statement as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. The modified financial asset will continue to accrue interest at its original EIR. When a modification results in derecognition the original instrument is derecognized and the new instrument recognized at fair value.

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Non credit related or commercial renegotiations where an obligor has not experienced a significant increase in credit risk since origination, and has a readily exercisable right to early terminate the financial asset results in derecognition of the original agreement and recognition of a new financial asset based on the newly negotiated commercial terms.

For credit related modifications (i.e., modifications due to significant increase in credit risk since inception) or those where the obligor does not have the readily exercisable right to early terminate, the Branch assesses whether the modified terms result in the financial asset being significantly modified and therefore derecognized. This assessment includes a quantitative assessment of the impact of the change in cash flows from the modification of contractual terms, and additionally where necessary, a qualitative assessment of the impact of the change in the contractual terms. Where these modifications are not concluded to be significant, the financial asset is not derecognized and is accounted for as a modification as described above.

If the changes are concluded to be significant, the old instrument is derecognized and a new instrument recognized. Where a modification results in a new financial asset being recognized, the date of the modification is the date of initial recognition of the new financial asset. The Branch then recognizes a credit loss allowance based on 12-month expected credit losses at each reporting date.

3.3.1.10 Cash and cash equivalents

Cash and cash equivalents include notes and coins in hand, unrestricted balances held with the Central Banks of Sri Lanka and highly liquid financial assets with maturities of three months or less from the acquisition date, that are subject to an insignificant risk of changes in their fair value, and are used by the Branch in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

3.3.1.11 Statutory deposits with Central Bank

The Monetary Law Act requires all commercial banks operating in Sri Lanka to maintain reserves against all deposit liabilities denominated in Sri Lankan Rupees. The details of reserve requirements are given in Note 39 to the Financial Statements.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

3.3.1.12 Derivatives

Derivatives are used to manage exposures to interest rate, foreign currency, credit and other market price risks, including exposures arising from forecast transactions. All freestanding contracts that are considered derivatives for accounting purposes, are carried at fair value on the statement of financial position regardless of whether they are held for trading or non-trading purposes.

Changes in fair value on derivatives held for trading are included in net gains/ (losses) from financial instruments at fair value through profit or loss on financial assets/liabilities at fair value through profit or loss.

3.3.2 Identification and measurement of impairment

3.3.2.1 Recognition of impairment of financial assets

The determination of impairment losses an expected credit loss ("ECL") model under SLFRS 9, where allowances are taken upon initial recognition of the Financial Asset, based on expectations of potential credit losses at the time of initial recognition.

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Staged approach to the determination of expected credit losses

SLFRS 9 introduces a three-stage approach to impairment for Financial Assets that are not credit impaired at the date of origination or purchase. This approach is summarized as follows:

– **Stage 1:** The Branch recognizes a credit loss allowance at an amount equal to 12-month expected credit losses. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after initial recognition.

– **Stage 2:** The Branch recognizes a credit loss allowance at an amount equal to lifetime expected credit losses for those Financial Assets which are considered to have experienced a significant increase in credit risk since initial recognition. This requires the computation of ECL based on lifetime probability of default, lifetime loss given default and lifetime exposure at default that represents the probability of default occurring over the remaining lifetime of the Financial Asset. Allowance for credit losses are higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

– **Stage 3:** The Branch recognizes a loss allowance at an amount equal to lifetime expected credit losses, reflecting a Probability of Default of 100 %, via the expected recoverable cash flows for the asset, for those Financial Assets that are credit-impaired. The Branch's definition of default is aligned with the regulatory definition. Financial Assets that are credit impaired upon initial recognition are categorized within Stage 3 with a carrying value already reflecting the lifetime expected credit losses. The accounting treatment for these purchased or originated credit-impaired ("POCI") assets is discussed further below.

Forward Looking Information

Forward Looking Information is incorporated into the measurement of the Branch Allowance for Credit Losses in terms of adjustments to multi-year PD curves based on macro-economic forecasts. The identification of key macro-economic variables (MEVs) reflects a balance of quantitative and qualitative judgements. Statistical analysis, including e.g. back-testing and model sensitivities, are performed to assess the explanatory power of MEVs, while expert input from credit officers ensures business intuition for the overall model behaviour. The final model parameterization is based on a review & challenge of impacts in internal governance forums and an independent validation performed by the Model Risk Management function. Furthermore, conceptual soundness of the estimation approach is ensured by model testing analysis prepared as part of model changes and an ongoing monitoring framework in order for the ECL provision to reflect management's best estimate in the calculation of expected credit losses.

Significant increase in credit risk

Under SLFRS 9, when determining whether the credit risk (i.e., risk of default) of a Financial Asset has increased significantly since initial recognition, the Branch considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information based on the Branch's historical experience, credit risk assessment and forward-looking information (including macro-economic factors). The assessment of significant credit deterioration is key in determining when to move from measuring an allowance based on 12-month ECLs to one that is based on lifetime ECLs (i.e., transfer from Stage 1 to Stage 2).

The Branch's framework for determining if there has been a significant increase in credit risk, aligns with the internal Credit Risk Management ("CRM") process and covers rating related and process related indicators.

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Credit impaired financial assets in Stage 3

The Branch has aligned its definition of credit impaired under SLFRS 9 to when a Financial Asset has defaulted for regulatory purposes. However, the Branch does not have any Assets coming under Stage 3 category.

The determination of whether a Financial Asset is credit impaired and therefore in Stage 3 focuses exclusively on default risk, without taking into consideration the effects of credit risk mitigate such as collateral or guarantees. Specifically, a Financial Asset is credit impaired and in Stage 3 when:

- The Branch considers the obligor is unlikely to pay its credit obligations to the Branch. Determination may include forbearance actions, where a concession has been granted to the borrower or economic or legal reasons that are qualitative indicators of credit impairment; or

- Contractual payments of either principal or interest by the obligor are past due by more than 90 days.

For Financial Assets considered to be credit impaired, the ECL allowance covers the amount of loss the Branch is expected to suffer. The estimation of ECLs is done on a case-by-case basis for non-homogeneous portfolios, or by applying portfolio based parameters to individual Financial Assets in these portfolios via the Branch's ECL model for homogeneous portfolios. This estimate includes the use of discounted cash flows that are adjusted for scenarios.

Forecasts of future economic conditions when calculating ECLs are considered. The lifetime expected losses are estimated based on the probability-weighted present value of the difference between the contractual cash flows that are due to the Branch under the contract; and the cash flows that the Branch expects to receive. A Financial Asset can be classified as credit impaired in Stage 3 but without an allowance for credit losses (i.e., no impairment loss is expected). This may be due to the value of collateral. The Branch's engine based ECL calculation is conducted on a monthly basis, whereas the case-by-case assessment of ECL in Stage 3 for non-homogeneous portfolio has to be performed at least on a quarterly basis.

Purchased or originated credit impaired financial assets in Stage 3

A Financial Asset is considered purchased or originated credit-impaired if there is objective evidence of impairment at the time of initial recognition. Such credit impaired Financial Assets are termed POCI Financial Assets. POCI Financial Assets are measured to reflect lifetime expected credit losses, and all subsequent changes in lifetime expected credit losses, whether positive or negative, are recognized in the income statement as a component of the provision for credit losses. POCI Financial Assets can only be classified in Stage 3 over the life of the Financial Asset.

Collateral for financial assets considered in the impairment analysis

SLFRS 9 requires cash flows expected from collateral and other credit enhancement to be reflected in the ECL calculation. The following are key aspects with respect to collateral and guarantees:

– Eligibility of collateral, i.e. which collateral should be considered in the ECL calculation;
– Collateral evaluation, i.e. what collateral (liquidation) value should be used; and
– Projection of the available collateral amount over the life of a transaction.

The Branch recognizes loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTPL:

– Financial assets that are debt instruments;
– Financial guarantee contracts issued; and
– Loan commitments issued

No impairment loss is recognized on equity investments.

12-month ECL & Life time ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

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The Branch recognizes loss allowance using Expected Credit Losses (ECL) on loans and receivables to customers and other financial assets measured at amortized cost model using dual measurement approach in which the loss allowance is measured as either 12-month expected credit losses or lifetime expected credit losses. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as "stage 1 Financial Instruments".

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a life-time ECL is recognized but which are not credit-impaired are referred to as "stage 2 Financial Instruments", and credit impaired are referred to as "stage 3 Financial Instruments.

Measurement of impairment of financial assets

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Branch expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Branch if the commitment is drawn down and the cash flows that the Branch expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Branch expects to recover.

Collective assessment:

This includes all loans and advances of smaller value where there is no evidence of impairment and those individually assessed for which no evidence of impairment has been specifically identified on an individual basis.

These loans and advances are grouped together as per Basel Guidelines and product level according to their credit risk characteristics for the purpose of calculating an estimated collective impairment.

- In making an assessment of whether an investment in debt instrument is credit-impaired, the Branch considers the following factors:
- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as "lender of last resort" to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made on whether the financial asset should be derecognized. ECL is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

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- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset, at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition, to the reporting date using the original effective interest rate of the existing financial asset.

3.3.2.2 Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Branch cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Branch presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- Debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

3.3.2.3 Write-off of financial assets

The Branch reduces the gross carrying amount of a Financial Asset when there is no reasonable expectation of recovery.

Write-offs can relate to a Financial Asset in its entirety, or to a portion of it, and constitute a derecognition event. The Branch considers all relevant information in making this determination, including but not limited to:

- Foreclosure actions taken by the Branch which have not been successful or have a high probability of not being successful
- Collateral liquidation which has not, or will not lead to further considerable recoveries
- Situations where no further recoveries are reasonably expected

Write-offs can take place before legal actions against the borrower to recover the debt have been concluded, and a write-off does not involve the Branch forfeiting its legal right to recover the debt.

The Branch makes use of the ECL methodology and related risk models computation algorithms developed by DB Group to account for the ECL provision in the Branch's financials.

3.3.3 Financial liabilities

3.3.3.1 Recognition and measurement of financial liabilities

On initial recognition, the Branch classifies financial liabilities, other than financial guarantees and loan commitments, into one of the following categories:

- Financial liabilities at amortized cost; and
- Financial liabilities at fair value through profit or loss,

3.3.3.2 Classification and subsequent measurement of financial liabilities

The subsequent measurement of financial liabilities depends on their classification.

3.3.3.2.1 Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include long-term and short-term debt issued, which are initially measured at fair value, which is the consideration received, net of transaction costs incurred. Repurchases of issued debt in the market are treated as extinguishments and any related gain or loss is recorded in the Income Statement. A subsequent sale of own bonds in the market is treated as a reissuance of debt. Financial liabilities measured at amortized cost are recognized on a settlement date basis.

3.3.3.2.2 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include Trading Liabilities, Financial Liabilities Designated at Fair Value through Profit or Loss and Non-Participating Investment Contracts ("Investment Contracts"). They are carried at fair value with realized and unrealized gains and losses included in net gains (losses) on financial assets and liabilities at fair value through profit or loss. However under SLFRS 9, for financial liabilities designated at fair value through profit and loss, the fair value movements attributable to the Branch's own credit component for fair value movements is recognized in Other Comprehensive Income rather than in the Statement of Income.

Financial liabilities classified at fair value through profit or loss are recognized or derecognized on trade date. Trade date is the date on which the Branch commits to issue or repurchase the financial liability.

Interest on interest paying liabilities are presented in interest expense for financial instruments at fair value through profit or loss.

Trading Liabilities - Financial liabilities are classified as held for trading if they have been originated or incurred principally for the purpose of repurchasing them in the near term. Trading liabilities consist primarily of derivative liabilities (including certain loan commitments) and short positions. This also includes loan commitments that are allocated to the other business model and that are classified as derivatives held for trading.

Financial Liabilities Designated at Fair Value through Profit or Loss - Certain financial liabilities that do not meet the definition of trading liabilities are designated at fair value through profit or loss using the fair value option. To be designated at fair value through profit or loss, financial liabilities must meet one of the following criteria: (1) the designation eliminates or significantly reduces a measurement or recognition inconsistency; (2) a group of financial liabilities is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy; or (3) the instrument contains one or more embedded derivatives unless: (a) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract; or (b) it is clear with little or no analysis that separation is prohibited.

3.3.3.3 Deposits

Deposits are the Branch's sources of debt funding.
Deposits include non-interest-bearing deposits, savings deposits, term deposits and deposits redeemable at call. Borrowings include repurchase borrowings, call and time deposits, Vostro balances and borrowings from financial institutions.

Subsequent to initial recognition deposits are measured at their amortized cost using the effective interest method, except where the Branch designates liabilities at fair value through profit or loss.

3.3.3.4 De-recognition of Financial Liabilities

Branch derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

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3.3.4 Determination of Fair Value

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability in an arm's length transaction (orderly transaction) between market participants at the measurement date. The fair value of instruments that are quoted in active markets is determined using the quoted prices where they represent those at which regularly and recently occurring transactions take place. The Branch measures certain portfolios of financial assets and financial liabilities on the basis of their net risk exposures, when the following criteria are met:

- the group of financial assets and liabilities is managed on the basis of its net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty, in accordance with a documented risk management strategy,
- the fair values are provided to key management personnel, and
- the financial assets and liabilities are measured at fair value through profit or loss.

This portfolio valuation approach is consistent with how the Branch manages its net exposures to market and counterparty credit risks.

Critical Accounting Estimates – The Branch uses valuation techniques to establish the fair value of instruments where prices quoted in active markets are not available. Therefore, where possible, parameter inputs to the valuation techniques are based on observable data derived from prices of relevant instruments traded in an active market. These valuation techniques involve some level of management estimation and judgment, the degree of which will depend on the price transparency for the instrument or market and the instrument's complexity.

In reaching estimates of fair value, management judgment needs to be exercised. The areas requiring significant management judgment are identified, documented and reported to senior management. The specialist model validation and valuation control groups focus attention on the areas of subjectivity and judgment.

The level of management judgment required in establishing fair value of financial instruments for which there is a quoted price in an active market, is usually minimal. Similarly there is little subjectivity or judgment required for instruments valued using valuation models which are standard across the industry and where all parameter inputs are quoted in active markets.

The level of subjectivity and degree of management judgment required is more significant for those instruments valued using specialized and sophisticated models, and where some or all of the parameter inputs are less liquid or less observable. Management judgment is required in the selection and application of appropriate parameters, assumptions and modelling techniques. In particular, where data are obtained from infrequent market transactions, extrapolation and interpolation techniques must be applied. Where no market data are available for a particular instrument, pricing inputs are determined by assessing other relevant sources of information such as historical data, fundamental analysis of the economics of the transaction and proxy information from similar transactions, and making appropriate adjustment to reflect the actual instrument being valued and current market conditions. Where different valuation techniques indicate a range of possible fair values for an instrument, management has to decide what point within the range of estimates appropriately represents the fair value. Further, some valuation adjustments may require the exercise of management judgment to achieve fair value.

Under SLFRS, the financial assets and liabilities carried at fair value are required to be disclosed according to the inputs to the valuation method that are used to determine their fair value. Specifically, segmentation is required between those valued using quoted market prices in an active market (level 1), valuation techniques based on observable parameters (level 2) and valuation techniques using significant unobservable parameters (level 3). Management judgment is required in determining the category to which certain instruments should be allocated. This specifically arises when the valuation is determined by a number of parameters, some of which are observable and others are not. Further, the classification of an instrument can change over time to reflect changes in market liquidity and therefore price transparency.

3.3.4.1 Fair Value Hierarchy

The financial instruments carried at fair value have been categorized under the three levels of the SLFRS fair value hierarchy as follows:

Level 1 – Instruments valued using quoted prices in active markets are instruments where the fair value can be determined directly from prices which are quoted in active, liquid markets and where the instrument observed in the market is representative of that being priced in the Branch's inventory.

Level 2 – Instruments valued with valuation techniques using observable market data are instruments where the fair value can be determined by reference to similar instruments trading in active markets, or where a technique is used to derive the valuation but where all inputs to that technique are observable.

Level 3 – Instruments valued using valuation techniques using market data which is not directly observable, are instruments where the fair value cannot be determined directly by reference to market-observable information, and some other pricing technique must be employed. Instruments classified in this category have an element which is unobservable and which has a significant impact on the fair value.

3.3.5 Recognition of Trade Date Profit

Trade date profit is recognised if the fair value of the financial instrument measured at fair value through profit or loss is obtained from a quoted market price in an active market, or otherwise evidenced by comparison to other observable current market transactions, or based on a valuation technique incorporating observable market data. If there are significant unobservable inputs used in the valuation technique, the financial instrument is recognized at the transaction price, and any profit implied from the valuation technique at trade date is deferred.

Using systematic methods, the deferred amount is recognized over the period between trade date and the date when the market is expected to become observable, or over the life of the trade (whichever is shorter). Such methodology is used because it reflects the changing economic and risk profile of the instrument as the market develops or as the instrument itself progresses to maturity. Any remaining trade date deferred profit is recognized in the profit or loss when the transaction becomes observable or the Branch enters into off-setting transactions that substantially eliminate the instrument's risk. In the rare circumstances that a trade date loss arises, it would be recognized at inception of the transaction to the extent that it is probable that a loss has been incurred, and a reliable estimate of the loss amount can be made.

Critical Accounting Estimates – Management judgment is required in determining whether there exist significant unobservable inputs in the valuation technique. Once deferred, the decision to subsequently recognize the trade date profit requires a careful assessment of the then current facts and circumstances supporting observability of parameters and/or risk mitigation.

3.3.6 Impairment of non-financial assets

The carrying amounts of the Branch's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use, that are largely independent of the cash inflows of other assets.

Impairment losses are recognized in profit or loss.

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3.4 Property, plant and equipment

3.4.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property, plant and equipment, and is recognised in other operating income/other overhead expenses in the profit or loss.

3.4.2 Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Branch and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

3.4.3 Depreciation

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative years are as follows:

Item	Useful life (years)
Computer equipment	3 - 5
Office equipment, furniture & fittings, fixtures	5
Safes	5 - 20
Telephone/Tele printer, Air-conditioners	8 - 8
Others	3 - 10

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is derecognized.

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

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3.4.4 Valuation of Immovable Property kept as collateral on staff loans

The Branch will request the borrower to obtain a valuation report from a certified valuer acceptable to the Branch for immovable properties held by the Branch as collateral in support of staff loans to its employees. Credit decisions of the Branch shall be based upon suitable documents, obtained through valid sources as below;

Every valuation must be performed by a professional holding minimum requirement stipulated below;

a) A member of the Institute of Valuers of Sri Lanka (IVSL) who shall be:
   i) A fellow member; or
   ii) A Professional Associate member with 5 years experience in such grade of membership

For the purpose of determining number of years of experience in the grade of professional Associate Membership, the transitional provisions stated in the Section 24 of the IVSL (Amendment) Act, No. 9 of 2019, shall be applicable.

b) A chartered valuation surveyor of the Royal Institution of chartered surveyors (RICS) of the United Kingdom who shall be:
   i) A Fellow member; or
   ii) other members with at least 5 years of experience in such grade of membership.

The selected valuer as per the qualifications set out above shall acquire continuous professional development as approved/recommended by the respective professional body.

The Branch has prescribed the necessity of revaluations as below;
In respect of non-performing loans, to adhere with the conditions stipulated in the Banking Act Directions No. 13 of 2020 on Amendments To Regulatory Framework on Valuation of Immovable Properties of Licensed Commercial Banks and Licensed Specialized Banks , i.e. facility/ies where the Branch shall obtain an external valuation if capital outstanding amount is equal or more than Rs. 5,000,000 or 0.1% of the Branch's capital base, whichever is less. With respect to credit facilities granted against residential property which is occupied by the borrower for residential purposes, the Branch shall accept valuation reports not older than 5 years and all other credit facilities, , the Branch shall accept valuation reports not older than 4 years; provided the report is originating from a certified valuer acceptable to the Branch.

3.5 Leases

At inception of a contract, the Branch assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Branch uses the definition of a lease in SLFRS 16.

3.5.1 As a lessee

At commencement or on modification of a contract that contains a lease component, the Branch allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of property the Branch has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Branch recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Branch by the end of the lease term or the cost of the right-of-use asset reflects that the Branch will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Branch's incremental borrowing rate. Generally, the Branch uses its incremental borrowing rate as the discount rate.

The Branch determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Branch is reasonably certain to exercise, lease payments in an optional renewal period if the Branch is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Branch is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Branch's estimate of the amount expected to be payable under a residual value guarantee, if the Branch changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Branch presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

3.5.2 As a lessor

At inception or on modification of a contract that contains a lease component, the Branch allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Branch acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Branch makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Branch considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Branch is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Branch applies the exemption described above, then it classifies the sub-lease as an operating lease.

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If an arrangement contains lease and non-lease components, then the Branch applies SLFRS 15 to allocate the consideration in the contract. The Branch applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease. The Branch further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Branch recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other revenue".

Generally, the accounting policies applicable to the Branch as a lessor in the comparative period were not different from SLFRS 16.

3.6 Provisions

A provision is recognized in the Financial Position when the Branch has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the net estimate of the consideration required to settle the present obligation as of the reporting date, taking into account the risks and uncertainties surrounding the obligation.

If the effect of the time value of money is material, provisions are discounted and measured at the present value of the expenditure expected to be required to settle the obligation, using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party (for example, because the obligation is covered by an insurance policy), an asset is recognized if it is virtually certain that reimbursement will be received.

Critical Accounting Estimates – The use of estimates is important in determining provisions for potential losses that may arise from litigation, regulatory proceedings and uncertain income tax positions. The Branch estimates and provides for potential losses that may arise out of litigation, regulatory proceedings and uncertain income tax positions to the extent that such losses are probable and can be estimated.

3.6.1 Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

The Branch has chosen to apply the fair value option to certain written financial guarantees that are managed on a fair value basis. Financial guarantees that the Branch has not designated at fair value are recognized initially in the financial statements at fair value on the date the guarantee is given. Subsequent to initial recognition, the Branch's liabilities under such guarantees are measured at the higher of the amount initially recognized, less cumulative amortization, and the best estimate of the expenditure required to settle any financial obligation as of the reporting date. These estimates are determined based on experience with similar transactions and history of past losses, and management's determination of the best estimate.

Any increase in the liability relating to guarantees would be recorded in the profit or loss in provision for credit losses.

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3.7 Employee benefits

3.7.1 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans, if the Branch has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.7.2 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for such contributions covering all employees are recognised as an expense in profit and loss when incurred.

3.7.3 Defined benefit plan

a) Retiring Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Gratuity is a defined benefit plan. The Branch accounts for the provision for Defined Benefit Plan – Gratuity in conformity with LKAS 19 – Employee Benefits. However, under the payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

The Branch measures the present value of promised retirement benefits of gratuity using the actuarial valuation method as recommended by LKAS 19 - Employee Benefits, with the advice of a Consultant Actuary.

The Gratuity liability is not externally funded.

Recognition of actuarial gain/ (losses)

The Branch recognizes all actuarial gains and losses arising from defined benefit plans in other comprehensive income, in the period in which they arise.

b) Share based payment transactions

Restricted Equity Award (REA)

Branch's compensation structures are designed to provide mechanisms that promote and support long-term performance of its employees and the bank. Whilst a portion of Variable Compensation (VC) is paid upfront, these structures require that an appropriate portion is deferred to ensure alignment to the sustainable performance of the Group.

At the same time, the Branch believes that the use of shares or share-based instruments for deferred VC is an effective way to align compensation with Deutsche Bank's sustainable performance and the interests of shareholders. By using Deutsche Bank shares, the value of the individual's VC is linked to Deutsche Bank's share price over the deferral and retention period.

Whilst ensuring lower compensated employees are not subject to deferrals, the bank's compensation structure ensures an appropriate amount of deferred VC for higher earners, exceeding specified thresholds determined globally. The portion of VC, awarded in Deutsche Bank Group shares, is deferred over a defined period of time and subject to performance conditions and forfeiture provisions. Employees receiving share based deferred compensation awards i.e. Restricted Equity Award (REA) are communicated at the end of the bank's annual compensation review process in March. The employees compensation statement will state the initial value of their REA, typically denominated in local currency. The equity award, is converted into a number of DB Share Units with reference to the relevant year-end exchange rate and DB share price (the "grant price", as determined by the bank). This process occurs centrally, and the accrual is assigned to the relevant entity. This amount is charged to the profit or loss as an expense.

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3.8 Commitments and Contingencies

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Branch. The Branch does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

INCOME AND EXPENDITURE

3.9 Interest income / expense

Effective interest rate

Interest income and expense are recognised in income statement using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

the gross carrying amount of the financial asset; or
the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The "gross carrying amount of a financial asset" is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date on which amortisation of the hedge adjustment begins.

With the adoption of Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instruments" the Bank has aligned its interest recognition policy with internal risk management practices. As per the internal risk management policies of the Bank, the facilities are considered to be credit impaired when three or more instalments are in arrears and the Bank has estimated that the probability of recoverability of the interest income from such loan facilities are low. Accordingly, the Bank discontinues recognition of interest income on such loan facilities and cash flows are assessed based on the amortised cost net of interest. If the asset is no longer credit impaired the calculation of interest income reverts to the gross basis.

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3.10 Fee and Commission income / expense

Five-step revenue recognition model to the recognition of Commissions and Fee Income, under which income must be recognized when control of goods and services is transferred, hence the contractual performance obligations to the customer has been satisfied.

Accordingly, after a contract with a customer has been identified in the first step, the second step is to identify the performance obligation – or a series of distinct performance obligations – provided to the customer. The Branch must examine whether the service is capable of being distinct and is actually distinct within the context of the contract. A promised service is distinct if the customer can benefit from the service either on its own or together with other resources that are readily available to the customer, and the promise to transfer the service to the customer is separately identifiable from other promises in the contract. The amount of income is measured on the basis of the contractually agreed transaction price for the performance obligation defined in the contract. If a contract includes variable consideration, the Branch estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer. Income is recognized in profit and loss when the identified performance obligation has been satisfied.

Expenses that are directly related and incremental to the generation of Commissions and Fee Income are presented net in Commissions and Fee Income. This includes income and associated expense where the Branch contractually owns the performance obligation (i.e. as Principal) in relation to the service that gives rise to the revenue and associated expense.

3.11 Dividends

Dividend income is recognized when the right to receive income is established. Usually this is the ex-dividend date for equity where the Branch receives on its mandatory investments in Lanka Clear (Pvt). Ltd and Credit Information Bureau of Sri Lanka. These are accounted for in other operating income in the profit or loss.

3.12 Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities and includes all realized and unrealized fair value changes and foreign revaluation exchange differences.

3.13 Profit/loss from sale of Property, plant & equipment

Profit/loss from sale of property, plant and equipment is recognized in the period in which the sale occurred and is classified as other operating income.

3.14 Other expenses

The expenditure incurred on personal cost, premises, equipment and establishment has been apportioned between the FCBU and the DBU based on the volume of transactions.

3.15 Cash Flow Statement

The cash flow statement has been prepared by using the "Indirect Method" of preparing of cash flow statement in accordance with the LKAS 7, Cash Flow Statements.

Net unrealized gains/ (losses) from translation of Financial Statements of foreign operation, are adjusted through cash flows from operating activities.

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3.16 Segment Reporting

An operating segment is a component of the Branch that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Branch's other components, whose operating results are reviewed regularly by the *Management Committee* to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

These include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, Group expenses, and tax assets and liabilities.

The following business segments represent the Group's organizational structure as reflected in its internal management reporting systems as of December 31, 2024.

- Corporate Bank (CB)
- Investment Bank (IB)
- Private Bank (PB)
- Asset Management (AM)
- Capital Release Unit (CRU)
- Corporate & Other (C&O)

Of the above, only Corporate Bank & Investment Bank businesses are represented in Sri Lanka as at 31 December 2024.

3.16.1 Corporate Bank (CB)

Corporate banking is an integral part of our business. Firstly, our capabilities in Cash Management, Trade Finance and Lending, as well as Foreign Exchange, the latter delivered in close collaboration with the Investment Bank, enable us to serve core needs of our corporate clients. As a leading bank serving multinational and German corporates domestically and abroad, we help clients in optimizing their working capital and liquidity, securing global supply chains and distribution channels and managing their risks. Secondly, we act as a specialized provider of services to Financial Institutions, offering Correspondent Banking, Trust and Agency and Securities Services. Finally, we provide business banking services to clients, covering small corporates and entrepreneur clients and offering a largely standardized product suite.

Main product offerings: Corporate Cash Management, Trade Finance, Securities Services.

3.16.2 Corporate Cash Management (CCM)

CCM provides a wide range of reliable, world-class solutions that help clients improve liquidity and cash flow and optimize their treasury and payment businesses. Deutsche Bank's global cash management services aims to provide companies with effective ways to generate synergies and realize cost-benefits - based on advanced technologies and experienced staff around the globe.

Primary services empower clients to optimize receivables and payables processes, integrate more tightly with their supply chain, forecast working capital needs more effectively. Drivers of the business are the need for especially large corporates to increase transparency around their payments procedures, enforce strict controls (in line with regulatory requirements) and increase automation and standardization.

3.16.3 Trade Finance (TF)

Trade Finance delivers fast, efficient, reliable and comprehensive solutions for every stage of a client's trade value chain, to support their foreign trade activities. International trade is highly complex and involves a range of risks. Deutsche Bank's Trade Finance teams deliver unparalleled services, innovative solutions and superior trade expertise that enable clients to manage risks and other issues associated with their import, export and domestic trade transactions, including international trade products and financial supply chain management.

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3.16.4 Securities Services (SeS)

SeS offers the provision of custodian services for the securities portfolios of both cross-border/offshore clients (sub-custody) and onshore/resident clients (domestic custody). Services included are safekeeping of clients' portfolio, settlement of trades, asset servicing (corporate action notices, income processing, income collection, very limited tax services generally restricted to document collation for lower tax treaty rates, entitlements procession, redemptions, exchange offers, rights, etc.), cash services related to their cash settlement balances including preparation of cash projection reports and FX services.

Complementing the custodian function, is the Fund Administration and Trustee services which is directed at the unit trust (mutual funds), insurance and asset management industry. Our proprietary systems are capable of generating Net Asset Value (NAV) calculations and financial statements in line with both the Sri Lanka Financial Reporting Standards (SLFRS) and International Financial Reporting Standards (IFRS).

3.16.5 Investment Bank (IB)

The Investment Bank (IB) remains core to our business. Across Origination and Advisory (O&A) and Fixed Income and Sales and Trading (FIC), corporate and institutional clients are able to access a comprehensive range of services, encompassing advisory, debt and equity issuance, financing, market making / liquidity provision and risk management solutions. The division regionally encompasses EMEA, Americas and APAC, with a strategy that is focused upon operating in areas of competitive strength.

4. NEW AND AMENDED ACCOUNTING STANDARDS THAT ARE ISSUED, BUT NOT YET EFFECTIVE AS AT REPORTING DATE

The new and amended standards that are issued, but not yet effective to the date of issuance of these financial statements are disclosed below.

SLFRS 17 Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

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- **Lack of exchangeability – Amendments to LKAS 21**

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The Branch is currently assessing the impact the amendments will have on current practice.

Except for above there are no any new accounting standards and amendments/improvements to existing standards which have been issued by the Institute of Chartered Accountants of Sri Lanka but are not yet effective as at 31 December 2024.

Further the Branch has applied all relevant accounting standards which have been issued up to 31 December 2024 in the preparation of the Financial Statements for the year ended 31 December 2024.

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5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

5.1 The Branch has not adopted any standards, interpretations or amendments that have been issued but not yet effective, in advance. The other accounting policies adopted by the Branch are consistent with those of the previous financial year.

6. GROSS INCOME

	2024 Rs.	2023 Rs.
Interest income	5,707,548,995	8,224,100,240
Fee and commission income	974,899,568	839,387,188
Net gain from trading	1,184,499,031	2,117,063,232
Net Gain/(Loss) From Financial Instruments at Fair Value Through Profit and Loss	31,565,979	2,723,531,766
Net Gain/(Loss) From Derecognition of Financial Assets	-	-
Net other operating income	506,567,495	104,062,728
	8,405,081,068	14,008,145,154

7 NET INTEREST INCOME

	2024 Rs.	2023 Rs.
7.1 Interest income		
Cash and cash equivalents	83,749,549	85,789,829
Balances with Central Banks	1,292,180,582	741,839,185
Placements with banks	1,019,014,830	768,160,894
Financial assets measured at fair value through profit or loss (FVTPL)	1,236,260,989	2,330,901,069
Financial assets at amortized cost - Loans and advances	2,076,343,045	4,272,717,097
Financial assets at amortized cost - Debt and other instruments	-	24,692,166
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	-
Total interest income	5,707,548,995	8,224,100,240
Interest expenses		
Due to banks	-	-
Due to branches	100,939,686	53,484,223
Derivative financial instruments	-	-
Financial liabilities recognized through profit or loss measured at fair value	-	-
Financial liabilities at amortized cost - Due to depositors	569,297,301	410,516,652
Total interest expenses	670,236,987	464,000,875
Net interest income	5,037,312,008	7,760,099,365

7.2 The amounts reported above include the interest income and expense, calculated using the effective interest method, that relate to the following financial assets and financial liabilities.

	2024 Rs.	2023 Rs.
Financial assets at amortized cost - Loans and advances to customers	21,799,039,124	24,554,284,631
Financial assets at amortized cost - Debt and other instruments	-	-
Financial assets measured at fair value through profit or loss (FVTPL)	-	18,041,590,191
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	-
Total	21,799,039,124	42,595,874,822
Financial liabilities at amortized cost - Due to depositors	30,032,808,121	38,684,924,991
Due to branches	1,464,608,821	1,460,629,166
	31,497,416,942	40,145,554,157

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		2024	2023
7.	**NET INTEREST INCOME (Contd...)**	**Rs.**	**Rs.**
7.3	**Net interest income from Sri Lanka Government securities**		
	Interest Income	1,236,260,989	2,355,593,235
	Less: Interest expenses	-	-
	Net interest income from Sri Lanka Government Securities	1,236,260,989	2,355,593,235

		2024	2023
8	**NET FEE AND COMMISSION INCOME**	**Rs.**	**Rs.**
	Fee and commission income (Note 8.1)	974,899,568	839,387,188
	Fee and commission expenses	80,450,295	82,911,243
	Net fee and commission income	894,449,273	756,475,945
8.1	**Fee and commission income**		
	Trade and remittances	417,127,836	337,973,181
	Guarantees	100,780,077	147,086,489
	Other banking services	456,991,655	354,327,518
		974,899,568	839,387,188

Fee and commission income from other banking services includes fees and commissions collected from customers by providing global cash management services, custody fees, trustee fees and fund transfer facilities.

8.2 Performance obligations and revenue recognition policy

Fee and Commission income from contracts with customers is measured based on the consideration specified in the contract with customers. Branch recognizes revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under SLFRS 15
Corporate finance Service	The Branch provides lending services to corporate customers, including providing other loan facilities. Transaction-based fees for interchange and loans are charged to the customer's account when the transaction takes place.	Income is recognized in Profit & Loss when the identified performance obligation has been satisfied.

		2024	2023
9	**NET GAIN FROM TRADING**	**Rs.**	**Rs.**
	Foreign Exchange		
	From Banks	839,604,843	1,562,668,992
	From customers	275,722,225	418,381,256
	Derivative financial instruments	69,171,963	77,447,328
	Trading Gain from Debt and other instruments	-	58,565,656
	Total	1,184,499,031	2,117,063,232

		2024	2023
10	**NET GAIN/(LOSS) FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS**	**Rs.**	**Rs.**
	Net gain/(loss) from Financial instruments at fair value through profit and loss	31,565,979	2,723,531,766
	Total	31,565,979	2,723,531,766

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11 NET OTHER OPERATING INCOME

	2024 Rs.	2023 Rs.
Dividend income	4,835,650	3,235,950
Intergroup recoveries (Note 11.1)	12,523,979	88,931,295
Cost recoveries from customers	36,982,315	40,596,766
Gain/(Loss) on inter entity payable revaluation	466,184,299	(21,916,006)
Gain/(Loss) on inter entity Expense transfer	(13,958,748)	(6,253,962)
Gain/(Loss) on sale of property, plant and equipment	-	(531,315)
Total	506,567,495	104,062,728

11.1 Intergroup recoveries

Inter group recoveries includes the income received from Sales and Marketing Transfer Pricing (SMTP) of the Deutsche Bank Group for the services provided by the branch.

12 IMPAIRMENT CHARGES

	2024 Rs.	2023 Rs.
Financial assets at amortised cost - Loans and advances (Note 23.3)		
Stage 1	(49,405,834)	45,341,294
Stage 2	58,968,313	(8,626,962)
Financial assets at amortized cost - debt instruments		
Stage 1	-	-
Stage 2	-	-
Financial assets measured at fair value through other comprehensive income (Note 25.3)		
Stage 1	-	-
Contingent liabilities & commitments (Note 36.2)		
Stage 1	(68,148,711)	77,357,892
Stage 2	133,386,519	(14,453,646)
Balances with banks (Note 17.1 & Note 18.1)		
Stage 1	(14,487,911)	43,596,660
Stage 2	-	(182)
Provision for country risk (Note 35.1)	(1,642,829)	3,045,444
Property,Plant & Equipment	-	-
Investment Properties	-	-
Total Impairment charges	58,669,548	146,260,500

13 PERSONNEL EXPENSES

	2024 Rs.	2023 Rs.
Salary and bonus	364,922,695	317,755,295
Contributions to defined contribution plans	88,112,022	67,393,790
Provision for defined benefit obligations (Note 33.1)	20,371,000	21,538,461
Others/Other allowances and Staff related expenses	197,132,649	265,810,386
Total personnel expenses	670,538,366	672,497,932

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14 OTHER EXPENSES

	2024	2023
	Rs.	Rs.
Auditors' remunerations		
Audit fees and expenses	1,983,900	1,945,000
Audit related fees and expenses	846,600	830,000
Non-audit fees to auditors	2,135,291	2,151,574
Professional and legal expenses (Note 14.1)	11,777,554	14,301,921
Inter-entity Expenses (Note 14.2)		
Head Office related expenses	638,777,275	939,132,857
Inter-entity other expenses	1,322,378,392	1,011,747,743
Office administration and establishment expenses	484,456,015	567,666,135
Crop Insurance Levy	50,395,474	50,395,474
Finance expense on lease liability	28,068,919	31,065,634
Total Other expenses	2,540,819,420	2,619,236,338

14.1 Professional and legal expenses

Professional fees includes the fees paid to tax consultants and other valuation specialists employed by the Branch. Income tax related consultations and tax disputes will be handled by one Consulting firm. The Branch has employed few legal firms to obtain legal advisory services for branch operational matters.

14.2 Inter-entity Expenses

The Branch receives Regional Head Office expenses from the Asia Pacific Head Office, which provides infrastructure support for the entire Asia-Pacific Region. The Branch also receives a share of Global Overheads, which are costs relating to centralized steering, co-ordination and monitoring functions performed for Deutsche Bank Group as a whole.

In addition, Deutsche Bank Colombo Branch receives other Inter-Entity expenses for services which are directly and specifically related to Local Franchise activities and transactions. This includes charges for services from Sales, Coverage, and Structuring teams, Regional/Global Management and Support functions, Audit, Human Resources as well as Technology and Operations.

These costs are shared between branches and subsidiaries of the Group, and the Branch recognises these costs under Inter-Entity expenses.

15 TAX EXPENSES

Income tax expense comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent it relates to items recognised directly in equity or OCI, in which case it is recognised in equity or OCI.

Accordingly, provision for taxation is made on the basis of the accounting profit for the year as adjusted for taxation purposes, in accordance with the provisions of the Inland Revenue Act No. 45 of 2022.

Amount recognised in profit or loss	2024	2023
	Rs.	Rs.
Current tax expense		
Current year	1,278,718,821	3,059,510,772
(Over)/under provision for prior years	(76,505,475)	(17,873,519)
Income tax refunds claimed during the year	(54,530,004)	-
	1,147,683,342	3,041,637,253
Deferred tax expense		
Deferred tax asset originated during the year (Note 27.1)	(19,915,545)	(48,439,304)
Deferred tax liability originated during the year (Note 27.2)	(3,272,361)	(3,750,839)
Temporary differences	-	-
	(23,187,906)	(52,190,143)
Total tax expenses	1,124,495,436	2,989,447,109

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15 TAX EXPENSES (Contd...)

15.1 a. Reconciliation of effective tax rate with income tax rate

	2024 Rs.	2023 Rs.
Income tax at 30% statutory tax rate	1,032,773,770	2,435,934,299
Income tax for the year	1,032,773,770	2,435,934,299
Add: Tax effect of expenses that are not deductible for tax purposes	296,865,704	680,380,476
(Less): Tax effect of expenses that are deductible for tax purposes	(50,920,653)	(56,804,003)
Current tax expense	1,278,718,821	3,059,510,772
(Over)/under provision for prior year	(76,505,475)	(17,873,519)
Income tax refunds claimed during the year	(54,530,004)	-
b. The deferred tax (credit)/charge in the income statement comprise of the following		
Deferred tax asset originated during the year	(19,915,545)	(48,439,304)
Deferred tax liability originated during the year	(3,272,361)	(3,750,839)
Total tax expenses	1,124,495,436	2,989,447,109

15.2 Amount recognised in Other Comprehensive Income (OCI)

	2024 Rs.	2023 Rs.
Tax on items that will not be reclassified to profit or loss		
Remeasurement of Defined Benefit Liability (Note 27.1)	(9,147,000)	(2,135,695)
Tax on items that are or may be reclassified subsequently to profit or loss		
Movement in fair value reserve (FVOCI debt instruments)	-	-
	(9,147,000)	(2,135,695)
Effective tax Rate excluding Deferred Tax	50%	49%

16 CASH AND CASH EQUIVALENTS

	2024 Rs.	2023 Rs.
Cash in hand	113,098,566	96,910,367
Balances with banks	66,970,982	445,810,516
Money at call and short notice	-	-
Total	180,069,548	542,720,883

Cash and Cash Equivalents are carried at amortized cost in the Statement of Financial Position.

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17. BALANCES WITH CENTRAL BANKS

	2024 Rs.	2023 Rs.
Statutory balance with Central Banks		
Central Bank of Sri Lanka (Note 17.2)	533,006,242	597,260,295
Non-statutory balances with Central Banks		
Central Bank of Sri Lanka	11,102,287,087	11,808,752,747
Total balances with Central Banks	11,635,293,329	12,406,013,042
Provision for impairment (Note 17.1)	(44,990,207)	(59,525,524)
	11,590,303,122	12,346,487,518

Balances with the Central Bank of Sri Lanka are carried at amortized cost in the statement of financial position.

17.1 Impairment provision for CBSL balances

	2024 Rs.	2023 Rs.
Stage 1		
Opening balance at 1 January	59,525,524	15,957,042
Charge to income statement	(14,535,317)	43,568,482
Closing balance at 31 December	44,990,207	59,525,524
Stage 2		
Opening balance at 1 January	-	182
Charge to income statement	-	(182)
Closing balance at 31 December	-	-
	44,990,207	59,525,524

There were no stage 3 facilities for both financial years.

17.2 Statutory balances with Central Bank of Sri Lanka

As required by the provisions of Section 93 of Monetary Law Act, a minimum cash balance is maintained with the Central Bank of Sri Lanka. The minimum cash reserve requirement on Rupee-denominated deposit liabilities is prescribed as a percentage of the balance of these liabilities. The percentage varies from time to time and the applicable rate in 2024 is at 2%.

There are no reserve requirements for deposit liabilities held in the Foreign Currency Banking Unit and foreign currency deposit liabilities held in the Domestic Banking Unit.

18. PLACEMENTS WITH BANKS

	2024 Rs.	2023 Rs.
Placements with banks	28,743,709,323	13,608,967,974
Provision for impairment (Note 18.1)	(75,584)	(28,178)
	28,743,633,739	13,608,939,796

Placements with banks are carried at amortized cost in the statement of financial position.

18.1 Impairment provision for placements with banks

	2024 Rs.	2023 Rs.
Stage 1		
Opening balance at 1 January	28,178	-
Charge to Income Statement	47,406	28,178
Closing balance at 31 December	75,584	28,178

There were no stage 2 and stage 3 facilities for both financial years.

19. PLACEMENTS WITH BRANCHES

	2024 Rs.	2023 Rs.
Deutsche Bank AG - Branches	-	48,582
Total	-	48,582

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20. DERIVATIVE FINANCIAL INSTRUMENTS

	2024 Rs.	2023 Rs.
Foreign currency derivatives		
Forward/SWAP foreign exchange contracts	131,660,218	38,982,666
Total	131,660,218	38,982,666

21. GROUP BALANCE RECEIVABLE

	2024 Rs.	2023 Rs.
Branches (Branches of Deutsche Bank AG-Frankfurt)	967,632,787	1,422,329,287
Other Inter-group receivable from Branches and Head Office	209,767,064	296,775,539
	1,177,399,851	1,719,104,826

22. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 Rs.	2023 Rs.
Sri Lanka Government Securities		
Treasury Bills	-	14,061,124,868
Treasury Bonds	-	3,980,465,323
	-	18,041,590,191

a) Analysis

	2024 Rs.	2023 Rs.
By collateralisation		
Pledged as collateral	-	-
Unencumbered	-	18,041,590,191
Gross Total	-	18,041,590,191
By currency		
Sri Lankan Rupee	-	18,041,590,191
US Dollar	-	-
Gross Total	-	18,041,590,191

23. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES

	2024 Rs.	2023 Rs.
Financial assets at amortized cost - Loans and advances to customers		
Gross loans and advances	21,869,609,834	24,615,292,862
Provision for impairment (Note 23.1)	(70,570,710)	(61,008,231)
Net loans and advances	21,799,039,124	24,554,284,631

23.1 Gross loans and advances

	2024 Rs.	2023 Rs.
Stage 1	12,358,175,931	14,487,068,091
Stage 2	9,511,433,903	10,128,224,771
	21,869,609,834	24,615,292,862
Less: Accumulated impairment		
Stage 1	(8,724,533)	(58,130,367)
Stage 2	(61,846,177)	(2,877,864)
	(70,570,710)	(61,008,231)
Net loans and advances	21,799,039,124	24,554,284,631

There were no stage 3 facilities for both financial years.

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23. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES (Contd…)

23.2 Analysis

	2024 Rs.	2023 Rs.
By product		
Overdrafts	12,909,720,600	19,958,439,912
Trade finance	1,468,784,070	523,574,276
Staff loans	135,292,322	118,572,335
Supplier Finance	7,355,812,842	4,014,706,339
Gross total	21,869,609,834	24,615,292,862
By currency		
Sri Lankan Rupee	18,084,465,662	21,881,249,271
United States Dollar	3,785,144,172	2,734,043,591
Gross total	21,869,609,834	24,615,292,862
By industry		
Agriculture and fishing	98,166,743	83,620,710
Manufacturing	11,559,759,398	6,002,611,691
Tourism	1,061,067,631	1,124,500,219
Transport	380,842,815	322,999,098
Construction	38,695,271	43,211,791
Traders	3,026,492,958	6,518,031,241
Professional, Scientific & Technical	4,548,619,766	2,252,822,096
Financial and Business Services	658,763,097	464,289,669
Infrastructure Development	376,417,784	2,856,964,478
Others	120,784,371	4,946,241,870
Gross total	21,869,609,834	24,615,292,862

23.3 Movements in impairment during the year

	2024 Rs.	2023 Rs.
Stage 1		
Opening balance as at 1 January	58,130,367	12,789,073
(Write back)/Charge to Income Statement	(49,405,834)	45,341,294
Closing balance at 31 December	8,724,533	58,130,367
Stage 2		
Opening balance as at 1 January	2,877,864	11,504,826
(Write back) to Income Statement	58,968,313	(8,626,962)
Closing balance at 31 December	61,846,177	2,877,864
Total	70,570,710	61,008,231

Three were no stage 3 facilities for both financial years.

23.4 Sensitivity of impairment provision on loans and advances to other customers

The Bank has estimated the impairment provision on loans and advances to customers as at 31 December 2024, subject to various assumptions. The changes to such assumptions may lead to changes in the impairment provision recorded in the Statement of Financial Position.

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23. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES (Contd...)

23.5 Sensitivity of impairment provision on loans and advances to other customers (Contd...)

The following table demonstrates the sensitivity of the impairment provision of the Bank as at 31 December 2024 to a feasible change in PDs, LGDs and forward looking macro-economic information.

PD/LGD	Sensitivity effect on Statement of Financial Position [Increase/(Decrease) In Impairment provision] (Rs.)				Sensitivity effect on Income Statement (Rs.)
	Stage 1	Stage 2	Stage 3	Total	
PD 1% Increase across all age buckets	1,205,910	2,560,046	-	3,765,956	(3,765,956)
PD 1% Decrease across all age buckets	(596,679)	(1,591,010)	-	(2,187,689)	2,187,689
LGD 5% increase	4,817,058	10,864,903	-	15,681,961	(15,681,961)
LGD 5% decrease	(4,186,259)	(9,883,153)	-	(14,069,412)	14,069,412
Probability weighted forward looking Macro Economic Indicators -Base case 10% increase, worst case 5% decrease and best case 5% decrease	(1,261,612)	(4,916,196)	-	(6,177,808)	6,177,808
-Base case 10% decrease, worst case 5% increase and best case 5% increase	4,077,855	11,529,082	-	15,606,937	(15,606,937)

Forward-looking information

The bank incorporates forward-looking information into both its assessment as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The bank also obtained experienced credit judgement from economic experts and Credit and Risk Management Departments to formulate a base case, a best case and a worst case scenario. The base case represents a most-likely outcome and is aligned with information used by the bank for budgeting and forecasting. The bank has identified and documented key drivers of credit risk both quantitative and qualitative for various portfolio segments. Quantitative economic factors are based on economic data and forecasts published by the CBSL and other reliable sources.

Quantitative drivers of credit risk	Qualitative drivers of credit risk
GDP Growth	Status of the Industry Business
Inflation	Regulatory System
Interest Rate	Government Policies
Unemployment	
Exchange Rate	

24 FINANCIAL ASSETS AT AMORTISED COST - DEBT AND OTHER FINANCIAL INSTRUMENTS

	2024 Rs.	2023 Rs.
Sri Lanka Government Securities		
Sri Lanka Development Bonds	-	-
Provision for impairment	-	-
Net Debt and other financial instruments	-	-

a)Analysis

	2024 Rs.	2023 Rs.
By collateralisation		
Pledged as collateral	-	-
Unencumbered	-	-
Gross Total	-	-
By currency		
Sri Lankan Rupee	-	-
US Dollar	-	-
Gross Total	-	-

The SLDB portfolio of USD 20 Mn was matured on 23 Jan 2023, and the Government settled the same in terms of LKR bonds amounting to LKR 7,462,913,541/= and cash of LKR 4,929/= in full, on the same day.

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25 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 Rs.	2023 Rs.
Sri Lanka Government Securities		
Treasury Bills	-	-
Treasury Bonds	-	-
Equity instruments (Note 25.1)	42,338,984	42,338,984
Net financial assets at fair value through other comprehensive income	42,338,984	42,338,984

25.1 Equity instruments

	2024			2023		
	No. of shares	Cost (Rs.)	Fair value (Rs.)	No. of shares	Cost (Rs.)	Fair value (Rs.)
Credit Information Bureau of Sri Lanka	1,000	100,000	19,813,819	1,000	100,000	19,813,819
Lanka Clear (Private) Limited/LankaPay (Pvt.) Ltd	150,000	1,500,000	22,525,165	150,000	1,500,000	22,525,165
		1,600,000	42,338,984		1,600,000	42,338,984

25.2 Analysis

	2024 Rs.	2023 Rs.
By collateralization		
Unencumbered	42,338,984	42,338,984
Gross Total	42,338,984	42,338,984
By currency		
Sri Lankan Rupee	42,338,984	42,338,984
Gross total	42,338,984	42,338,984

25.3 Movements in impairment during the year

	2024 Rs.	2023 Rs.
Opening balance as at 1 January	-	-
Charge/(Write back) to Other Comprehensive Income	-	-
Closing balance at 31 December	-	-

As per SLFRS 09, impairment provisions (based on the DB group model) on debt instruments classified and measured at fair value through other comprehensive income are required to be recognised as an adjustment to the fair value reserve of the same kind of assets. There were no impairment charge for both years.

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26 PROPERTY, PLANT & EQUIPMENT

26.1

As at 31 December 2024	Computer Equipment	EDP Mainframe	Safes	Paintings & Art Objects	Telephone & Telex	Office Equipment	Furniture & Fittings	Right-of-Use Asset	Total 2024
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.
Cost									
Opening balance at 1 January 2024	52,940,725	134,343,889	13,588,693	744,000	45,356,100	49,695,363	321,670,346	407,176,257	1,025,515,374
Additions	-	2,500,883	-	-	-	-	-	-	2,500,883
Disposals	(2,949,362)	(5,802,977)	-	(50,000)	(8,109,934)	-	-	-	(16,912,273)
Closing balance at 31 December 2024	49,991,363	131,041,795	13,588,693	694,000	37,246,166	49,695,363	321,670,346	407,176,257	1,011,103,984
Accumulated depreciation									
Opening balance at 1 January 2024	48,236,271	64,130,877	4,145,072	743,996	24,514,064	12,357,228	113,108,281	140,824,522	408,060,311
Charge for the year	3,894,391	22,169,915	2,698,177	-	3,792,746	9,406,254	57,429,023	38,649,205	138,039,712
Disposals	(2,949,363)	(5,802,973)	-	(49,999)	(8,109,938)	-	-	-	(16,912,273)
Closing balance at 31 December 2024	49,181,299	80,497,819	6,843,249	693,997	20,196,872	21,763,482	170,537,304	179,473,727	529,187,750
Carrying value as at 31 December 2024	810,064	50,543,976	6,745,444	3	17,049,295	27,931,881	151,133,042	227,702,530	481,916,234

Out of the above depreciation charge of Rs. 138,039,712/- for the year, Rs. 8,282,383/- has been apportioned to FCBU. Accordingly Rs. 129,757,329/- was charged to DBU.

The cost of fully depreciated assets which are still in use is Rs. 102,480,168/- as at 31 December 2024 and Rs. 109,217,419/- as at 31 December 2023.

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26. PROPERTY, PLANT & EQUIPMENT (Contd...)

26.2 As at 31 December 2023	Computer Equipment	EDP Mainframe	Safes	Paintings & Art Objects	Telephone & Telex	Office Equipment	Furniture & Fittings	Right-of-Use Asset	Total 2023
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.
Cost									
Opening balance at 1 January 2023	71,265,654	194,896,559	14,613,569	744,000	40,828,365	34,789,892	320,863,771	402,437,263	1,080,439,073
Additions	-	3,277,251	-	-	20,205,244	22,081,215	19,953,952	4,738,994	70,256,657
Disposals	(18,324,929)	(63,829,921)	(1,024,876)	-	(15,677,509)	(7,175,743)	(19,147,377)	-	(125,180,356)
Closing balance at 31 December 2023	52,940,725	134,343,889	13,588,693	744,000	45,356,100	49,695,363	321,670,346	407,176,257	1,025,515,374
Accumulated depreciation									
Opening balance at 1 January 2023	61,387,968	105,028,508	2,471,760	743,996	37,238,725	12,334,819	63,139,587	98,226,155	380,571,518
Charge for the year	5,173,200	22,564,897	2,698,177	-	2,952,843	7,198,133	54,851,327	42,598,366	138,036,943
Disposals	(18,324,897)	(63,462,528)	(1,024,865)	-	(15,677,503)	(7,175,724)	(4,882,633)	-	(110,548,150)
Closing balance at 31 December 2023	48,236,271	64,130,877	4,145,072	743,996	24,514,064	12,357,228	113,108,281	140,824,522	408,060,311
Carrying value as at 31 December 2023	4,704,454	70,213,012	9,443,621	4	20,842,036	37,338,136	208,562,065	266,351,735	617,455,063

Out of the above depreciation charge of Rs. 138,036,943/- for the year, Rs. 11,042,860/- has been apportioned to FCBU. Accordingly Rs. 126,994,083/- was charged to DBU.

The cost of fully depreciated assets which are still in use is Rs. 109,217,419/- as at 31 December 2023 and Rs. 207,152,820/- as at 31 December 2022.

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27. DEFERRED TAX (LIABILITIES)/ASSETS

	2024 Rs.	2023 Rs.
Deferred tax assets (Note 27.1)	131,510,643	102,448,098
Deferred tax liabilities (Note 27.2)	(3,603,729)	(6,876,090)
	127,906,914	95,572,008

The movements on the deferred tax assets and liabilities are as follows:

27.1 Deferred tax assets

	2024 Rs.	2023 Rs.
Balance as at the beginning of the year	102,448,098	51,873,099
(Reversed)/originated during the year - recognized in profit or loss	19,915,545	48,439,304
(Reversed)/originated during the year - recognized in other comprehensive income	9,147,000	2,135,695
Balance as at the end of the year	131,510,643	102,448,098

27.2 Deferred tax liabilities

	2024 Rs.	2023 Rs.
Balance as at the beginning of the year	6,876,090	10,626,929
Originated/(Reversed) during the year through profit or loss	(3,272,361)	(3,750,839)
Originated/(Reversed) during the year through other comprehensive income	-	-
Balance as at the end of the year	3,603,729	6,876,090

27.3 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2024		2023	
	Temporary difference	Tax effect	Temporary difference	Tax effect
Deferred tax assets	Rs.	Rs.	Rs.	Rs.
Employee benefit obligation	134,214,480	40,264,344	96,008,876	28,802,663
Fair value loss of FVOCI - Debt instruments	-	-	-	-
Provision for impairment losses	304,154,331	91,246,299	245,484,783	73,645,435
	438,368,811	131,510,643	341,493,659	102,448,098
Deferred tax liabilities				
Depreciation of property, plant and equipment	53,270,817	15,981,245	51,169,601	15,350,880
Provision for restricted equity	48,544	14,563	48,544	14,563
Right-of-use assets	227,702,530	68,310,759	265,363,609	79,609,083
Lease liability	(270,356,814)	(81,107,044)	(295,008,806)	(88,502,642)
Provision for cash retention payment	1,347,353	404,206	1,347,353	404,206
	12,012,429	3,603,729	22,920,300	6,876,090

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28. OTHER ASSETS

	2024 Rs.	2023 Rs.
Financial assets		
Clearing account balances (Note 28.1)	310,860,625	974,475,731
	310,860,625	974,475,731
Non-financial assets		
Deposits and prepayments	29,205,213	38,796,008
Tax receivable (Note 28.2)	251,157,959	375,577,174
EIR Staff loan	49,507,239	54,672,557
Others	29,422,185	20,627,398
	359,292,596	489,673,137
Total	670,153,221	1,464,148,868

28.1 Clearing account balances

The Clearing account balance represents the balance to be received for Foreign Exchange Transactions, from the other Banks on behalf of the outward cheque clearing and; clearing receivable balance from Bank of Ceylon.

	2024 Rs.	2023 Rs.
Receivable from Lanka Clear for cheque clearing	302,944,439	961,590,454
CBSL Exports proceed receivables	23,000	19,500
BOC USD Clearing Account	7,893,186	12,865,777
	310,860,625	974,475,731

28.2 Tax receivable

	2024 Rs.	2023 Rs.
Corporate Income tax refunds	153,267,888	300,396,730
VAT on Financial Services - tax refunds	32,957,773	37,851,347
WHT receivable	64,932,298	37,329,097
	251,157,959	375,577,174

29. DUE TO BANKS

	2024 Rs.	2023 Rs.
Borrowings from CBSL	-	-
Balances due to banks	-	-
Total	-	-

30. DUE TO BRANCHES

	2024 Rs.	2023 Rs.
Deutsche Bank AG - Branches	1,464,608,821	1,460,629,166
Total	1,464,608,821	1,460,629,166

31. DERIVATIVE FINANCIAL INSTRUMENTS

	2024 Rs.	2023 Rs.
Foreign exchange derivatives		
Forward/SWAP foreign exchange contracts	26,919,385	3,333,424
Total	26,919,385	3,333,424

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32. FINANCIAL LIABILITIES AT AMORTIZED COST - DUE TO DEPOSITORS

	2024	2023
	Rs.	Rs.
Due to depositors	30,032,808,121	38,684,924,991
Total	30,032,808,121	38,684,924,991

32.1 Analysis of amount due to depositors

	2024	2023
	Rs.	Rs.
By product		
Demand deposits/Current accounts	16,547,265,296	19,584,908,255
Savings deposits	8,710,795,902	11,070,106,181
Margin deposits	64,024,683	53,968,000
Fixed deposits	4,694,183,917	7,975,942,555
Other deposits -Abondoned Property	16,538,323	-
Total	30,032,808,121	38,684,924,991
By currency		
Sri Lanka Rupee	21,267,395,353	28,852,627,432
United States Dollar	7,696,352,194	8,667,518,366
Great Britain Pound	19,796,192	49,311,224
Euro	1,011,469,568	1,073,134,408
Swiss Frank	36,415,428	1,538,458
Others*	1,379,386	40,795,102
Total	30,032,808,121	38,684,924,991

* Other currencies include Singapore Dollar, Australian Dollar, Canadian Dollar, Hong Kong Dollar and Janapenese Yen.

33. RETIREMENT BENEFIT OBLIGATIONS

	2024	2023
	Rs.	Rs.
Defined benefit plan - gratuity		
Opening balance as at 01 January	96,008,876	73,686,048
Provision for the year (Note 33.1)	20,371,000	21,538,461
Actuarial (gain) / loss during the year (Note 33.2)	30,490,000	7,118,982
Gratuity paid during the year	(12,655,396)	(6,334,615)
Closing balance as at 31 December	134,214,480	96,008,876

33.1 Provision recognized in the Profit or Loss

	2024	2023
	Rs.	Rs.
Current service cost	7,304,000	7,538,112
Interest on obligation	13,067,000	14,000,349
	20,371,000	21,538,461

33.2 Provision recognized in other comprehensive income

	2024	2023
	Rs.	Rs.
Actuarial gain / (loss) during the year	30,490,000	7,118,982
	30,490,000	7,118,982

33.3 Actuarial valuation

LKAS 19 requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit using the Projected Unit Credit Method in order to determine the present value of the retirement benefit obligation. An actuarial valuation was performed on December 2024 by Institute of Actuaries of India (IAI). An actuarial valuation was performed on December 2023 by Mr. M. Poopalanathan, AIA, Messrs. Actuarial and Management Consultants (Pvt) Ltd. The following principal assumptions were made in arriving at the retirement obligation as at 31 December 2024 and 31 December 2023.

	2024	2023
Discount Rate %	11.10%	14.00%
Future salary increment rate %	20% for the first year, 11% thereafter	11.00%
Retirement Age	60	60

Discount rate used for the actuarial valuation changed during the year due to changes in market interest rates. Future salary increment rate too was revised to fall in line with the increase in market interest rates.

33. EMPLOYEE BENEFIT (Contd...)

33.4 Sensitivity analysis - Defined benefit plan - gratuity

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions used with all other variables held constant in the employment benefit liability measurement. The effect to the statement of financial position with the assumed changes in the discount rates and salary increment rate is given below:

Increase/ (Decrease) in Discount Rate	Increase/ (Decrease) in Salary Escalation Rate	31 December 2024 Sensitivity effect on		31 December 2023 Sensitivity effect on	
		Defined Benefit Obligation	Statement of Comprehensive Income	Defined Benefit Obligation	Statement of Comprehensive Income
		Increase / (Decrease)		Increase / (Decrease)	
		Rs.	Rs.	Rs.	Rs.
1%		(6,894,380)	6,894,380	(3,999,259)	3,999,259
(1%)		7,591,740	(7,591,740)	4,326,524	(4,326,524)
	1%	7,456,300	(7,456,300)	4,531,860	(4,531,860)
	(1%)	(6,895,070)	6,895,070	(4,255,221)	4,255,221

33.5 Defined contribution plans

The following contributions have been made to Employees' Provident Fund and Employees' Trust Fund during the year:

	2024	2023
	Rs.	Rs.
Employees' Provident Fund		
Employers'	71,336,069	58,582,510
Employees'	42,801,641	35,149,506
Employees' Trust Fund	8,560,328	7,029,901

34. CURRENT TAX LIABILITIES

	2024	2023
	Rs.	Rs.
Opening balance as at 1 January	1,572,176,468	1,259,992,310
Charge for the year (Note 15)	1,278,718,821	3,059,510,772
Tax Refunds	(201,658,846)	(4,827,864.00)
Over provision for previous year	(76,505,475)	(17,873,519)
Tax Payments during the year	(1,877,855,327)	(2,724,625,231)
Others (WHT tax set off)	(37,329,097)	-
Closing balance as at 31 December	657,546,545	1,572,176,468

35. OTHER PROVISIONS

	2024	2023
	Rs.	Rs.
Country risk (Note 35.1)	1,402,615	3,045,444
Total	1,402,615	3,045,444

35.1 Provision for country risk

Country Risk is defined as the risk that the Branch may suffer a loss due to possible deterioration of economic conditions; political and social upheaval; nationalization and expropriation of assets; government repudiation of external indebtness; exchange controls or currency depreciation or devaluation in any given country.

	2024	2023
	Rs.	Rs.
Balance as at 1 January	3,045,444	-
Impairment charge/(reversal) to Income Statement	(1,642,829)	3,045,444
Balance as at 31 December	1,402,615	3,045,444

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36. OTHER LIABILITIES

	2024 Rs.	2023 Rs.
Financial liabilities		
Lease liability (Note 36.1)	270,356,815	296,855,796
Clearing account balance	2,121,375	2,424,890
	272,478,190	299,280,686
Non-financial liabilities		
Accrued expenditure	174,630,539	238,858,957
Provision for impairment of commitments and contingencies (Note 36.2.1)	187,115,214	121,877,406
Other tax liability	59,865,162	104,434,640
Staff EPF reserve	43,080,667	34,865,042
Other payables	2,906,943	607,816,955
	467,598,525	1,107,853,000
Total	740,076,715	1,407,133,686

36.1 Lease liability

	2024 Rs.	2023 Rs.
Balance at 1 January	296,855,796	318,600,861
Additions during the year	-	4,738,993
Charge for the year	28,068,919	31,065,634
Payments during the year	(54,567,900)	(57,549,692)
Balance at 31 December	270,356,815	296,855,796
Lease liability within one year	30,483,140	26,058,100
Lease liability after one year	239,873,675	270,797,696
	270,356,815	296,855,796

36.2 Provision for impairment commitments and contingencies

This provision relates to the impairment for undrawn commitments and Off balance sheet facilities are given below;

36.2.1 Movements in impairment during the year

	2024 Rs.	2023 Rs.
Stage 1		
Opening balance as at 1 January	108,932,077	31,574,185
Impairment charge to Income Statement	(68,148,711)	77,357,892
Closing balance at 31 December	40,783,366	108,932,077
Stage 2		
Opening balance as at 1 January	12,945,329	27,398,975
Impairment charge to Income Statement	133,386,519	(14,453,646)
Closing balance at 31 December	146,331,848	12,945,329
Total	187,115,214	121,877,406

There were no stage 3 facilities for both financial years.

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37. GROUP BALANCE PAYABLE

	2024 Rs.	2023 Rs.
Inter-entity expenses payable to HO and branches	3,867,846,761	2,522,864,522
Branches (Branches of Deutsche Bank AG-Frankfurt)	6,536,842	6,030,574
Total	3,874,383,603	2,528,895,096

The Branch is supported by the Asia Pacific Head office and other entities within Deutsche Bank Group. The charges for such services are re-imbursed by Deutsche Bank Colombo, based on invoices issued by the supplier. In order to avoid significant build up of intercompany liabilities, part of unremitted liabilities were transferred to equity as "Contributed Assets" in 2023.

38. ASSIGNED CAPITAL

	2024 Rs.	2023 Rs.
Balance as of 1 January	4,410,461,270	4,410,461,270
Capital received during the year	-	-
Balance as of 31 December	4,410,461,270	4,410,461,270

39. STATUTORY RESERVE FUND

	2024 Rs.	2023 Rs.
Opening balance at 01 January	1,220,019,186	963,822,846
Transfers during the period	115,904,190	256,196,340
Closing balance at 31 December	1,335,923,376	1,220,019,186

39.1 Five percentage (5%) of the Profit after Tax is transferred to the Reserve Fund as per Direction issued by the Central Bank of Sri Lanka under section 76 (j) (1) of the Banking Act No. 30 of 1988, as amended by Banking (Amendment) Act No.33 of 1995.

40. RETAINED EARNINGS

	2024 Rs.	2023 Rs.
Opening balance at 1 January	9,491,621,981	6,419,206,283
Profit for the year	2,318,083,796	5,130,333,961
Net actuarial gain/loss on defied benefit plan	(30,490,000)	(7,118,982)
Tax on other comprehensive income	9,147,000	2,135,695
Transfer to/from other reserves	(175,952,349)	(208,934,975)
Profit transferred to head office (Note 40.1)	(899,075,407)	(1,844,000,000)
Closing balance at 31 December	10,713,335,021	9,491,621,981

40.1 DBU and FCBU retained profit for the year ended 31 December 2020 (Balance) and 2021 amounting to LKR 642.86 Mn and USD 1.38 Mn respectively, has been transferred to Head Office in April 2024, after obtaining approval from the Central Bank of Sri Lanka and tax clearance from the Department of Inland Revenue. DBU retained profit for the year ended 31 December 2018, 2019 and 2020 amounting to LKR 1,844 mn has been transferred to Head Office in 2023, after obtaining approval from the Central Bank of Sri Lanka and the Department of Inland Revenue.

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41. OTHER RESERVES

For 2024

	Opening balance as at 01. 01. 2024	Movement/ transfers	Closing balance as at 31.12.2024
	Rs.	Rs.	Rs.
Exchange equalisation of capital (Note 41.1)	1,545,329,885	(224,594,653)	1,320,735,232
Foreign currency translation reserve (Note 41.2)	1,286,512,142	(559,337,211)	727,174,931
Fair value OCI reserve	(22,702,559)	-	(22,702,559)
Reserve through Contributed Assets (Note 41.3)	9,214,212,634	-	9,214,212,634
ECL Reserve (Note 41.4)	170,072,326	143,248,439	313,320,765
Total	12,193,424,428	(640,683,425)	11,552,741,003

For 2023

	Opening balance as at 01. 01. 2023	Movement/ transfers	Closing balance as at 31.12.2023
	Rs.	Rs.	Rs.
Exchange equalisation of capital (Note 41.1)	1,861,560,316	(316,230,431)	1,545,329,885
Foreign currency translation reserve (Note 41.2)	1,632,736,544	(346,224,402)	1,286,512,142
Fair value OCI reserve	(22,702,559)	-	(22,702,559)
Reserve through Contributed Assets (Note 41.3)	8,709,569,439	504,643,195	9,214,212,634
ECL Reserve (Note 41.4)	265,328,143	(95,255,817)	170,072,326
Total	12,446,491,883	(253,067,455)	12,193,424,428

41.1 Exchange equalisation of capital

Exchange equalisation of capital represents the appreciation /depreciation of capital maintained in foreign currency due to exchange rate fluctuation. The exchange rate fluctuation is being accounted under exchange equalisation of capital.

41.2 Foreign currency translation reserve

Exchange equalisation of reserve represents the effect of currency translation of Income Statement and Reserve Fund.

41.3 Reserve through contributed assets

As explained in note number 35 this is the unremittable head office and other group payables amounting to Rs.504,643,195/- reported upto May 2022, converted to equity during the financial year 2023 with prior approval of Central Bank of Sri Lanka.

41.4 ECL Reserve

As per the Banking Act Direction No. 13 of 2021, Licensed banks shall maintain a minimum Stage 1 impairment ratio of 0.5% as a percentatge of total Stage 1 credit facilities. In instances where a licensed bank does not maintain a minimum Stage 1 impairment ratio of 0.5% as a percentage of total Stage 1 credit facilities, such deficit shall be required to be maintained in a special reserve account against equity.

42. CONTINGENT LIABILITIES AND COMMITMENTS

	2024	2023
	Rs.	Rs.
Guarantees	28,782,075,237	30,959,991,385
Letters of credit	7,093,815,185	5,729,066,064
Forward/SWAP exchange contracts	36,335,777,594	7,508,424,138
Usance Import Bills	927,729,274	521,260,855
Shipping Guarantees	4,986,665,554	2,961,443,156
Undrawn loan commitments	29,168,145,626	27,157,979,699
Total	107,294,208,470	74,838,165,296

42.1 Movements in impairment during the year

	2024	2023
	Rs.	Rs.
Stage 1		
Opening balance as at 1 January	108,932,077	31,574,185
Impairment charge/(reversal) to Income Statement	(68,148,711)	77,357,892
Closing balance as at 31 December	40,783,366	108,932,077
Stage 2		
Opening balance as at 1 January	12,945,329	27,398,975
Impairment charge/(reversal) to Income Statement	133,386,519	(14,453,646)
Closing balance as at 31 December	146,331,848	12,945,329
	187,115,214	121,877,406

There were no stage 3 facilities for both financial years.

43. RELATED PARTY TRANSACTIONS

The Branch carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard – LKAS 24 – 'Related Party Disclosures'.

43.1 Transactions with Key Management Personnel (KMP)

Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity as per Sri Lanka Accounting Standard - LKAS 24 on " Related Party Disclosures". Accordingly, the branch KMP includes the members of its Branch Management Board (BMB) & selected officers performing executive functions who meet the above criteria.

For the year ended 31 December	2024 Rs.	2023 Rs.
Compensation to KMP		
Short term employee benefits	237,203,372	229,567,335
Post employment benefits	182,381,989	98,239,003
Termination benefits	-	-
Share based payments	-	-
	419,585,361	327,806,338

43.1.2 Transactions, arrangements and agreements involving KMP

	2024 Rs.	2023 Rs.
Lending facilities granted to KMP	94,989,980	76,330,546
Interest charged on lending facilities granted to KMP	3,012,107	2,136,219

43.1.3 Transactions, arrangements and agreements involving the Close Family Members (CFM) of KMP

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the Branch. They may include KMP's domestic partner and children, children of the KMP domestic partner and dependents of the KMP or the KMP domestic partner. CFM are related parties to the Branch.

There are no transactions reported during the reporting period related to close family members.

43.1.4 Impairment charges

No impairment losses have been recorded against balances outstanding during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel at the reporting date.

43.2 Transactions and balances with Group entities

43.2.1 Transactions with Deutsche Bank Group

The Branch engages in Inter-Group Borrowings and Lendings, derivative financial instruments with Group Entities, Transfer Pricing Fees receivable from Group Entities, sale or purchase of Investment Securities in between group entities, and the Branch's Provident Fund.

Amount receivable and payable from/to Group entities disclosed in Notes 21 and 37.

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43. RELATED PARTY TRANSACTIONS (Contd...)

43.2.1 Transactions with Deutsche Bank Group (Contd...)

As at December	**2024 Rs.**	**2023 Rs.**
Statement of Financial Position		
Placement with branches	-	48,582
Derivative financial instruments - assets	131,660,218	38,982,666
Group balance receivable		
Branches (Branches of Deutsche Bank AG-Frankfurt)	967,632,787	1,422,329,287
Other Inter-group receivable from Branches and Head Office	209,767,064	296,775,539
Due to branches	1,464,608,821	1,460,629,166
Derivative financial instruments - liabilities	26,919,385	3,333,424
Group balance payable		
Inter-entity expenses payable to HO and branches	3,867,846,761	2,522,864,522
Branches (Branches of Deutsche Bank AG-Frankfurt)	6,536,842	6,030,574
	6,674,971,878	5,750,993,760
Contingent liabilities and commitments	12,111,509,452	21,671,368,144

For the year ended 31 December	**2024 Rs.**	**2023 Rs.**
Income statement		
Interest income	1,073,404,443	805,738,364
Interest expense	100,939,686	52,360,876
Fee and commission income	7,271,718	6,022,753
Other income	12,523,979	88,931,295
Other operating expenses	1,961,155,667	1,950,880,600

43.2.2 Balances with the Employee's provident fund

According to Sri Lanka Accounting Standard LKAS 24 "Related Party Disclosures", a party is related to the entity if, the entity is a post-employment benefit plan for the benefits of employees of the entity.

As at December	**2024 Rs.**	**2023 Rs.**
Statement of Financial Position		
Financial liabilities at amortized cost - Due to depositors	50,606,200	15,031,604

For the year ended 31 December	**2024 Rs.**	**2023 Rs.**
Income statement		
Other operating expenses	952,298	952,298

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44. MATURITY ANALYSIS FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES

44.1 The following tables set out the remaining contractual maturities of assets and liabilities of the Branch.

As at 31 December 2024	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets by type						
Non-derivative assets						
Cash and cash equivalents	180,069,548	-	-	-	-	180,069,548
Balances with Central Bank	11,590,303,122	-	-	-	-	11,590,303,122
Placements with banks	28,743,633,739	-	-	-	-	28,743,633,739
Placements with branches	-	-	-	-	-	-
Group balances receivables	967,632,787	-	209,767,064	-	-	1,177,399,850
Financial assets measured at fair value through profit or loss (FVTPL)	-	-	-	-	-	-
Financial assets at amortized cost - Loans and advances to customers	21,622,757,103	23,924,998	59,659,642	17,264,665	75,432,715	21,799,039,124
Financial assets at amortized cost – Debt and other instruments	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	-	-	-	42,338,984	42,338,984
Property, plant and equipment	-	-	-	-	481,916,234	481,916,234
Deferred tax assets	-	-	-	127,906,914	-	127,906,914
Other assets	310,860,625	359,292,596	-	-	-	670,153,221
Derivative assets						
Derivative financial instruments	131,660,218	-	-	-	-	131,660,218
	63,546,917,143	383,217,594	269,426,706	145,171,579	599,687,933	64,944,420,955
Financial liabilities by type						
Non-derivative liabilities						
Due to banks	-	-	-	-	-	-
Due to branches	1,464,608,821	-	-	-	-	1,464,608,821
Financial liabilities at amortized cost - Due to depositors	29,729,028,245	303,779,877	-	-	-	30,032,808,121
Retirement Benefit Obligations	-	-	-	-	134,214,480	134,214,480
Current tax liabilities	328,773,273	328,773,273	-	-	-	657,546,545
Other provisions	1,402,615		-	-	-	1,402,615
Other liabilities	272,478,190	467,598,525	-	-	-	740,076,715
Group balance payable	6,536,842	3,867,846,761	-	-	-	3,874,383,603
Derivative liabilities						
Derivative financial instruments	26,919,385	-	-	-	-	26,919,385
	31,829,747,371	4,967,998,435	-	-	134,214,480	36,931,960,285

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44. MATURITY ANALYSIS FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Contd…)

44.2 The following tables set out the remaining contractual maturities of assets and liabilities of the Branch.

As at 31 December 2023	**Up to 3 months**	**3 to 12 months**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**	**Total**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Financial assets by type						
Non-derivative assets						
Cash and cash equivalents	542,720,883	-	-	-	-	542,720,883
Balances with Central Bank	12,346,487,518	-	-	-	-	12,346,487,518
Group balances receivables	1,422,329,287	296,775,539	-	-	-	1,719,104,826
Placements with banks	13,608,939,796	-	-	-	-	13,608,939,796
Placements with branches	48,582	-	-	-	-	48,582
Financial assets measured at fair value through profit or loss (FVTPL)	18,041,590,191	-	-	-	-	18,041,590,191
Financial assets at amortized cost - Loans and advances to customers	24,366,572,061	63,556,846	49,731,824	27,080,345	47,343,555	24,554,284,631
Financial assets at amortized cost - Debt and other instruments	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	-	-	-	42,338,984	42,338,984
Property, plant and equipment	-	-	-		617,455,063	617,455,063
Deferred tax assets	-	-	-	95,572,008	-	95,572,008
Other assets	974,475,731	489,673,137	-	-	-	1,464,148,868
Derivative assets						
Derivative financial instruments	38,982,666	-	-	-	-	38,982,666
	71,342,146,715	850,005,522	49,731,824	122,652,353	707,137,602	73,071,674,016
Financial liabilities by type						
Non-derivative liabilities						
Due to banks	-	-	-	-	-	-
Due to branches	1,460,629,166	-	-	-	-	1,460,629,166
Financial liabilities at amortized cost - Due to depositors	38,650,892,520	34,032,471	-	-	-	38,684,924,991
Retirement Benefit Obligations	-	-	-	-	96,008,876	96,008,876
Current tax liabilities	786,088,234	786,088,234	-	-	-	1,572,176,468
Other provisions	3,045,444	-	-	-	-	3,045,444
Other liabilities	299,280,686	1,107,853,000	-	-	-	1,407,133,686
Group balance payable	6,030,574	2,522,864,522	-	-	-	2,528,895,096
Derivative liabilities						-
Derivative financial instruments	3,333,424	-	-	-	-	3,333,424
	41,209,300,048	4,450,838,227	-	-	96,008,876	45,756,147,151

45. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

45.1 Analysis of financial instruments by measurement basis

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments of the Branch.

As at 31 December 2024	AC Rs.	FVTPL Rs.	FVOCI Rs.	Total Rs.
Financial assets				
Cash and cash equivalents	180,069,548	-	-	180,069,548
Balances with Central Bank	11,590,303,122	-	-	11,590,303,122
Placements with banks	28,743,633,739	-	-	28,743,633,739
Placements with branches	-	-	-	-
Derivative financial instruments	-	131,660,218	-	131,660,218
Financial assets measured at fair value through profit or loss (FVTPL)	-	-	-	-
Financial assets at amortized cost - Loans and advances to customers	21,799,039,124	-	-	21,799,039,124
Financial assets at amortized cost - Debt and other instruments	-	-	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	-	42,338,984	42,338,984
Group balances receivables	1,177,399,851	-	-	1,177,399,851
Other assets	670,153,221	-	-	670,153,221
Total financial assets	64,160,598,605	131,660,218	42,338,984	64,334,597,807

Financial liabilities	AC Rs.	FVTPL Rs.	Total Rs.
Due to Banks	-	-	-
Due to branches	1,464,608,821	-	1,464,608,821
Derivative financial instruments	-	26,919,385	26,919,385
Financial liabilities at amortized cost - Due to depositors	30,032,808,121	-	30,032,808,121
Group balance payable	3,874,383,603	-	3,874,383,603
Other liabilities	272,478,190	-	272,478,190
Total financial liabilities	35,644,278,736	26,919,385	35,671,198,121

As at 31 December 2023	AC Rs.	FVTPL Rs.	FVOCI Rs.	Total Rs.
Financial assets				
Cash and cash equivalents	542,720,883	-	-	542,720,883
Balances with Central Bank	12,346,487,518	-	-	12,346,487,518
Placements with banks	13,608,939,796	-	-	13,608,939,796
Placements with branches	48,582	-	-	48,582
Derivative financial instruments	-	38,982,666	-	38,982,666
Financial assets measured at fair value through profit or loss (FVTPL)	-	18,041,590,191	-	18,041,590,191
Financial assets at amortized cost - Loans and advances to customers	24,554,284,631	-	-	24,554,284,631
Financial assets at amortized cost - Debt and other instruments	-	-	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	-	42,338,984	42,338,984
Group balances receivables	1,719,104,826	-	-	1,719,104,826
Other assets	1,464,148,868	-	-	1,464,148,868
Total financial assets	54,235,735,104	18,080,572,857	42,338,984	72,358,646,945

Financial liabilities	AC Rs.	FVTPL Rs.	Total Rs.
Due to Banks	-	-	-
Due to branches	1,460,629,166	-	1,460,629,166
Derivative financial instruments	-	3,333,424	3,333,424
Financial liabilities at amortized cost - Due to depositors	38,684,924,991	-	38,684,924,991
Group balance payable	2,528,895,096	-	2,528,895,096
Other liabilities	299,280,686	-	299,280,686
Total financial liabilities	42,973,729,939	3,333,424	42,977,063,363

AC – Financial assets/liabilities measured at amortized cost
FVTPL – Financial assets/liabilities measured at fair value through profit or loss
FVOCI – Financial assets measured at fair value through other comprehensive income

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45. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (Contd...)

45.2 Note 40.2 Fair Value Hierarchy

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Branch's estimate of assumptions that a market participant would make when valuing the instruments.

Determination of fair value and fair value hierarchy

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Branch uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant

Fair values are determined according to the following hierarchy:

Level 1 – quoted market price (unadjusted): financial instruments with quoted prices in active markets.

Level 2 – valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments are valued using models where all significant inputs are observable.

Level 3 – valuation technique with significant unobservable inputs: financial instruments are valued using valuation techniques where one or more significant inputs are unobservable.

Valuation framework

The Branch has an established control framework for the measurement of fair values. This framework includes a separate control function within Market Risk Management, which is independent of front office management in reporting to the Branch Management Board (BMB) of the Branch. The BMB has overall responsibility for independently verifying the results of operations and all significant fair value measurements.

45.2.1 Assets and liabilities measured at fair value and fair value hierarchy

The following table provides an analysis of Assets and Liabilities measured at fair value as at the Reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. These amounts were based on the values recognised in the Statement of Financial Position.

As at 31 December 2024	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial assets				
Derivative financial instruments	-	131,660,218	-	131,660,218
Financial assets measured at fair value through other comprehensive income				
Treasury Bills	-	-	-	-
Treasury Bonds	-	-	-	-
Equity securities	-	-	42,338,984	42,338,984
Total financial assets	18,041,590,191	131,660,218	42,338,984	18,215,589,393
Financial liabilities				
Derivative financial instruments	-	26,919,385	-	26,919,385
Total financial liabilities	-	26,919,385	-	26,919,385

As at 31 December 2023	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial assets				
Derivative financial instruments	-	38,982,666	-	38,982,666
Financial assets measured at fair value through Profit or Loss/other comprehensive income				
Treasury Bills	14,061,124,868	-	-	14,061,124,868
Treasury Bonds	3,980,465,323	-	-	3,980,465,323
Equity securities	-	-	42,338,984	42,338,984
Total financial assets	18,041,590,191	38,982,666	42,338,984	18,122,911,841
Financial liabilities				
Derivative financial instruments	-	3,333,424	-	3,333,424
Total financial liabilities	-	3,333,424	-	3,333,424

45. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (Contd...)

45.2.2 Financial instruments not measured at fair value and fair value hierarchy

Methodologies and assumptions used to determine fair value of financial instruments, which are not already recorded at fair value in the Statement of Financial Position, are as follows:

Fixed rate financial instruments

The fair value of fixed-rate Financial Assets and Liabilities carried at amortised cost (e.g. fixed rate loans and advances, due to other customers, subordinate liabilities) are estimated based on the Discounted Cash Flow approach. This approach employs the current market interest rates of similar financial instruments as a significant unobservable input in measuring the fair value and hence it is categorised under Level 3 in the fair value hierarchy.

Sensitivity of significant unobservable inputs used to measure fair value of fixed rate financial instruments.

A significant increase/(decrease) in the market interest rate would result in lower/ (higher) fair value being disclosed.

For financial assets and liabilities with short term maturities or with short term re-pricing intervals, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings deposits which do not have a specific maturity.

The table in the next page sets out the fair values of Financial Assets and Liabilities not measured at fair value and related fair value hierarchy:

Sensitivity of significant unobservable inputs used to measure fair value of fixed rate financial instruments.

A significant increase/(decrease) in the market interest rate would result in lower/ (higher) fair value being disclosed.

For financial assets and liabilities with short term maturities or with short term re-pricing intervals, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings deposits which do not have a specific maturity.

The table in the next page sets out the fair values of Financial Assets and Liabilities not measured at fair value and related fair value hierarchy:

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45. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (Contd...)

45.2.2 Financial instruments not measured at fair value and fair value hierarchy (Contd...)

Assets for which fair value approximates carrying value

For Financial Assets and Liabilities with short term maturities or with short term re-pricing intervals, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings deposits which do not have a specific maturity.

The following table sets out the fair values of Financial Assets and Liabilities not measured at fair value and related fair value hierarchy:

	As at 31 December 2024					*As at 31 December 2023*				
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**	**Total Carrying Amount**	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**	**Total Carrying Amount**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Financial assets										
Cash and cash equivalents	-	180,069,548	-	180,069,548	180,069,548	-	542,720,883	-	542,720,883	542,720,883
Balances with Central Bank	-	11,590,303,122	-	11,590,303,122	11,590,303,122	-	12,346,487,518	-	12,346,487,518	12,346,487,518
Placements with Banks	-	28,743,633,739	-	28,743,633,739	28,743,633,739	-	13,608,939,796	-	13,608,939,796	13,608,939,796
Placements with Branches	-	-	-	-	-	-	48,582	-	48,582	48,582
Group balances receivables	-	1,177,399,851	-	1,177,399,851	1,177,399,851	-	1,719,104,826	-	1,719,104,826	1,719,104,826
Financial assets at amortized cost - Loans and advances to customers	-	21,799,039,124	-	21,799,039,124	21,799,039,124	-	24,554,284,631	-	24,554,284,631	24,554,284,631
Financial assets at amortized cost - Debt and other instruments	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	310,860,625	310,860,625	310,860,625	-	-	974,475,731	974,475,731	974,475,731
	-	63,490,445,384	310,860,625	63,801,306,010	63,801,306,011	-	52,771,586,236	974,475,731	53,746,061,967	53,746,061,967
Financial Liabilities										
Due to Banks	-	-	-	-	-	-	-	-	-	-
Due to branches	-	1,464,608,821	-	1,464,608,821	1,464,608,821	-	1,460,629,166	-	1,460,629,166	1,460,629,166
Financial liabilities at amortized cost - Due to depositors	-	30,032,808,121	-	30,032,808,121	30,032,808,121	-	38,684,924,991	-	38,684,924,991	38,684,924,991
Group Balance Payable	-	6,536,842	3,867,846,761	3,874,383,603	3,874,383,603	-	6,030,574	2,522,864,522	2,528,895,096	2,528,895,096
Other Liabilities	-	-	272,478,190	272,478,190	272,478,190	-	-	299,280,686	299,280,686	299,280,686
	-	31,503,953,784	4,140,324,951	35,644,278,736	35,644,278,736	-	40,151,584,731	2,822,145,208	42,973,729,939	42,973,729,939

45. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (Contd...)

45.3 Valuation Techniques and Inputs in Measuring Fair Values

The table below provides information on the valuation techniques and inputs used in measuring the fair values of Derivative Financial Assets and Liabilities in the Level 2 and unquoted shares in Level 3 of the fair value hierarchy as given in Note 45.2.1 above.

Type of Financial Instruments	Fair Value as at 31 December 2024	Valuation Technique	Significant Valuation Inputs
	Rs.		
Derivative Financial Assets	131,660,218	Adjusted Forward Rate Approach	-Spot exchange rate
Derivative Financial Liabilities	26,919,385	This approach considers the present value of projected forward exchange rate as at the Reporting date, as the fair value. The said forward rate is projected based on the spot exchange rate and the forward premium/discount calculated using extrapolated interest rates of the currency pairs under consideration. In computing the present value, interest rate differential between two currencies under consideration is used as the discount rate.	-Interest rate differentials between currencies under consideration
Unquoted Shares	42,338,984	The unquoted shares, which are held for regulatory purposes, are valued based on internal management information derived from the audited financial statements based on the net asset value of the investee, which is a significant unobservable input in measuring the fair value and hence it is categorized under level 3 in the fair value hierarchy.	Net book value per share

45.4 Reconciliation of Level 3 Fair Value

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	Unquoted Equity Securities
	Rs.
Balance as at 1 January 2024	42,338,984
Gain included in OCI	-
Net change in fair value (unrealized)	-
Balance as at 31 December 2024	42,338,984
Balance as at 1 January 2023	42,338,984
Gain included in OCI	-
Net change in fair value (unrealized)	-
Balance as at 31 December 2023	42,338,984

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46. FINANCIAL RISK REVIEW

46.1 Key types of Risks

The Branch has exposure to the following key risks from financial instruments:

Credit Risk
Liquidity risk
Market and Valuation Risk
Operational Risk

46.1.1 Credit risk

Credit Risk arises from all transactions where actual, contingent or potential claims against any counterparty, borrower, obligor or issuer (which we refer to collectively as "counterparties") exist, including those claims that the bank plans to distribute. It captures the risk of loss because of a deterioration of a counterparty's creditworthiness or the failure of a

Credit Risk contains four material categories (Level 2) in DB Group's Risk Type Taxonomy:

Risk	Risk definition
Default/Migration Risk	Risk that a counterparty defaults on its payment obligations or experiences material credit quality deterioration, increasing the likelihood of a default.
Transaction/Settlement Risk (exposure risk)	Risk that that arises from any existing, contingent or potential future positive exposure.
Mitigation Risk	Risk of of higher losses due to risk mitigation measures not performing as anticipated.
Concentration Risk	Risk of an adverse development in a specific single counterparty, country, industry or product leading to a disproportionate deterioration in the risk profile of DB's credit exposures to that counterparty, country, industry or product.

46.1.1.1 Credit risk stress testing

Credit Risk stress tests are based on Group stress test methodology using macro-economic shock scenarios defined by ERM Risk Research. Credit Risk EC, EL, ECL and exposure stress test results are provided by the Group on a quarterly basis in a standard report.

The stress on the bank's Credit Risk regulatory capital is calculated locally. For this purpose, the specifically calculated rating migration matrix (based on the Global Downturn Scenario or another macroeconomic stress scenario) provided by Group is applied to the local rated portfolio. The migration matrix is an output from the Group Credit Stress Test (GCST), which is the macroeconomic downturn (as mentioned above) applied on the bank's credit portfolio using the internal EC model to calculate rating downgrade impact. By applying regulatory risk weights to the exposure of the derived portfolio, stressed RWA are calculated.

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46. FINANCIAL RISK REVIEW (Contd...)

46.1.1 Credit risk (Cont...)

46.1.1.2 Maximum Exposure

The maximum exposure to credit risk at the end of the reporting period, without taking into consideration any collateral held or other credit enhancements, is represented by the carrying amount of each financial asset in the Statement of Financial Position after deducting any impairment allowance. A summary of the maximum exposure is as follows:

Total gross credit risk exposures broken down by major types of credit exposure.

As at 31 December	2024 Rs.	2023 Rs.
On-balance sheet items		
Cash and cash equivalents	66,970,982	445,810,516
Balances with Central Bank	11,635,293,329	12,406,013,042
Placements with banks	28,743,709,323	13,608,967,974
Placements with branches	-	48,582
Group balances receivable	1,177,399,851	1,719,104,826
Financial assets measured at fair value through profit or loss (FVTPL)	-	18,041,590,191
Financial assets at amortized cost - Loans and advances to customers	21,869,609,834	24,615,292,862
Financial assets at amortized cost - Debt and other instruments	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	42,338,984	42,338,984
Other assets	310,860,625	974,475,731
Total on-balance sheet items	63,846,182,929	71,853,642,708
Off-balance sheet items		
Guarantees	33,768,740,791	33,921,434,541
Letters of credit	7,093,815,185	5,729,066,064
Forward/SWAP exchange contracts	36,335,777,594	7,508,424,138
Usance Import Bills	927,729,274	521,260,855
Undrawn loan commitments	29,168,145,626	27,157,979,699
Total off-balance sheet items	107,294,208,470	74,838,165,296

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46. FINANCIAL RISK REVIEW (Contd…)

46.1.1 Credit risk (Cont...)

46.1.1.3 Geographic distribution of exposures, broken downs in significant areas by types of credit exposure

As at 31 December 2024	Sri Lanka	Asia Pacific (excl Sri Lanka)	North & Latin America	Europe	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
On-balance sheet items					
Cash and cash equivalents	-	52,071,843	525,785	14,373,354	66,970,982
Balances with Central Bank	11,635,293,329	-	-	-	11,635,293,329
Placements with Banks	-	28,743,709,323	-	-	28,743,709,323
Placements with Branches	-	-	-	-	-
Group balances receivable	-	72,311,372	783,267,696	321,820,783	1,177,399,851
Financial assets measured at fair value through profit or loss (FVTPL)	-	-	-	-	-
Financial assets at amortized cost - Loans and advances to customers	21,869,609,834	-	-	-	21,869,609,834
Financial assets at amortized cost - Debt and other instruments	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	42,338,984	-	-	-	42,338,984
Other assets	310,860,625	-	-	-	310,860,625
Total on-balance sheet items	33,858,102,772	28,868,092,538	783,793,481	336,194,137	63,846,182,929
Off-balance sheet items					
Guarantees	16,947,622,955	13,499,838,799	10,000,000	3,311,279,037	33,768,740,791
Letters of credit	7,093,815,185	-	-	-	7,093,815,185
Forward/SWAP exchange contracts	36,335,777,594	-	-	-	36,335,777,594
Usance Import Bills	927,729,274	-	-	-	927,729,274
Undrawn loan commitments	29,168,145,626	-	-	-	29,168,145,626
Total off-balance sheet items	90,473,090,634	13,499,838,799	10,000,000	3,311,279,037	107,294,208,470

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46. FINANCIAL RISK REVIEW (Contd...)

46.1.1 Credit risk (Cont...)

46.1.1.3 Geographic distribution of exposures, broken downs in significant areas by types of credit exposure (Contd...)

As at 31 December 2023	Sri Lanka	Asia Pacific (excl Sri Lanka)	North & Latin America	Europe	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
On-balance sheet items					
Cash and cash equivalents	-	48,969,709	-	396,840,808	445,810,516
Balances with Central Bank	12,406,013,042	-	-	-	12,406,013,042
Placements with banks	-	13,608,967,974	-	-	13,608,967,974
Placements with branches	-	-	-	48,582	48,582
Group balances receivable	-	103,333,331	281,649,545	1,334,121,950	1,719,104,826
Financial assets measured at fair value through profit or loss (FVTPL)	18,041,590,191	-	-	-	18,041,590,191
Financial assets at amortized cost - Loans and advances to customers	24,615,292,862	-	-	-	24,615,292,862
Financial assets at amortized cost - Debt and other instruments	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	42,338,984	-	-	-	42,338,984
Other assets	974,475,731	-	-	-	974,475,731
Total on-balance sheet items	56,079,710,810	13,761,271,014	281,649,545	1,731,011,340	71,853,642,708
Off-balance sheet items					
Guarantees	16,981,201,874	8,716,219,990	466,023,040	7,757,989,637	33,921,434,541
Letters of credit	5,729,066,064	-	-	-	5,729,066,064
Forward/SWAP exchange contracts	7,468,461,539	-	-	39,962,599	7,508,424,138
Usance Import Bills	521,260,855	-	-	-	521,260,855
Undrawn loan commitments	27,157,979,699	-	-	-	27,157,979,699
Total off-balance sheet items	57,857,970,031	8,716,219,990	466,023,040	7,797,952,236	74,838,165,297

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46. FINANCIAL RISK REVIEW (Contd…)

46.1.1 Credit risk (Cont...)

46.1.1.4 Concentrations of Credit Risk

By setting various concentration limits under different criteria within the established risk appetite framework (i.e., single borrower/ group, industry sectors, product, counterparty and country etc.), the Branch ensures that an acceptable level of risk diversification is maintained on an ongoing basis. These limits are continuously monitored and periodically reviewed by the BMB and Branch Compliance team to capture the developments in market, political and economical environment both locally and internationally to strengthen the dynamic portfolio management practices and to provide an early warning on possible credit concentrations.

The maximum exposure to credit risk to the components of financial assets in the Statement of Financial Position as at 31 December, broken down by industry sector and of financial assets are given below:

Financial Assets	Agriculture	Manufacturing	Construction	Trading	Finance, Insurance and business services	Other	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 31 December 2024							
Cash and Cash Equivalents	-	-	-	-	66,970,982	-	66,970,982
Balances with Central bank	-	-	-	-	11,635,293,329	-	11,635,293,329
Placements with banks	-	-	-	-	28,743,709,323	-	28,743,709,323
Placements with branches	-	-	-	-	-	-	-
Group balances receivable	-	-	-	-	1,177,399,851	-	1,177,399,851
Financial assets measured at fair value through profit or loss (FVTPL)	-	-	-	-	-	-	-
Financial assets at amortized cost - Loans and advances to customers	98,166,743	11,559,759,398	38,695,271	3,026,492,958	658,763,097	6,487,732,367	21,869,609,834
Financial assets at amortized cost - Debt and other instruments	-	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	-	-	-	42,338,984	-	42,338,984
Other assets	-	-	-	-	310,860,625	-	310,860,625
	98,166,743	11,559,759,398	38,695,271	3,026,492,958	42,635,336,192	6,487,732,367	63,846,182,929

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46. FINANCIAL RISK REVIEW (Contd...)

46.1.1 Credit risk (Cont...)

46.1.1.4 Concentrations of Credit Risk (Contd...)

Financial Assets	Agriculture	Manufacturing	Construction	Trading	Finance, Insurance and business services	Other	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 31 December 2023							
Cash and Cash Equivalents	-	-	-	-	445,810,516	-	445,810,516
Balances with Central Bank	-	-	-	-	12,406,013,042	-	12,406,013,042
Placements with banks	-	-	-	-	13,608,967,974	-	13,608,967,974
Placements with branches	-	-	-	-	48,582	-	48,582
Group balances receivable	-	-	-	-	1,719,104,826	-	1,719,104,826
Financial assets measured at fair value through profit or loss (FVTPL)	-	-	-	-	18,041,590,191	-	18,041,590,191
Financial assets at amortized cost - Loans and advances to customers	83,620,710	6,002,611,691	43,211,791	6,518,031,241	464,289,669	11,503,527,761	24,615,292,862
Financial assets at amortized cost - Debt and other instruments	-	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	-	-	-	42,338,984	-	42,338,984
Other assets	-	-	-	-	974,475,731	-	974,475,731
	83,620,710	6,002,611,691	43,211,791	6,518,031,241	47,702,639,515	11,503,527,761	71,853,642,708

46.1.1.5 Residual contractual maturity breakdown of the whole credit portfolio, by major types of credit exposure

As at December 31		2024		2023	
Type		Utilisation / Exposure	Total	Utilisation / Exposure	Total
		Rs.	Rs.	Rs.	Rs.
< 1 year	On-balance sheet	64,139,901,800		71,824,426,415	
	Off-Balance Sheet	99,187,685,470	163,327,587,270	57,507,050,887	129,331,477,302
1 year- 5 years	On-balance sheet	76,924,307		44,983,531	
	Off-Balance Sheet	7,236,697,000	7,313,621,307	17,250,115,407	17,295,098,938
> 5 years	On-balance sheet	117,771,699		120,125,796	
	Off-Balance Sheet	869,826,000	987,597,699	80,999,002	201,124,797

46. FINANCIAL RISK REVIEW (Contd…)

46.1.1 Credit risk (Cont...)

46.1.1.6 Amount Arising from ECL

Loss Allowance

The following table shows reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

For the year ended 31 December	2024			2023		
	Stage 1	**Stage 2**	**Total**	**Stage 1**	**Stage 2**	**Total**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Placements with Banks (Note 18.1)						
Balance at 1 January	28,178	-	28,178	-	-	-
Charge/ (reversal) during the year	47,406	-	47,406	28,178	-	28,178
Balance at 31 December	75,584	-	75,584	28,178	-	28,178
Balances with Central Bank (Note 17.1)						
Balance at 1 January	59,525,524	-	59,525,524	-	182	-
Charge/ (reversal) during the year	(14,535,317)	-	(14,535,317)	59,525,524	(182)	59,525,342
Balance at 31 December	44,990,207	-	44,990,207	59,525,524	-	59,525,524
Financial assets at amortized cost - Loans and advances to customers (Note 23.3)						
Balance at 1 January	58,130,367	2,877,864	61,008,231	12,789,073	11,504,826	24,293,899
Charge/ (reversal) during the year	(49,405,834)	58,968,313	9,562,479	45,341,294	(8,626,962)	36,714,332
Balance at 31 December	8,724,533	61,846,177	70,570,710	58,130,367	2,877,864	61,008,231

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46. FINANCIAL RISK REVIEW (Contd...)

46.1.1 Credit risk (Cont...)

	2024			2023		
	Stage 1	**Stage 2**	**Total**	**Stage 1**	**Stage 2**	**Total**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Financial assets measured at fair value through other comprehensive income (FVOCI) (Note 25.3)						
Balance at 1 January	-	-	-	-	-	-
Charge/ (reversal) during the year	-	-	-	-	-	-
Balance at 31 December	-	-	-	-	-	-
Commitments and Contingencies (Note 42.1)						
Balance at 1 January	108,932,077	12,945,329	121,877,406	31,574,185	-	31,574,185
Charge/ (reversal) during the year	(68,148,711)	133,386,519	65,237,808	77,357,892	12,945,329	90,303,221
Balance at 31 December	40,783,366	146,331,848	187,115,214	108,932,077	12,945,329	121,877,406

There were no stage 3 facilities for both financial years.

46.1.1.7 Credit Exposure Arising from Derivative Transactions

Credit risk arising from derivative financial instruments at any time is limited to those with positive fair values, as reported in the Statement of Financial Position. With gross settled derivatives, the Branch is also exposed to a settlement risk, being the risk of the counterparty failing to deliver the counter value.

	2024		2023	
	Notional	**Fair Value**	**Notional**	**Fair Value**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Forward/SWAP Contracts				
Derivative financial assets	13,985,368,864	131,660,218	2,141,563,603	38,982,666
Derivative financial liabilities	4,237,277,597	26,919,385	1,623,000,000	3,333,424

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46. FINANCIAL RISK REVIEW (Contd…)

46.1.1 Credit risk (Cont...)

46.1.1.8 Offsetting financial assets and financial liabilities

Financial Assets and Financial Liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

46.1.2 Liquidity Risk

Liquidity Risk relates to the risk that DB will be unable to meet its payment obligation as they fall due or can only meet its obligation at an excessive cost.

The objective of the Group's Liquidity Risk management framework is to ensure that the guidance and controls are established within DB Group to fulfil its payment obligations at all times (including intraday) and can manage its Liquidity and Funding Risks within its Risk Appetite. The framework considers relevant and significant drivers of Liquidity Risk, whether on-balance sheet or off-balance sheet.

46.1.2.1 Management of liquidity risk

The Branch's Management sets the Bank's strategy for managing liquidity risk, and oversight of the implementation is administered by Assets and Liability Management Committee (ALCO). ALCO approves the Branch's liquidity policies and procedures. Treasury manages the Branch's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of the Branch. A summary report, including any exceptions and remedial action taken, is submitted to ALCO meetings on ad hoc when predefined thresholds are breached.

The Branch's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The key elements of the Branch's liquidity strategy are as follows:

- Monitoring maturity mismatches, behavioural characteristics of the Branch's financial assets and financial liabilities, and the extent to which the Branch's assets are encumbered and so not available as potential collateral for obtaining funding.
- Monitoring the Branch's liquidity through the Net Stable Funding Ratio (statutory minimum is currently 100%) and Liquidity Coverage Ratio using a stock approach. Also, monitoring the Branch's liquidity through the Statutory Liquid Assets Ratio (statutory minimum is currently 20%) has been carried out until 15.06.2024.
- Effecting threshold limits relevant for liquidity management as part of the overall risk limits system of the Branch.
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity.

46.1.2.2 Liquidity risk stress testing

DB Colombo is fully integrated into the Group's liquidity risk management framework, and as such performs liquidity stress tests on a regular basis. The stress test framework is derived from DB's global stress testing framework, and adjusted to cover local market peculiarities, where necessary.

Liquidity stress test results are computed by Liquidity and Treasury Reporting and Analysis (LTRA) team. Stress models and parameters are adjusted to cover local market and product specifications, which are reviewed and validated by APAC Liquidity Risk Management (LRM) in its capacity as an independent risk unit, and approved at the local ALCO.

Stress tests results are discussed regularly in the local ALCO, where local Branch Management Board (BMB) members are also members of ALCO. Liquidity stress testing models (including all applicable assumptions) are reviewed regularly to ensure that all stress parameters are sufficiently severe and remain relevant to DB Colombo. Any changes in liquidity stress testing models/assumptions are subject to ALCO and APAC LRM (Liquidity Risk Management) team's approval prior to the implementation.

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46. FINANCIAL RISK REVIEW (Contd...)

46.1.2 Liquidity Risk (Contd...)

46.1.2.3 Exposure to liquidity risk – Regulatory liquidity

	Minimum Requirement		Actual	
As at 31 December	2024	2023	2024	2023
Exposure to liquidity risk – Regulatory liquidity				
Statutory Liquid Assets Ratio (SLAR)				
- Domestic Banking unit	Discontinued	20%	N/A	95%
- Off-Shore Banking unit	Discontinued	20%	N/A	131%
Liquidity Coverage Ratio (LCR)				
- All Currency	100%	100%	348%	767%
- Rupee	100%	100%	574%	1001%
Net Stable Funding Ratio (NSFR)	100%	100%	211%	212%

Details of the reported LAR of liquid assets to external liabilities of the Domestic Banking Unit (DBU) and the Off-shore Banking Centre (OBC) as at reporting dates are as follows:

Key measures of liquidity	2024	2023
Net loans to total assets	34%	34%
Loans to customer deposits	73%	64%
High Quality Liquid Assets (HQLA) to short term liabilities	32%	74%
Commitments to Liquid assets	259%	55%

46.1.2.4 Liquidity reserves

The following table sets out the components of the Branch's liquidity reserves

As at 31 December	2024		2023	
	Carrying value Rs.	Fair value Rs.	Carrying value Rs.	Fair value Rs.
Cash and cash equivalents	180,069,548	180,069,548	542,720,883	542,720,883
Balances with Central Bank	11,635,293,329	11,635,293,329	12,406,013,042	12,406,013,042
Placements with banks	28,743,709,323	28,743,709,323	13,608,967,974	13,608,967,974
Placements with branches	-	-	48,582	48,582
Unencumbered debt securities issued by sovereigns				
- Financial assets measured at fair value through profit or loss (FVTPL)	-	-	18,041,590,191	18,041,590,191
- Financial assets at amortized cost - Debt and other instruments	-	-	-	-
- Financial assets measured at fair value through other comprehensive income (FVOCI)	42,338,984	42,338,984	42,338,984	42,338,984
Total liquidity reserves	40,601,411,185	40,601,411,185	44,641,679,656	44,641,679,656

The Branch's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. The principal differences are as follows:

- demand deposits from customers are expected to remain stable or increase;
- unrecognised loan commitments are not all expected to be drawn down immediately.

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46. FINANCIAL RISK REVIEW (Contd...)

46.1.2 Liquidity Risk (Contd...)

46.1.2.5 Maturity analysis for financial assets & liabilities

The following tables set out the remaining contractual maturities of financial assets & liabilities of the Branch.

As at 31 December 2024	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets by type						
Cash and cash equivalents	180,069,548	-	-	-	-	180,069,548
Balances with Central Bank	11,635,293,329	-	-	-	-	11,635,293,329
Placements with banks	28,743,709,323	-	-	-	-	28,743,709,323
Placements with branches	-	-	-	-	-	-
Group balances receivables	967,632,787	-	209,767,064	-	-	1,177,399,850
Financial assets at amortized cost - Loans and advances to customers	21,693,327,814	23,924,998	59,659,642	17,264,665	75,432,715	21,869,609,834
Financial assets at amortized cost - Debt and other instruments	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	-	-	-	42,338,984	42,338,984
Other assets	310,860,625	-	-	-	-	310,860,625
Derivative financial instruments	131,660,218	-	-	-	-	131,660,218
	63,662,553,645	23,924,998	269,426,706	17,264,665	117,771,699	64,090,941,712
Financial liability by type						
Due to Banks	-	-	-	-	-	-
Due to Branches	1,464,608,821	-	-	-	-	1,464,608,821
Financial liabilities at amortized cost - Due to Depositors	29,729,028,245	303,779,877	-	-	-	30,032,808,121
Other liabilities	272,478,190	-	-	-	-	272,478,190
Group Balance Payable	6,536,842	3,867,846,761	-	-	-	3,874,383,603
Derivative financial instruments	26,919,385	-	-	-	-	26,919,385
	31,499,571,483	4,171,626,638	-	-	-	35,671,198,121

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46. FINANCIAL RISK REVIEW (Contd...)

46.1.2 Liquidity Risk (Contd...)

45.1.2.5 Maturity analysis for financial assets & liabilities (Contd..)

The following tables set out the remaining contractual maturities of Financial Assets & Liabilities of the Branch.

As at 31 December 2023	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets by type						
Cash and cash equivalents	542,720,883	-	-	-	-	542,720,883
Balances with Central Bank	12,346,487,518	-	-	-	-	12,346,487,518
Placements with banks	13,608,939,796	-	-	-	-	13,608,939,796
Placements with branches	48,582	-	-	-	-	48,582
Group balances receivables	1,422,329,287	296,775,539	-	-	-	1,719,104,826
Financial assets measured at fair value through profit or loss (FVTPL)	18,041,590,191	-	-	-	-	18,041,590,191
Financial assets at amortized cost - Loans and advances to customers	24,366,572,061	63,556,846	49,731,824	27,080,345	47,343,555	24,554,284,631
Financial assets at amortized cost - Debt and other instruments	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	-	-	-	42,338,984	42,338,984
Other assets	974,475,731	-	-	-	-	974,475,731
Derivative financial instruments	38,982,666	-	-	-	-	38,982,666
	71,342,146,715	360,332,385	49,731,824	27,080,345	89,682,539	71,868,973,808
Financial liability by type						
Due to Banks	-	-	-	-	-	-
Due to Branches	1,460,629,166	-	-	-	-	1,460,629,166
Financial liabilities at amortized cost - Due to Depositors	38,650,892,520	34,032,471	-	-	-	38,684,924,991
Other liabilities	299,280,686	-	-	-	-	299,280,686
Group Balance Payable	6,030,574	2,522,864,522	-	-	-	2,528,895,096
Derivative financial instruments	3,333,424	-	-	-	-	3,333,424
	40,420,166,370	2,556,896,993	-	-	-	42,977,063,363

46. FINANCIAL RISK REVIEW (Contd...)

46.1.2 Liquidity Risk (Contd...)

46.1.2.6 Maturity analysis for financial assets & liabilities

The following table shows the expected undiscounted cash flows for financial assets and financial liabilities of the Branch.

As at 31 December 2024	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets by type						
Cash and cash equivalents	180,069,548	-	-	-	-	180,069,548
Balances with Central Bank	11,635,293,329	-	-	-	-	11,635,293,329
Placements with Banks	28,747,011,070	-	-	-	-	28,747,011,070
Placements with Branches	-	-	-	-	-	-
Financial assets measured at fair value through profit or loss (FVTPL)	-	-	-	-	-	-
Financial assets at amortized cost - Loans and advances to customers	21,831,231,510	31,603,463	79,292,223	41,475,739	53,149,404	22,036,752,339
Financial assets at amortized cost - Debt and other instruments	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	-	-	-	42,338,984	42,338,984
Group Balances Receivables	967,632,787	-	209,767,064	-	-	1,177,399,851
Other assets	310,860,625	-	-	-	-	310,860,625
Derivative financial instruments	131,660,218	-	-	-	-	131,660,218
	63,803,759,088	31,603,463	289,059,287	41,475,739	95,488,388	64,261,385,965
Financial liability by type						
Due to Banks	-	-	-	-	-	-
Due to Branches	1,464,608,821	-	-	-	-	1,464,608,821
Financial liabilities at amortized cost - Due to Depositors	29,737,111,188	309,971,332	-	-	-	30,047,082,519
Other liabilities	272,478,190			-	-	272,478,190
Group Balance Payable	6,536,842	3,867,846,761	-	-	-	3,874,383,603
Derivative financial instruments	26,919,385	-	-	-	-	26,919,385
	31,507,654,426	4,177,818,093	-	-	-	35,685,472,519

46. FINANCIAL RISK REVIEW (Contd...)

46.1.2 Liquidity Risk (Contd...)

46.1.2.5.1 Maturity analysis for financial assets & liabilities (Contd..)

The following table shows the expected undiscounted cash flows for financial assets and financial liabilities of the Branch.

	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 31 December 2023						
Financial assets by type						
Cash and cash equivalents	542,720,883	-	-	-	-	542,720,883
Balances with Central Bank	12,406,013,042	-	-	-	-	12,406,013,042
Placements with Banks	13,608,939,796	-	-	-	-	13,608,939,796
Placements with Branches	48,582	-	-	-	-	48,582
Financial assets measured at fair value through profit or loss (FVTPL)	18,041,590,191	-	-	-	-	18,041,590,191
Financial assets at amortized cost - Loans and advances to customers	24,464,491,371	28,031,149	44,983,531	-	77,786,812	24,615,292,862
Financial assets at amortized cost - Debt and other instruments	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	-	-	-	42,338,984	42,338,984
Group Balances Receivables	1,422,329,287	296,775,539	-	-	-	1,719,104,826
Other assets	974,475,731	-	-	-	-	974,475,731
Derivative financial instruments	38,982,666	-	-	-	-	38,982,666
	71,499,591,549	324,806,688	44,983,531	-	120,125,796	71,989,507,563
Financial liability by type						
Due to Banks	-	-	-	-	-	-
Due to Branches	1,460,629,166	-	-	-	-	1,460,629,166
Financial liabilities at amortized cost - Due to Depositors	38,650,892,520	34,032,471	-	-	-	38,684,924,991
Other liabilities	299,280,686	-	-	-	-	299,280,686
Group Balance Payable	6,030,574	2,522,864,522	-	-	-	2,528,895,096
Derivative financial instruments	3,333,424	-	-	-	-	3,333,424
	40,420,166,370	2,556,896,993	-	-	-	42,977,063,363

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46. FINANCIAL RISK REVIEW (Contd…)

46.1.2 Liquidity Risk (Contd…)

46.1.2.6 Financial Assets Available to Support Future Funding

The table below sets out the availability of the Branch's Financial Assets to support future funding:

As at 31 December	2024			2023		
	Encumbered/ Pledged as Collateral	Unencumbered/ Available as collateral	Total	Encumbered/ Pledged as Collateral	Unencumbered/ Available as Collateral	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets						
Cash and cash equivalents	-	180,069,548	180,069,548	-	542,720,883	542,720,883
Balances with Central Bank	-	11,635,293,329	11,635,293,329	-	12,346,487,518	12,346,487,518
Placements with banks	-	28,743,709,323	28,743,709,323	-	13,608,939,796	13,608,939,796
Placements with branches	-	-	-	-	48,582	48,582
Derivative financial Instruments	-	131,660,218	131,660,218	-	38,982,666	38,982,666
Financial assets at amortized cost - Loans and advances to customers	-	21,869,609,834	21,869,609,834	-	24,554,284,631	24,554,284,631
Financial assets at amortized cost - Debt and other instruments	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	42,338,984	42,338,984	-	42,338,984	42,338,984
Financial assets measured at fair value through profit or loss (FVTPL)		-	-	-	18,041,590,191	18,041,590,191
Group balance receivable	-	1,177,399,851	1,177,399,851	-	1,719,104,826	1,719,104,826
Other Assets	-	310,860,625	310,860,625	-	974,475,731	974,475,731
Total Financial Assets	-	64,090,941,713	64,090,941,714	-	71,868,973,808	71,868,973,808

Financial Assets Pledged as Collateral

No financial assets have been pledged as collateral as at the reporting date (2024: NIL).

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46. FINANCIAL RISK REVIEW (Contd...)

46.1.3 Market and Valuation Risk

Market and Valuation Risk arises from the uncertainty concerning changes in market prices and rates (e.g. interest rates, equity prices, FX rates, and commodity prices), the correlations among them and their levels of volatility.

Market & Valuation Risk Management (MVRM) categorises risks also from the product level. The above Risk Types therefore comprise both traded and non-traded positions. Thus DB also distinguishes between:

Traded market risk	Trading market risk arises primarily through the market-making and client facilitation activities of the Investment Bank and Corporate Bank divisions. This involves taking positions in debt, equity, foreign exchange, other securities and commodities as well as in equivalent derivatives.
Non traded market risk	Nontrading market risk arises from market movements, primarily outside the activities of our trading units, in our banking book and from off-balance sheet items. This includes interest rate risk, credit spread risk, investment risk and foreign exchange risk as well as market risk arising from our pension schemes, guaranteed funds and equity compensation. Nontrading market risk also includes risk from the modelling of client deposits as well as savings and loan products.
Traded default risk	Traded default risk arising from defaults and rating migrations relating to trading instruments.
Interest Rate Risk in the Banking Book	Interest Rate Risk in the Banking Book (IRRBB) is the risk from changes in interest rates arising from banking book positions and its corresponding hedges.

46.1.3.1 Market Risk Mitigation

It is the responsibility of each trading desk and business unit to manage their risk exposures, adhere to the approved exposure limits and hence to mitigate market risks appropriately. This can be achieved by using different hedging techniques to reduce relevant exposure. The ultimate responsibility for implementing any required hedging strategy lies with individual business unit management or, in the case of macro-hedges, with central management. Market Risk Management (MRM) can undertake a review of the hedging strategies that are put in place in order to ensure that the risks of the underlying exposures and the hedging positions are fully understood and adequately represented in the systems.

46.1.3.2 Market risk stress testing

Market Risk stress testing evaluates the potential effects of extreme market events and extreme movements in individual risk factors. The scenario-based approach in stress testing is complementary to the statistical model approaches used for VaR calculations. Market & Valuation Risk management performs several types of stress testing to capture the variety of risks: individual business-level stress tests, Portfolio Stress Testing (PST) and Event Risk Scenarios (ERS). Market Risk EC models are based on a scaled Stressed VaR framework that takes into account a calibration of model inputs that are already based on historical data from a continuous 12-month period of significant financial stress.

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46. FINANCIAL RISK REVIEW (Contd...)

46.1.3 Market Risk (Contd...)

The Branch employs a range of tools to monitor and limit market risk exposures. These are discussed below, separately for trading and non-trading portfolios.

The following table sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios.

	Carrying amount	Market risk measure	
As at 31 December 2024		**Trading portfolio**	**Non-trading portfolio**
Assets subject to market risk	**Rs.**	**Rs.**	**Rs.**
Cash and cash equivalents	180,069,548	-	180,069,548
Balances with Central Bank	11,635,293,329	-	11,635,293,329
Placements with banks	28,743,709,323	-	28,743,709,323
Placements with branches	-	-	-
Derivative Financial Assets	131,660,218	131,660,218	-
Financial assets at amortized cost - Loans and advances to customers	21,869,609,834	-	21,869,609,834
Financial assets at amortized cost – Debt and other instruments	-	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	42,338,984	-	42,338,984
Financial assets measured at fair value through profit or loss (FVTPL)	-	-	-
Group balance receivable	1,177,399,851	-	1,177,399,851
	63,780,081,088	131,660,218	63,648,420,870
Liabilities subject to market risk			
Due to banks	-	-	-
Due to Branches	1,464,608,821	-	1,464,608,821
Derivative financial instruments	26,919,385	26,919,385	-
Financial liabilities at amortized cost - Due to Depositors	30,032,808,121	-	30,032,808,121
Group Balance Payable	3,874,383,603	-	3,874,383,603
	35,398,719,930	26,919,385	35,371,800,545
As at 31 December 2023			
Assets subject to market risk			
Cash and Cash Equivalents	542,720,883	-	542,720,883
Balances with Central Bank of Sri Lanka	12,346,487,518	-	12,346,487,518
Placements with Banks	13,608,939,796	-	13,608,939,796
Placements with Branches	48,582	-	48,582
Derivative Financial Assets	38,982,666	38,982,666	-
Financial assets at amortized cost - Loans and advances to customers	24,615,292,862	-	24,615,292,862
Financial assets at amortized cost – Debt and other instruments	-	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	42,338,984	-	42,338,984
Financial assets measured at fair value through profit or loss	18,041,590,191	18,041,590,191	-
Group balance receivable	1,719,104,826	-	1,719,104,826
	70,955,506,308	18,080,572,857	52,874,933,451
Liabilities subject to market risk			
Due to banks	-	-	-
Due to Branches	1,460,629,166	-	1,460,629,166
Derivative financial instruments	3,333,424	3,333,424	-
Financial liabilities at amortized cost - Due to Depositors	38,684,924,991	-	38,684,924,991
Group Balance Payable	2,528,895,096	-	2,528,895,096
	42,677,782,677	3,333,424	42,674,449,253

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46. FINANCIAL RISK REVIEW (Contd...)

46.1.3 Market Risk (Contd...)

46.1.3.4 Interest rate risk

The following is a summary of the Branch's interest rate gap position. The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Branch's balance sheet based on either (i) the next repricing date or the maturity date if floating rate or (ii) the maturity date if fixed rate.

As at 31 December 2024	Carrying Amount	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Non-Sensitive	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets								
Cash and cash equivalents	180,069,548	180,069,548	-	-	-	-	-	180,069,548
Balances with Central Bank	11,635,293,329	11,102,287,087	-	-	-	-	533,006,242	11,635,293,329
Placements with banks	28,743,709,323	28,743,709,323	-	-	-	-	-	28,743,709,323
Placements with branches	-	-	-	-	-	-	-	-
Financial assets measured at fair value through profit or loss (FVTPL)	-	-	-	-	-	-	-	-
Financial assets at amortized cost - Loans and advances to customers	21,869,609,834	21,693,327,814	23,924,998	59,659,642	17,264,665	75,432,715	-	21,869,609,834
Financial assets at amortized cost - Debt and other instruments	-	-	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	42,338,984	-	-	-	-	-	42,338,984	42,338,984
Total Financial Assets	62,471,021,019	61,719,393,773	23,924,998	59,659,642	17,264,665	75,432,715	575,345,226	62,471,021,019
Financial Liabilities								
Due to banks	-	-	-	-	-	-	-	-
Due to branches	1,464,608,821	1,464,608,821	-	-	-	-	-	1,464,608,821
Financial liabilities at amortized cost - Due to depositors	30,032,808,121	13,181,762,949	303,779,877	-	-	-	16,547,265,296	30,032,808,121
Total Financial Liabilities	31,497,416,942	14,646,371,770	303,779,877	-	-	-	16,547,265,296	31,497,416,942
Interest rate sensitivity gap	30,973,604,077	47,073,022,003	(279,854,879)	59,659,642	17,264,665	75,432,715	(15,971,920,070)	30,973,604,077
1% increase	309,736,041	470,730,220	(2,798,549)	596,596	172,647	754,327		779,191,282
1% decrease	(309,736,041)	(470,730,220)	2,798,549	(596,596)	(172,647)	(754,327)		(779,191,282)
As at 31 December 2023								
Financial Assets								
Cash and cash equivalents	542,720,883	456,206,649	-	-	-	-	86,514,234	542,720,883
Balances with Central Bank	12,346,487,518	11,749,227,223	-	-	-	-	597,260,295	12,346,487,518
Placements with banks	28,743,709,323	28,743,709,323	-	-	-	-	-	28,743,709,323
Placements with branches	48,582	48,582	-	-	-	-	-	48,582
Financial assets measured at fair value through profit or loss (FVTPL)	-	-	-	-	-	-	-	-
Financial assets at amortized cost - Loans and advances to customers	24,615,292,862	24,427,580,292	63,556,846	49,731,824	27,080,345	47,343,555	-	24,615,292,862
Financial assets at amortized cost – Debt and other instruments	-	-	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	42,338,984	-	-	-	-	-	42,338,984	42,338,984
Total Financial Assets	66,290,598,152	65,376,772,070	63,556,846	49,731,824	27,080,345	47,343,555	726,113,513	66,290,598,152
Financial Liabilities								
Due to banks	-	-	-	-	-	-	-	-
Due to Branches	1,460,629,166	1,460,629,166	-	-	-	-	-	1,460,629,166
Financial liabilities at amortized cost - Due to depositors	38,684,924,991	19,065,984,265	34,032,471	-	-	-	19,584,908,255	38,684,924,991
Total Financial Liabilities	40,145,554,157	20,526,613,431	34,032,471	-	-	-	19,584,908,255	40,145,554,157
Interest rate sensitivity gap	26,145,043,995	44,850,158,639	29,524,375	49,731,824	27,080,345	47,343,555	(18,858,794,742)	26,145,043,995
1% increase	261,450,440	448,501,586	295,244	497,318	270,803	473,436		711,488,827
1% decrease	(261,450,440)	(448,501,586)	(295,244)	(497,318)	(270,803)	(473,436)		(711,488,827)

46. FINANCIAL RISK REVIEW (Contd...)

46.1.4 Macroeconomic and market conditions

46.1.4.1 Global Economy

The Organisation for Economic Co-operation and Development (OECD) has indicated in its latest Economic Outlook that the global economy is expected to maintain its resilience in the face of considerable challenges. The Outlook forecasts a global GDP growth of 3.3% for 2025, an increase from 3.2% in 2024, and remains at 3.3% for 2026. Nevertheless, it is anticipated that global growth in the medium term will remain below the averages observed prior to the pandemic.

Inflation within the OECD is anticipated to decline further, decreasing from 5.4% in 2024 to 3.8% in 2025, and subsequently to 3.0% in 2026. This trend is bolstered by the continued restrictive monetary policy adopted by the majority of countries. Notably, headline inflation has already aligned with central bank targets in approximately half of the advanced economies and nearly 60% of emerging market economies.

Global inflation has eased due to elevated interest rates, a slowdown in economic growth, an oversupply of goods, and a decline in energy prices. Additionally, inflation within the service sector is starting to show signs of moderation. However, a persistent worry remains regarding significant wage increases in Europe, where productivity growth is not keeping pace. Furthermore, there is a growing resistance to foreign tourism, which continues to contribute to inflationary pressures in the service sector.

Inflation in many countries returned closer to the targeted levels, after spikes observed during 2022-2023. This achievement of disinflation without triggering a global recession is noteworthy, attributed to coordinated monetary policy actions and improved global supply conditions. As a result, the ongoing decline in inflation and stabilized inflation expectations have enabled a shift towards a more expansive monetary policy approach. In 2024, prominent advanced economies, including the United States, the United Kingdom, and the European Union, commenced the reduction of policy interest rates after adhering to a stricter monetary policy in 2022 and 2023. Concurrently, the prices of essential commodities, such as crude oil, liquefied petroleum gas, coal, and agricultural goods, demonstrated reduced volatility and stabilized at lower levels, owing to enhancements in demand-supply dynamics.

Geopolitical risks continue to be significant. Following the US election, it is anticipated that inflationary trade and immigration policies will hinder the pace of credit easing. Bond yields have already risen due to concerns over increasing federal debt and inflation. A substantial change in US tariffs could provoke retaliatory actions.

Most major central banks, with the exception of the Bank of Japan, have begun cycles of interest rate reductions. The US dollar initially depreciated after the Federal Reserve's first rate cut in September. However, it subsequently strengthened in response to anticipated higher inflation following the election. Russia, Turkey, and several Eastern European countries are likely to face prolonged inflation challenges.

The US dollar has gained strength against its key competitors, as indicated by the US dollar index. This year has seen a number of political changes, with various nations appointing new administrations. The shifting policy priorities of major global powers, especially the USA, are likely to influence the geoeconomic and social landscape in the near future.

Overall, fiscal performance has deteriorated worldwide in 2024, raising concerns about fiscal sustainability. Global public debt has expanded this year and is projected to continue rising in the years to come. While the primary contributors to this increase are the USA and China, the issue of escalating public debt is becoming increasingly prevalent across many nations. Additionally, emerging fiscal vulnerabilities have led multilateral organizations to issue warnings about the heightened risk of sovereign distress in numerous countries. From a medium-term viewpoint, implementing fiscal adjustments through consolidation, establishing fiscal buffers, and improving fiscal governance could alleviate the persistent challenges of debt unsustainability and reduce the necessity for drastic one-time fiscal measures. The current environment is favorable, as relaxed global monetary conditions provide an opportunity for countries to manage the repercussions of fiscal tightening.

In terms of financial stability, the immediate risks to the global economy appear to be limited, bolstered by stable macroeconomic conditions and a relaxation of monetary policies. Nevertheless, the potential impact of increasing economic and geopolitical uncertainties on various economic sectors and the financial system should not be overlooked. At the same time, social indicators such as poverty alleviation, gender equality, and women's participation in the labor force have not demonstrated notable advancements over the past year, highlighting the need for ongoing global focus.

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46. FINANCIAL RISK REVIEW (Contd...)

46.1.4.2 Asian Economy

The growth trajectory of developing Asia remains stable; however, the policies of the incoming Trump administration in the United States may have repercussions for the region. Adjustments to US trade, fiscal, and immigration policies could hinder growth and elevate inflation in developing Asia. As these substantial policy shifts are anticipated to unfold gradually, their impact on the region is likely to become evident beyond the forecast period of this Asian Development Outlook (ADO) for 2024–2025. In the short term, the recent US election is not expected to significantly affect the People's Republic of China (PRC). Growth in the PRC for 2025 may see a boost from an increase in US imports, although there could also be a decline in investment due to concerns over potential US tariffs. The negative effects of these tariffs on the PRC are expected to manifest primarily after the forecast period. Growth projections for the PRC remain at 4.8% for 2024 and 4.5% for 2025.

The Asian Development Bank has revised its growth projections for developing Asia, now estimating a growth rate of 4.9% for 2024 and 4.8% for 2025. These adjustments for 2024 are primarily influenced by the latest data releases across various economies and subregions. The reductions in growth forecasts for East Asia and South Asia counterbalance the stronger performance anticipated in the Caucasus, Central Asia, and Southeast Asia, resulting in a 0.1 percentage point decrease in the overall regional growth. For 2025, South Asia is expected to experience slower growth due to diminished domestic demand.

Inflation forecasts for developing Asia have also been lowered, with estimates of 2.7% for 2024 and 2.6% for 2025, largely attributed to declining global commodity prices. In the People's Republic of China, the inflation forecast for 2024 has been adjusted down to 0.3% due to weaker domestic demand, with a similar reduction for 2025, now projected at 0.9%. In South Asia and Southeast Asia, several economies have revised their inflation forecasts downward, reflecting slower-than-anticipated inflation rates in recent months and an expected drop in oil prices in 2025.

The risks to this outlook have shifted and are predominantly negative. More significant and rapid changes in US policy than currently anticipated could adversely affect the forecast, as could heightened geopolitical tensions or instability in the property market within the People's Republic of China.

46.1.4.3 Sri Lankan Economy

In 2024, Sri Lanka achieved significant advancements in restoring stability within its macroeconomic and financial systems. Following the announcement of a selective debt standstill in 2022, the country successfully concluded negotiations for external debt restructuring in 2024. This led to the lifting of the restricted default status that had persisted for over two and a half years. Additionally, several notches were added to the sovereign rating, which considerably lowered the country's risk premium. The International Monetary Fund's (IMF) Extended Fund Facility continued to perform well, with the Executive Board approving the second review and reaching a staff-level agreement for the third review in 2024. These positive developments, coupled with political stability stemming from a stronger mandate, contributed to improved market conditions and fostered optimistic market sentiments in the latter part of the year.

Key macroeconomic indicators showed improvement compared to the concerning levels seen in previous years. The DB research team projects that Sri Lanka's real GDP growth will moderate to 3.5% year-on-year in 2025, down from an anticipated 4.4% year-on-year in 2024. Growth averaged 5.0% year-on-year in the first half of 2024, primarily due to a favorable base effect (the economy contracted by 6.8% year-on-year in the first half of 2023) and is expected to average around 4.0% in the second half of 2024, bolstered by political stability, tourism revenue, private remittance inflows, and the ongoing IMF program.

Inflationary pressures significantly decreased, recording a year-on-year rate of -0.8% in October 2024, leading to temporary deflation for the first time in several years. This development facilitated a further relaxation of monetary conditions in the latter part of the year, with the newly established Overnight Policy Rate (OPR) set at 8.00% to encourage credit growth and stimulate economic activities. Additionally, the DB research team projects that Sri Lanka's Consumer Price Index (CPI) inflation will average 3.3% in 2025, compared to 1.4% in 2024 and 20.5% in 2023. Although the average CPI inflation is anticipated to remain low, it is expected to exceed 6% starting in September 2025 and remain elevated during the October to December period, as the base effect turns negative due to the disinflation observed from September to December 2024. The IMF has noted that while inflation has decreased more rapidly than anticipated, ongoing monitoring is essential to ensure lasting price stability and support macroeconomic stability. In light of persistent global uncertainties, it is crucial to continue strengthening external buffers through robust reserves accumulation. Notably, the fiscal sector's persistent imbalances have been largely addressed through fiscal consolidation measures and enhanced fiscal discipline, resulting in improved foreign reserve buffers to withstand external shocks, bolstered by the Central Bank's ongoing foreign exchange purchases.

In 2024, the appreciation of the exchange rate persisted, reflecting the external current account surplus bolstered by heightened net foreign exchange inflows and favorable market sentiments. These positive developments on the external front, coupled with the necessity to enhance fiscal revenue, led the Government to contemplate easing the remaining import restrictions by year-end. However, full relaxation of passenger car import restrictions is still pending, with expectations that from February 1, 2025, private motor vehicles will be allowed for import, which may contribute to an increase in the current account deficit. Additionally, the Central Bank of Sri Lanka (CBSL) is anticipated to continue purchasing USD to strengthen foreign exchange reserves as capital flows rise. Considering these elements, DB projects a slight depreciation of the LKR against the USD by the end of 2025.

46. FINANCIAL RISK REVIEW (Contd...)

46.1.4.3 Sri Lankan Economy (Contd...)

Improvements in the macroeconomic landscape have been accompanied by enhanced resilience within the financial sector, effectively averting any potential financial crises. Key indicators of financial stability, such as capital adequacy, credit quality, liquidity, and profitability, have all demonstrated positive trends over the past year. The successful restructuring of foreign currency debt held by banks has alleviated uncertainties and mitigated risks for these institutions. Additionally, the legal framework governing the banking sector has been further fortified, focusing on governance, related party transactions, large exposures, and ownership structures. Performance in the money and financial markets has also seen significant enhancements, with the stock market achieving record levels. However, the lingering impact of extended economic difficulties on individuals and businesses persists. Implementing targeted policy measures to assist the most vulnerable populations and enterprises could provide essential short-term relief. Ultimately, fostering inclusive economic growth will be crucial for addressing these ongoing challenges in a sustainable manner.

46.1.4.4 Liquidity and funding risks

The Branch prioritized liquidity by ensuring it held sufficient funds beyond the minimum requirements set by the Central Bank of Sri Lanka (CBSL) to satisfy both regulatory and customer needs. As of December 31, 2024, the Statutory Reserve Requirement, as outlined in Section 93 of the Monetary Law Act, was 2.0% (2023 - 2.0%) of the Rupee liabilities of the Domestic Banking Unit. Notably, there is no reserve requirement for the foreign currency deposit liabilities of the Domestic Banking Unit.

To effectively manage liquidity risk, the Branch's Asset and Liability Management Policy incorporates internal control processes and contingency strategies. This includes evaluating anticipated cash flows and assessing the availability of liquid assets that can be utilized when required.

46.1.4.5 Risk management policies, procedures and methods as well as operational risks

The branch has invested considerable resources in the development of our risk management policies, procedures, and methodologies, addressing various types of risks such as market, credit, liquidity, operational, reputational, and model risk. However, these measures may not be entirely effective in reducing our risk exposures across all economic or market conditions or against every risk type, particularly those we may not recognize or foresee. When utilizing these models for calculating risk-weighted assets for regulatory compliance, any shortcomings could result in regulators requiring adjustments to input parameters or a comprehensive evaluation of the model.

46.1.4.6 Macroeconomic and market conditions

From an operational perspective, and despite the business continuity and crisis management policies currently in place, the COVID-19 pandemic, the emergence of new variants of the virus and resulting rapid changes in government responses may continue to have an adverse impact on our business activities and control environment. The continuing move across global industries to conduct business from home and away from primary office locations, is driving a more accelerated evolution of business practices compared to historic trends. The demand on our technology infrastructure and the risk of cyber-attacks could lead to technology failures, security breaches, unauthorized access, loss or destruction of data or unavailability of services, as well as increase the likelihood of conduct breaches.

To effectively address the financial and non-financial risks arising from unforeseen events and potential economic and social crises within the country, the Branch is implementing specialized governance frameworks, which encompass both Global and Regional Crisis Management. Furthermore, where applicable, supplementary controls and processes have been instituted, including enhanced reporting mechanisms to keep pertinent senior stakeholders informed. We anticipate that 2025 will present significant challenges in terms of risk management.

46.1.4.7 Impact on Impairment

Management concluded that the standard methodology was inadequate for predicting future credit losses, as it focused too heavily on short-term trends. In light of regulatory guidance, Management decided that the most effective method for estimating expected credit losses in 2024 involved decreasing the emphasis on certain short-term data and utilizing adjusted inputs derived from longer-term averages. Consequently, the Branch deemed it more suitable to implement a local economic factory adjustment to regional expected impairments, ensuring that its ECL provision remained sufficient.

The economic factory adjustment is based on averaging forecasts for GDP, interest rates, inflation, exchange rates and unemployment rates over the next five years in its ECL estimation, which is the basis for the bank's year end 2024 Credit Loss Allowance. The forward-looking information is derived from broader consensus and market- implied projections as aggregated, expanded and quality-assured within Risk Management. The Branch has reviewed the forward-looking indicators used in the calculation of the impairment charges and concluded that these indicators are reasonable in the context of the Branch's credit portfolio and overall risk profile.

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46. FINANCIAL RISK REVIEW (Contd…)

46.1.4.8 Sustainable Finance

Deutsche Bank continues to focus on sustainability throughout the bank has seen opportunities for growth in this space across all the bank's core businesses as clients' response to climate change gains further traction. Given strong client appetite, DB continue to see sustainable finance as a key opportunity and area of investment. As part of the broader effort to develop a strategy to manage climate risk, the bank sees opportunities to support client, for example, in developing credible decarbonization strategies and support their sustainable related transaction.

Deutsche Bank set a target to achieve cumulative sustainable financing and ESG investment volumes of EUR 500Bn in the period from Jan 2020 to end 2025. The classification of the sustainable finance transactions is documented in the Group Sustainable finance and ESG Investments frameworks and published on Deutsche Bank's website.

Environmental , Social and governance risk

The impact of rising global temperature and associated policy, technology and behavioral changes required to limit global warming to no greater than 1.5^{o}c above pre-industrial levels have led to emerging sources of financial and non-financial risk. These includes the physical risk impacts from extreme weather events, and transaction risk as carbon-intensive sectors are faces with higer cost, potentially reduced demand and restricted access to financing. More rapid than currently expected emergence of transition and / or physical climate risks and other environmental risks may lead to increased credit and market losses as well as operational disruptions due to impacts on vendors and bank's own operations. Deutsche Bank has integrated Climate and Environmental risk considerations throughout its risk and control frameworks to ensure that risks are identified, monitored and managed.

Furthermore, financial institutions are facing increased scrutiny on Climate and ESG-related issues from government, regulators, shareholders and other bodies (including non-government organizations), leading to reputation risk if the bank is not seen to support the transaction to a lower carbon economy, to limit nature-related risk such as biodiversity and habitat loss, and to protect human rights. The increase scrutiny includes more extensive and prescriptive ESG disclosure requirements such as the Corporate Sustainability Reporting Directive (CSRD). The emergence of significantly diverging ESG regulatory and / or disclosure standards across the jurisdictions including Sri Lanka could lead to higher cost of compliance and risk of failing to meet requirements at bank level and branch level.

46.1.5 Operational risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. Operational Risk excludes Business and Reputational Risk. Operational Risk is a Level 1 Risk Type on the Group's Risk Type Taxonomy (GRTT). Together with Reputational Risk it forms Non-Financial Risk.

Operational Risk mitigation

The bank mitigates the assessed risks to a level where the Residual Risk fits into the defined Risk Appetite. Where risks imply a potential or actual Risk Appetite breach, mitigating actions must be identified and clearly tracked. Where within Risk Appetite and subject to strict criteria, further mitigation can be deferred following a defined Risk Acceptance process including the review and challenge by the primary RTC who have a veto authority.Identified and assessed Operational Risks can be further reduced by performing mitigation activities, e.g. by improving Controls and the Control Environment, by transferring risks (i.e. insurance), or by reducing / ceasing the business activity.

Non-Financial Risk stress testing

The Non-Financial Risk Group-wide Stress Testing (NFR GWST) model is embedded in the general GWST framework, and as such performs Non-Financial Risk stress tests on a regular basis. It contributes the projection of both P&L impact and capital impact of operational and reputational risk stress to the GWST considering the given GWST scenarios and the general GWST reporting requirements. In operational risk, stress testing is used as a complement to the unstressed AMA model. The local stress test framework is derived from DB's global stress testing framework.

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46. FINANCIAL RISK REVIEW (Contd...)

46.1.6 Foreign currency exposure risk

As at 31 December	2024	2023
Net exposure - USD equivalent	18,376,729	22,446,547
Value of position in LKR	5,382,543,946	7,269,987,555
Exchange rate (USD/LKR) as at 31 December	292.90	323.88
Possible potential foreign currency risk to Bank		
- If exchange rate (USD/LKR) depreciates by 5% - LKR	269,127,197	363,499,378
- If exchange rate (USD/LKR) depreciates by 10% - LKR	538,254,395	726,998,756
- If exchange rate (USD/LKR) depreciates by 25% - LKR	1,345,635,987	1,817,496,889
- If exchange rate (USD/LKR) appreciates by 5% - LKR	(269,127,197)	(363,499,378)
- If exchange rate (USD/LKR) appreciates by 10% - LKR	(538,254,395)	(726,998,756)
- If exchange rate (USD/LKR) appreciates by 25% - LKR	(1,345,635,987)	(1,817,496,889)

47. CAPITAL ADEQUACY

Capital Adequacy is a measure of the Branch's financial strength expressed as a ratio of its capital to its risk weighted assets. The Central Branch of Sri Lanka has specified the minimum capital requirements for Branch's, which operate as a limiting factor on creation of risk-associated assets by Branch. Under this requirement there is a universally accepted risk measurement framework and minimum capital levels to be maintained by Branch.

The Central Bank of Sri Lanka sets and monitors regulatory capital requirements on both consolidated and solo basis. The Branch is required to comply with the provisions of the Basel III requirements in respect of regulatory capital commencing from July 2017. The Branch currently uses the standardised approach for credit risk and market risk and basic indicator approach for operational risk.

The Basel III capital regulations, which are currently in force, will continue to be based on the three-mutually reinforcing Pillars introduced under Basel II, minimum capital requirement, supervisory review process and market discipline. Basel III focuses on increasing the quality and quantity of capital especially the Core Capital, through redefining the common equity capital and introducing new capital buffers such as the Capital Conservation Buffer and a Capital Surcharge on domestic systematically important banks. Branch started reporting capital computations under the Basel III requirements from mid 2017 as per the regulatory requirements.

Regulatory capital comprises Tier 1 capital and Tier 2 capital. The Branch's policy is to maintain a strong capital base so as to ensure investor, creditor, and market confidence to sustain future development of the business. The Branch has complied with the minimum capital requirements imposed by the Central Bank of Sri Lanka throughout the year.

48. NON - CASH ITEMS INCLUDED IN PROFIT BEFORE TAX	**2024 Rs.**	**2023 Rs.**
Depreciation of property, plant and equipment	138,039,712	138,036,943
Write off of Assets	-	15,151,026
Reversal/(charge) of Impairment losses on loans and advances	9,562,479	36,714,332
Off balance sheet impairment	65,237,808	62,904,246
Impairment losses on Placements	(14,487,911)	43,596,478
Provision for Country risk	(1,642,829)	3,045,444
Charge for defined benefit plans	20,371,000	28,657,443
Interest expense on lease liability	28,068,919	31,065,634
Tax credits	-	(17,873,519)
Inter-entity Income/Expense	1,948,631,688	1,861,949,305
Net gain/(loss) from Financial instruments at fair value through profit and loss	-	(58,565,656)
Gain/Loss on inter entity payable revaluation	(466,184,299)	21,916,006
Gain/Loss on inter entity Expense transfer	13,958,748	6,253,961
Net Unrealized Forward/SWAP Exchange Loss	(69,171,963)	(77,447,328)
	1,672,383,352	2,095,404,315

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49. CHANGE IN OPERATING ASSETS

	2024 Rs.	2023 Rs.
Change in derivative financial instruments	(23,505,589)	67,885,817
Change in balance with Central Bank	756,184,396	(5,522,130,839)
Change in financial assets at amortized cost - Debt and other instruments	-	(7,547,678,250)
Change in placement with banks	(15,120,205,089)	13,565,343,318
Change in placements with branches	48,582	(6,101,000,463)
Change in group balance receivable	527,746,252	78,564,281
Change in financial assets measured at fair value through profit or loss (FVTPL)	18,041,590,191	18,100,155,847
Change in financial assets at amortized cost - Loans and Advances	2,745,684,521	(2,322,165,478)
Change in financial assets measured at fair value through other comprehensive income (FVOCI)	-	-
Change in other assets	609,537,640	(98,597,135)
	7,537,080,904	10,220,377,098

50. CHANGE IN OPERATING LIABILITIES

	2024 Rs.	2023 Rs.
Change in due to banks	-	(3,013,133)
Change in financial liabilities at amortized cost - Due to Depositors	(8,652,116,870)	(171,588,101)
Change in due to branches	3,979,655	(6,583,940,322)
Change in other liabilities	(760,365,972)	(774,754,470)
Change in due to Group balance	(136,959,000)	76,281,187
Derivative financial instruments	23,585,961	(87,032,155)
	(9,521,876,226)	(7,544,046,994)

51. SUBSEQUENT EVENTS AFTER REPORTING DATE

There are no circumstances that have arisen since the reporting date which would require adjustments to, or disclosure in the Financial Statements except for the events disclosed in Note 23.2 to the Financial Statements.

52. CAPITAL COMMITMENTS

There were no material Capital Commitments as at the reporting date, which require disclosures in the Financial Statements.

53. LITIGATION AND CLAIMS

Litigation is a common occurrence in the banking industry due to the nature of the business. The Branch has an established protocol for dealing with such legal claims. The Branch has no pending legal claims which the Branch does not expect cash outflows from.

53. LITIGATION AND CLAIMS (Contd...)

53.1 Tax assessments against the Branch

53.1.1 Corporate income tax

Year of Assessment 2016/2017
Penalty notice

Branch received a penalty notice dated on 13 June 2019 amount in Rs. 82,619,849 for non-payment of tax payment on time. However branch filed an objection stating the payments were settled on time. The system of the Department of Inland Revenue has updated the tax credits accordingly. Branch has submitted the letter to waive off the penalty imposed.

Year of assessment 2018/2019
Final Return

Branch received a notice of assessment dated on 26 May 2022 for tax credit issues. Branch submitted a valid appeal stating that the total tax credits should be given in full. Successfully obtained the Decision of Administrative Review for the Year of Assessment (Y/A) 2018/2019 with the refund amount of 240,420,892. The refund notice is in process.

Year of assessment 2019/2020
Final Return

Branch received a notice of assessment dated on 31 May 2023 for tax credit issues. Branch submitted a valid appeal stating that the total tax credits should be given in full. Successfully obtained the Decision of Administrative Review for the Year of Assessment (Y/A) 2019/2020 with the refund amount of 37,389,942. The refund notice is in process.

53.1.2 Value Added Tax

Period from 01 July 2018 to 30 September 2018
Penalty notice

Branch received a notice of assessment dated on 14 June 2023 for penalty of Rs. 1,670,863.02. Branch submitted a valid appeal stating the grounds precisely. The said appeal is with the Commissioner General of Inland Revenue level and as at reporting date the same is pending for inquiry.

53.1.3 Value Added Tax on Financial Services

Period from 1 January 2019 to 31 December 2019
Penalty notice

Branch received a penalty notice dated on 28 December 2022 amount in to Rs. 148,887.46 . However, branch submitted a letter on 16 February 2023 stating that the total tax payable amount of Rs. 205,464,527.08 has been fully settled by the branch and requested through the letter dated 7 February 2023 to cancel the said notice of assessment together with the entire penalty imposed and update the system accordingly. The said letter is with the Commissioner General of Inland Revenue level and as at reporting date the same is pending for inquiry.

Period from 1 January 2021 to 31 December 2021
Final Return/Penalty notice

Branch received a notice of assessment dated on 20 November 2024 for a penalty of Rs. 234,280.47 and with a refund amount of Rs. 32,957,772.85. However, the branch has submitted a letter on 2 January 2025 stating that there is no balance tax payable and waive off the penalty imposed and update the system accordingly. The said letter is with the Commissioner General of Inland Revenue level and as at reporting date the same is pending for inquiry. The refund notice is in process.

54. MANAGEMENT RESPONSIBILITY ON FINANCIAL STATEMENTS

The management of the Branch is responsible for preparing and presenting these financial statements in accordance with Sri Lanka Accounting Standard and comply with the requirements of the Banking Act No 30 of 1988 and amendments thereto.

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SELECTED PERFORMANCE INDICATORS/KEY FINANCIAL DATA

As at 31 December 2024

	2024	2023
Regulatory Capital (LKR in Millions)		
Common Equity Tier 1	25,530	24,224
Tier 1 Capital	25,530	24,224
Total Capital	25,570	24,284
Regulatory Capital Ratios (%)		
Common Equity Tier I Capital Ratio (Minimum requirement - 7.00%)	35%	40%
Tier I Capital Ratio (Minimum requirement - 8.50 %)	35%	40%
Total Capital Ratio (Minimum requirement - 12.50 %)	35%	41%
Basel III Leverage Ratio (Minimum Requirement - 3%)	31%	27%
Regulatory Liquidity Requirement		
Liquidity Coverage Ratio (Minimum requirement - 100%)		
Rupee (%)	574%	1001%
All Currency (%)	348%	767%
Net Stable Funding Ratio (%) (Minimum requirement - 100%)	211%	212%
Assets Quality (Quality of Loan Portfolio) (%)		
Impaired Loans (Stage 3) to Total Loans, Ratio (%)	0%	0%
Impairment (Stage 3) to Stage 3 Loans, Ratio (%)	0%	0%
Income & Profitability		
Net Interest Margin (%)	7%	10%
Return on Assets (before Tax) (%)	5%	11%
Return on Equity (%)	8%	20%
Cost to Income Ratio (%)	44%	25%
Memorandum Information		
Credit Rating (Group- Non-preferred' senior unsecured debt)		
Moody's Investors Service	Baa1	Baa1
Standard & Poor's	BBB	BBB
Fitch Ratings	A-	A-
Number of Employees	49	56
Number of Branches	1	1

CERTIFICATION

We, the undersigned, being the Chief Country Officer and the Head of Finance of Deutsche Bank - Colombo Branch jointly certify that the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka;

....
Niranjan Figurado
Chief Country Officer

....
Imesha Sanjeewanie
Head of Finance

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27 February 2025
Colombo