



Deutsche Bank AG, Colombo Branch
Pillar 3 Disclosures
as of March 31, 2023

Contents

Contents.....	2
INTRODUCTION.....	3
REGULATORY REQUIREMENTS ON CAPITAL AND LIQUIDITY.....	4
Risk Weighted Assets (RWA).....	7
a) Credit Risk under the Standardized Approach: Credit Risk Exposure and Credit Risk Mitigation (CRM) Effect.....	7
b) Market Risk under Standardized Measurement Method.....	8
c) Operational Risk under Basic Indicator Approach.....	9
Basel III Computation of Leverage Ratios.....	11
Net Stable Funding Ratio.....	11
Basel III Computation of Liquidity Coverage Ratio (All currency).....	12
Main features of Regulatory Capital Instruments.....	13

INTRODUCTION

The purpose of this Report is to provide the Pillar 3 disclosures of DB Colombo Branch as required by Banking Act Direction No. 1 of 2016 issued by the Monetary Board, Central Bank of Sri Lanka, for capital requirements under Basel III for Licensed Commercial Banks and Licensed Specialized Banks.

DB Colombo Branch is a financial institution authorized and regulated by the Central Bank of Sri Lanka as a wholly owned branch of Deutsche Bank AG (“DBAG”) the parent company of the Deutsche Bank Group (“DB Group”) located in Frankfurt am Main, Germany. DB Colombo Branch’s accounts are consolidated into the accounts of DB Group.

DB Group offers a wide variety of investment, financial and related products and services to private individuals, corporate entities and institutional clients around the world. In July 2019, DB Group announced a material repositioning of DB to refocus on our core strengths and to allow us to improve our structural profitability. Our strategic transformation is designed to refocus our Core Bank around our core, market-leading businesses which typically operate in growing markets with attractive return potential. Our Core Bank comprises our four core operating divisions, namely the Corporate Bank (CB), the Investment Bank (IB), the Private Bank (PB), and Asset Management (AM). Aside from that, a Capital Release Unit (CRU) was created to wind down or dispose non-strategic positions, low yielding assets, or businesses that no longer fit into the new strategy. Moreover, we have Infrastructure functions, which perform control and service functions and, in particular, tasks relating to Group-wide, divisional resource-planning, steering and control, as well as tasks relating to risk, liquidity and capital management which form part of the Corporate & Other segment. CB combines Deutsche Bank’s Corporate Finance and Global Transaction Banking Businesses with the latter providing cash management, trade finance and securities services, delivering the full range of commercial banking products and services for both corporates and institutions worldwide. IB is focusing on Origination & Advisory as well as Fixed Income & Currencies. PB corporate division combines the bank’s expertise in private banking and Wealth Management in one corporate division. AM offers individuals and institutions traditional and alternative investments across all major asset classes.

DB Colombo Branch offers a comprehensive range of services such as Cash Management, Trade Finance, Investor Services, Foreign Exchange (FX) and Debt Capital Markets (DCM) products within the Corporate Bank and Investment Bank Business.

DB Colombo Branch Local/Global Infrastructure functions perform control and service functions and, in particular, tasks relating to Bank-wide, supra divisional, resource-planning, steering and control, as well as tasks relating to risk, liquidity and capital management. These include such as Risk, Finance, Compliance, Legal and Human Resources.

DB Colombo Branch publishes the Pillar 3 disclosure report on a quarterly basis in accordance with Banking Act Direction No. 1 of 2016 issued by the Monetary Board, Central Bank of Sri Lanka and posts the disclosure report in accordance with this Direction on its website at www.db.com/srilanka.

DB Colombo Branch’s Pillar 3 disclosure is prepared on a stand-alone basis, there are no branches or subsidiaries to be consolidated.

The information provided in this Pillar 3 Report is unaudited.

REGULATORY REQUIREMENTS ON CAPITAL AND LIQUIDITY

Key Regulatory Ratios – Capital and Liquidity

Item	Page	Reporting Period Mar 31, 2023	Comparison Reporting Period Dec 31, 2022
Regulatory Capital (LKR '000)			
Common Equity Tier 1, adjusted	5	15,257,321	20,445,743
Tier 1 Capital	5	15,257,321	20,445,743
Total Capital	5	15,273,699	20,464,285
Regulatory Capital Ratios (%)			
Common Equity Tier 1 Capital Ratio (<i>Minimum Requirement - 7.00%</i>)	6	27.08%	35.71%
Tier 1 Capital Ratio (<i>Minimum Requirement - 8.50%</i>)	6	27.08%	35.71%
Total Capital Ratio (<i>Minimum Requirement - 12.50%</i>)	6	27.11%	35.75%
Leverage Ratio (<i>Minimum Requirement - 3%</i>)	10	15.25%	20.47%
Regulatory Liquidity			
Statutory Liquid Assets (LKR'000)		29,272,431	36,853,128
Statutory Liquid Assets Ratio (<i>Minimum Requirement - 20%</i>)			
Domestic Banking Unit (%)		80.60%	94.78%
Off-Shore Banking Unit (%)		168.31%	68.26%
Liquidity Coverage Ratio (%) – Rupee (<i>Minimum Requirement - 100%</i>)		686.36%	825.00%
Liquidity Coverage Ratio (%) – All Currency (<i>Minimum Requirement - 100%</i>)	11	429.32%	312.01%
Net Stable Funding Ratio (<i>Minimum Requirement - 100%</i>)	11	124.13%	141.34%

The total Capital Ratio decreased by 8.6 percentage points, mainly due to increase in balances of net interbranch nostro payable/receivables.

The Tier 1 Capital Ratio and CET 1 Capital Ratio also decreased by 8.63 percentage points each due to the same reason as the total Capital ratio. The Total Capital Ratio differs from the Tier 1 and CET 1 Capital Ratios due to Tier 2 capital adjustment for Loan Loss provisions as per SLFRS 9.

During the two reporting periods, Statutory Liquid Assets in the Domestic Banking Unit decreased by 14.18 percentage points. Decrease mainly attributable to decrease in excess funds available at CBSL. Further, Statutory Liquid Assets in the Off-Shore Banking Unit considerably increased by 100.05 percentage points on account of increased interbranch placements and nostro balances compared to Dec 2022.

Q1-23 NSFR of 124% is above the regulatory requirement and internal threshold levels. During the two reporting periods, NSFR ratio decrease mainly attributable to increase in on balance sheet assets.

Increase in Liquidity Coverage Ratio (LCR) for all currencies in Q1-2023 is mainly due to increase investments in Govt. securities. Decrease in LKR Liquidity Coverage ratio attributable to increase inflows/net cash outflows on account of increase LKR customer overdrafts.

Basel III Computation of Capital Ratios

Between the two reporting periods, Regulatory capital decreased.

Item	Page	in LKR '000	
		Reporting Period Mar 31, 2023	Comparison Reporting Period Dec 31, 2022
Common Equity Tier 1 (CET1) Capital after Adjustments		15,257,321	20,445,743
Common Equity Tier 1 (CET1) Capital		20,480,358	20,480,358
Equity Capital (Stated Capital)/Assigned Capital	12	4,410,461	4,410,461
Reserve Fund	12	963,823	963,823
Published Retained Earnings/(Accumulated Retained Losses)	12	6,419,206	6,419,206
Published Accumulated Other Comprehensive Income (OCI)		(22,703)	(22,703)
General and other Disclosed Reserves	12	8,709,570	8,709,570
Unpublished Current Year's Profit/Loss and Gains reflected in OCI		-	-
Ordinary Shares issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties		-	-
Total Adjustments to CET1 Capital		(5,223,037)	(34,615)
Goodwill (net)		-	-
Intangible Assets (net)		-	-
Others (Deferred Tax Assets, Vostro)		(5,223,037)	(34,615)
Additional Tier 1 (AT1) Capital after Adjustments		-	-
Additional Tier 1 (AT1) Capital		-	-
Qualifying Additional Tier 1 Capital Instruments		-	-
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties		-	-
Total Adjustments to AT1 Capital		-	-
Investment in Own Shares		-	-
Others (specify)		-	-

Tier 2 Capital after Adjustments	16,378	18,541
Tier 2 Capital	16,378	18,541
Qualifying Tier 2 Capital Instruments	-	-
Revaluation Gains	-	-
Loan Loss Provisions	16,378	18,541
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
Total Adjustments to Tier 2	-	-
Investment in Own Shares	-	-
Others (specify)	-	-
CET1 Capital	15,257,321	20,445,743
Total Tier 1 Capital	15,257,321	20,445,743
Total Capital	15,273,699	20,464,285

Common Equity Tier 1 Capital consists of the following items:

- Assigned Capital is equity funds provided by the Head Office to the Branch at the time of incorporation in Sri Lanka.
- Reserve Fund is building up with Five percentage (5%) transfer of the profit after tax 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.
- Published Retained Earnings include Branch's un-remitted 2018 to 2020 DBU profits and 2021 to 2022 FCBU & DBU profits to the Head Office.
- General and other Disclosed Reserves include the un-remittable head office expenses converted to equity during the financial year 2013, 2016, 2020 and 2022 with the prior written approval of Central Bank of Sri Lanka.

Tier 2 Capital includes the Loan Loss provisions which are eligible for inclusion in Tier 2 Capital under the Explanatory Note No. 03 of 2019 issued by CBSL. Accordingly, 100% of the impairment for the assets in SLFRS Stage 1 and 50% of impairments for assets in SLFRS Stage 2 (subject to a maximum limit of 1.25% of RWA on credit risk under the Standardized Approach) are considered here.

Item	Page	in LKR '000	
		Reporting Period Mar 31, 2023	Comparison Reporting Period Dec 31, 2022
Total Risk Weighted Assets (RWA)		56,335,631	57,249,226
RWAs for Credit Risk	7	43,549,873	44,003,788
RWAs for Market Risk	8	5,818,981	7,216,474
RWAs for Operational Risk	9	6,966,777	6,028,964

CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	27.08%	35.71%
of which: Capital Conservation Buffer (%)	1.88%	1.88%
of which: Countercyclical Buffer (%)	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-
Total Tier 1 Capital Ratio (%)	27.08%	35.71%
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	27.11%	35.75%
of which: Capital Conservation Buffer (%)	1.88%	1.88%
of which: Countercyclical Buffer (%)	-	-
of which: Capital Surcharge on D-SIBs (%)	-	-

Risk Weighted Assets (RWA)

a) Credit Risk under the Standardized Approach: Credit Risk Exposure and Credit Risk Mitigation (CRM) Effect

Dec 31, 2022
in LKR '000

Asset Class	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA Density (%)		RWA and RWA Density (%)	
	On- Balance Sheet Amount	Off- Balance Sheet Amount	On- Balance Sheet Amount	Off- Balance Sheet Amount	RWA	RWA density (%)	RWA	RWA density (%)
Claims on Central Government and CBSL	18,971,634	-	-	-	-	-	1,509,536	3%
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-	-	-
Claims on Public Sector Entities	-	-	-	-	-	-	-	-
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-	-	-
Claims on Banks Exposures	15,518,407	13,894,014	3,103,681	-	7,251,949	10,355,630	10,716,214	19%
Claims on Financial Institutions	-	-	-	-	-	-	-	-

Claims on Corporates	28,857,079	6,231,080	23,430,251	5,358,714	28,788,965	26,189,233	46%
Retail Claims	2,223,276	-	1,669,176	-	1,669,176	2,791,606	5%
Claims Secured by Residential Property	86,618	-	86,618	-	86,618	89,837	0%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-
Non-Performing Assets (NPAs)(i)	-	-	-	-	-	-	-
Higher-risk Categories	-	-	-	-	-	-	-
Cash Items and Other Assets	2,717,765	-	2,649,485	-	2,649,485	2,707,362	5%
Total	68,374,779	20,125,095	30,939,211	12,610,662	43,549,873	44,003,787	77%

Credit risk exposure on central government and CBSL increased on account of high SDF balance.

Credit Risk Exposures on rated corporate counterparties increased by 9.9% as of March 31, 2023. During the two reporting periods total RWA on credit risk was at the same level.

Both balance sheet rupee & foreign currency exposures pertaining to all unrated corporate counterparties were not changed significantly in Q1-2023.

b) Market Risk under Standardized Measurement Method

Item	in LKR '000	
	Mar 31, 2023	Dec 31, 2022
(a) RWA for Interest Rate Risk	226,965	-
General Interest Rate Risk	226,965	-
(i) Net Long or Short Position	226,965	-
(ii) Horizontal Disallowance	-	-
(iii) Vertical Disallowance	-	-
(iv) Options	-	-
Specific Interest Rate Risk	-	-
(b) RWA for Equity	-	-

(i) General Equity Risk	-	-
(ii) Specific Equity Risk	-	-
(c) RWA for Foreign Exchange & Gold	500,407	902,059
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	5,818,981	7,216,474

Market risk is defined as the risk of losses in on-balance sheet and off-balance sheet positions arising from movements in market prices. The market risks subject to the capital charge requirements and the risks pertaining to interest rate related instruments, equities in the trading book also the risks pertaining to foreign exchange position (including gold positions) across the bank.

The Colombo Branch's Market Risk RWA is attributable to the Interest Rate Risk of Securities in the Trading Book as well as FX Risk on open Foreign Exchange position. Market risk exposure of the Branch decreased, on account of decrease in open foreign exchange position in Q1, 2023. Increase in interest rate risk on account of increased investments in Govt securities.

c) Operational Risk under Basic Indicator Approach

Business Lines	Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as of Mar 31, 2023			Capital Charge Factor	Fixed Factor	Gross Income (LKR'000) as at Dec 31, 2022		
			1st Year	2nd Year	3rd Year			1st Year	2nd Year	3rd Year
The Basic Indicator Approach	15%		3,655,259	3,215,110	10,546,574	15%		3,525,899	3,664,453	7,882,057
The Standardized Approach	18%					18%				
Corporate Finance			-	-	-			-	-	-
Trading and Sales	18%		-	-	-	18%		-	-	-
Payment and Settlement	18%		-	-	-	18%		-	-	-
Agency Services	15%		-	-	-	15%		-	-	-
Asset Management	12%		-	-	-	12%		-	-	-
Retail Brokerage	12%		-	-	-	12%		-	-	-
Retail Banking	12%		-	-	-	12%		-	-	-

Commercial Banking	15%			-	15%			-	
The Alternative Standardized Approach									
Corporate Finance	18%			-	18%			-	
Trading and Sales	18%			-	18%			-	
Payment and Settlement	18%			-	18%			-	
Agency Services	15%			-	15%			-	
Asset Management	12%			-	12%			-	
Retail Brokerage	12%			-	12%			-	
Retail Banking	12%	0.035		-	12%	0.035		-	
Commercial Banking	15%	0.035		-	15%	0.035		-	
Capital Charges for Operational Risk (LKR'000)									
The Basic Indicator Approach	870,847				753,620				
The Standardized Approach	-				-				
The Alternative Standardized Approach	-				-				
Risk Weighted Amount for Operational Risk (LKR'000)									
The Basic Indicator Approach	6,966,777				6,028,964				
The Standardized Approach	-				-				

The Alternative Standardized Approach	-	-
---------------------------------------	---	---

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 (OR) excludes Business and Reputational Risk.

The Branch uses the Basic Indicator Approach which measures the RWA for Operational risk based on past three years net interest income and non-interest income, considering the adjustments listed in the Banking Act Directions No. 01 of 2016.

Basel III Computation of Leverage Ratios

Item	Page	Reporting Period Mar 31, 2023	Comparison Reporting Period Dec 31, 2022
Tier 1 Capital		15,257,321	20,480,358
Total Exposures		100,048,341	100,040,865
On-Balance Sheet Items (Excluding Derivatives and Securities Financing Transactions, but including Collateral)	13	79,739,883	75,904,622
Derivative Exposures		183,363	634,902
Securities Financing Transaction Exposures		-	-
Other Off-Balance Sheet Exposures		20,125,095	23,501,341
Basel III Leverage Ratio (%) (Tier 1/Total Exposure)		15.25%	20.47%

The Leverage Ratio calculated based on Tier1 Capital and the sum of our Total Assets along with off-Balance Sheet exposures. DB Colombo Branch's Leverage Ratio decreased by 5.22 points to 15.25% in Q1-2023 on account of decreased Tier 1 Capital.

Net Stable Funding Ratio

in LKR '000

Item	Reporting Period	Comparison Reporting Period
------	------------------	-----------------------------

	Mar 31, 2023	Dec 31, 2022
Total Available Stable Funding	37,410,959	39,981,533
Required Stable Funding – On Balance Sheet Assets	28,029,855	25,754,281
Required Stable Funding – Off Balance Sheet Items	2,108,048	2,532,570
Total Required Stable Funding	30,137,903	28,286,850
NSFR	124.13%	141.34%

Basel III Computation of Liquidity Coverage Ratio (All currency)

in LKR '000	Reporting Period		Comparison Reporting Period	
	Mar 31, 2023		Dec 31, 2022	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Item				
Total Stock of High-Quality Liquid Assets (HQLA)	-	18,389,792	0	17,049,044
Total Adjusted Level 1A Assets	-	18,389,792	0	17,049,044
Level 1 Assets	-	18,389,792	-	17,049,044
Total Adjusted Level 2A Assets	-	-	-	-
Level 2A Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	95,752,194	17,133,736	100,930,730	21,856,953
Deposits	492,283	318	1,211,493	3,166
Unsecured Wholesale Funding	30,121,298	14,680,045	26,345,845	19,003,540
Secured Funding Transactions	-	-	0	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	65,138,613	2,108,048	73,373,392	2,532,570
Additional Requirements	-	345,325	-	317,677
Total Cash Inflows	31,107,272	17,549,900	28,481,089	20,307,568

Maturing Secured Lending Transactions Backed by Collateral	-	-	-	-
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	13,458,321	17,491,521	10,434,099	16,533,729
Operational Deposits	17,648,951	-	14,273,151	-
Other Cash Inflows	-	58,379	3,773,839	3,773,839
Liquidity Coverage Ratio (%) (Stock of High-Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100		429.32		312.01

Between the two reporting periods HQLAs increased by 7.86%. This increase mainly attributable to increase in Govt. securities and excess cash balances at Central bank of Sri Lanka.

During the two reporting periods, total Cash Outflows decreased by 22% mainly due to decrease in customer deposits while the total Cash Inflows decreased by 13% between the two reporting periods on account of decrease other cash inflows.

Note : Calculation basis of Total Net Cash Flow

If, Total Cash Inflows are greater than 75% of Total Cash Outflows : Total Net Cash Outflows = Total Cash Outflows - 75% * Total Cash Outflows

If, Total Cash Inflows are not greater than 75% of Total Cash Outflows : Total Net Cash Outflows = Total Cash Outflows - Total Cash Inflows

Main features of Regulatory Capital Instruments

Description of the Capital Instrument	Mar 31, 2023	Dec 31, 2022
Assigned Capital		
DB Colombo, being a branch of Deutsche Bank AG Frankfurt, is provided assigned capital to support both business requirements and maintain minimum regulatory capital requirements. It is consequently governed by the laws and regulations of the Central Bank of Sri Lanka.		
Amount Recognized in Regulatory Capital (in LKR '000 as at the Reporting Date)	4,410,461	4,410,461
Accounting Classification	Equity	Equity
Reserve Fund		
This represents accumulated annual transfer of 5 % of profits after tax as required under Section 20 (1) of the Banking Act No. 30 of 1988.		
Amount Recognized in Regulatory Capital (in LKR '000 as at the Reporting Date)	963,823	963,823
Accounting Classification	Equity	Equity
Retained Earnings		
This represents all unremitted /audited profits of DB Colombo		

Amount Recognized in Regulatory Capital (in LKR '000 as at the Reporting Date)	6,419,206	6,419,206
Accounting Classification	Equity	Equity
<hr/>		
Accumulated Other Comprehensive Income (OCI)		
This represents reserves created on changes in Fair Value of Available-for-Sale instruments, Actuarial loss on defined benefit plans and related taxes.		
Amount Recognized in Regulatory Capital (in LKR '000 as at the Reporting Date)	(22,703)	(22,703)
Accounting Classification	Equity	Equity
<hr/>		
General and other Disclosed Reserves		
This represents all unpaid amounts due to DB Group which has been transferred to a "Special Reserve" with due approval from the regulators.		
Amount Recognized in Regulatory Capital (in LKR '000 as at the Reporting Date)	8,709,570	8,709,570
Accounting Classification	Equity	Equity
<hr/>		