

GSM/BV/AC

**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 2021.

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 Chartered 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.

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.

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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.

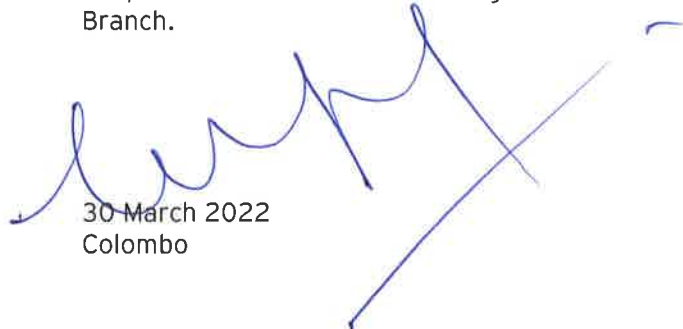
SLSAE 3050 (Revised) does not require us to consider whether the Statement covers all risks and controls or to form an opinion on the effectiveness of the Branch's risk and control procedures.

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.



30 March 2022
Colombo



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The Director,
Bank Supervision Department,
Central Bank of Sri Lanka,
Janadhipathi Mawatha,
Colombo 1

30th March 2022

Dear Madam,

Management's Report on Internal Control 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 generally accepted accounting principles. 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 Branch management assessed the effectiveness of the Branch's internal control over financial reporting for the financial year ended December 31, 2021 based on the guidelines issued by the Institute of Chartered Accountants of Sri Lanka in relation to the Statement of Internal Control.

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, 2021 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, 2021, 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
- Integrity Committee
- Compensation Control 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 effect of COVID 19 pandemic,

In relation to the effect of COVID 19 pandemic, the Bank has taken all recommended measures to ensure the safety and wellbeing of its employees, customers and all other stakeholders during these challenging times and continues to adhere to the guidelines issued by the Government and health authorities. During the curfew-imposed period, all operations are carried out strictly in accordance with the guidelines issued by the Government and health authorities. Business continuity arrangements were initiated in order to facilitate essential business transactions and provide continued services to customers through our various channels during this period. 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 within the organization as well as externally. The Branch Management Board ensures that the alternative arrangements does 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 Financial Reporting 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 2021 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.

X

Joachim Seibt

Joachim Seibt
Director
Regional Finance
Deutsche Bank AG

