

Deutsche Bank AG

Hong Kong Branch

Key Financial Information Disclosure Statement

Half-Year Ended June 30, 2018



Deutsche Bank AG (Hong Kong Branch) releases its Key Financial Information Disclosure Statement for the half-year ended June 30, 2018 as follows:-

Deutsche Bank AG (Hong Kong Branch)
Key Financial Information Disclosure Statement for the half-year ended June 30, 2018

Section A – Branch Information (Hong Kong Office Only)

(I) Income Statement Information

HKD Million	Half-Year Ended June 30, 2018	Half-Year Ended June 30, 2017
Interest income	1,375	593
Interest expense	(758)	(554)
Other operating income		
- Gains less losses arising from trading in foreign currencies	217	495
- Gains less losses on securities held for trading purposes	530	1,630
- Gains less losses from other trading activities	57	(95)
- <i>Net fees and commission income</i>		
- Gross fees and commission income	1,611	1,040
- Gross fees and commission expenses	(64)	(20)
- Others	1,185	240
Operating expenses		
- Staff expenses	(1,539)	(1,525)
- Rental expenses	(176)	(187)
- Others	(1,485)	(1,555)
Impairment losses and provisions for impaired loans and receivables	<u>8</u>	<u>10</u>
Profit/ (loss) before taxation	961	72
Taxation	<u>21</u>	<u>14</u>
Profit/ (loss) after taxation	<u>940</u>	<u>58</u>

(II) Balance Sheet Information

HKD Million	June 30, 2018	December 31, 2017
Assets		
Cash and balances with banks	3,410	4,708
Placements with banks with residual maturity between 1 months and 12 months	960	600
Due from Exchange Fund	576	230
Amount due from overseas offices of the institution	34,785	34,267
Trade bills	3,985	2,134
Certificates of deposit held	-	-
Securities held for trading purposes	7,507	5,984
Loans and receivables	48,850	47,905
Amount receivable under reverse repos	116	116
Other investments	663	661
Property, plant and equipment	<u>189</u>	<u>225</u>
Total assets	<u>101,041</u>	<u>96,830</u>
Liabilities		
Deposits and balances of banks	696	692
Deposits from customers		
- Demand deposits and current accounts	16,625	18,753
- Savings deposits	127	59
- Time, call and notice deposits	17,253	11,242
Amount due to overseas offices of the institution	49,261	45,040
Certificates of deposit issued	1,970	2,915
Other negotiable debt instruments	377	1,970
Other liabilities	<u>14,732</u>	<u>16,159</u>
Total liabilities	<u>101,041</u>	<u>96,830</u>

(III) Additional Information

(i) Basis of preparation

Deutsche Bank AG and its subsidiaries ('the Group') prepared its annual consolidated financial statements in accordance with International Financial Reporting Standards ('IFRS') endorsed by the European Union ('EU'). The financial information contained in this statement pertain only to the activities of Deutsche Bank AG Hong Kong Branch ('the Branch') and these have been prepared in accordance with the Group accounting policies, and as required by the Banking (disclosure) rules made under section 60A of the Banking Ordinance ('the Rules').

(ii) Loans and receivables

HKD Million	June 30, 2018	December 31, 2017
Loans and advances to customers	36,553	34,373
Accrued interest and other accounts	12,338	13,587
Less: Collectively impairment losses	30	42
Less: Individually impairment losses	7	8
Less: Country Risk Provision	4	5
	<u>48,850</u>	<u>47,905</u>

(iii) Impairment losses for impaired loans and receivables and trade bills

HKD Million	June 30, 2018	December 31, 2017
Loans and receivables		
- Collective impairment allowances	25	35
- Specific impairment allowances	7	8
- Country risk provision	-	-
Trade bills		
- Collective impairment allowances	5	7
- Specific impairment allowances	-	-
- Country risk provision	4	5
	<u>41</u>	<u>55</u>

(iv) Overdue and rescheduled loans and receivables and trade bills

Overdue and rescheduled advances to customers	June 30, 2018		December 31, 2017	
	HKD Million	As % of advances to customers	HKD Million	As % of advances to customers
Overdue for:				
- Over one month and up to one year	-	-	-	-
- More than one year	<u>12</u>	<u>-</u>	<u>12</u>	<u>-</u>
	<u>12</u>	<u>-</u>	<u>12</u>	<u>-</u>
Representing:				
- Loans for use in Hong Kong	12	-	12	-
- Trade Finance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>12</u>	<u>-</u>	<u>12</u>	<u>-</u>

The amount of advances to customers on which interest accrual has ceased and individually assessed to be impaired was HKD 12 million at June 30, 2018 and HKD 12 million at December 31, 2017. There was no interest in suspense and collateral coverage. Individual impairment allowances made in respect of such advances were HKD 7 million at June 30, 2018 and HKD 8 million at December 31, 2017. There were no overdue trade bills at June 30, 2018 and December 31, 2017.

No repossessed asset was held for impaired and overdue loans and receivables June 30, 2018 and trade bills at and December 31, 2017.

(v) Analysis of advances to customers by industry sectors (as defined in the "Return of Quarterly Analysis of Loans and Advances and Provisions"- MA(BS)2A)

HKD Million	June 30, 2018		December 31, 2017	
	Gross advances	Collateral or other security	Gross advances	Collateral or other security
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Manufacturing	161	157	499	469
- Building & construction, property development & investment	-	-	-	-
- Information technology	-	-	1	-
- Wholesale and retail trade	88	-	291	-
- Transport and transport equipment	272	259	137	130
- Hotels	-	-	-	-
- Financial concerns	245	-	185	-
- Stockbrokers	752	-	752	-
- Others	4,169	3,806	3,307	2,801
	<u>5,688</u>	<u>4,222</u>	<u>5,172</u>	<u>3,400</u>
Individuals				
- Others	500	492	219	175
Total loans for use in Hong Kong	<u>6,188</u>	<u>4,714</u>	<u>5,391</u>	<u>3,575</u>
Trade finance	16,149	308	15,355	390
Loans for use outside Hong Kong	<u>14,216</u>	<u>7,784</u>	<u>13,627</u>	<u>8,488</u>
	<u>36,553</u>	<u>12,806</u>	<u>34,373</u>	<u>12,453</u>

(vi) Analysis of advances to customers by geographical areas (as defined in the "Return of International Banking Statistics"- MA(BS)21 after taking into consideration, transfers of risk)

HKD Million	June 30, 2018	December 31, 2017
International organisations	-	30
Developed countries	7,021	6,368
Offshore centres	7,145	5,599
Developing Europe	904	1,294
Developing Latin America and Caribbean	1,590	1,947
Developing Africa and Middle East	629	970
Developing Asia and Pacific	3,783	4,735
Hong Kong	<u>15,481</u>	<u>13,430</u>
	<u>36,553</u>	<u>34,373</u>

(vii) Mainland Activities (as defined in the “Return of Mainland Activities” – MA(BS)20)

HKD Million At June 30, 2018	On-balance sheet exposure	Off- balance sheet exposure	Total
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	11,792	1,678	13,470
Local governments, local government-owned entities and their subsidiaries and JVs	792	117	909
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	950	1	951
Other entities of central government not reported above	-	-	-
Other entities of local governments not reported above	-	-	-
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	592	-	592
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	<u>605</u>	<u>8</u>	<u>613</u>
Total	<u>14,731</u>	<u>1,804</u>	<u>16,535</u>
Total assets after provision	<u>101,041</u>		
On-balance sheet exposures as percentage of total assets	14.58%		

HKD Million At December 31, 2017	On-balance sheet exposure	Off- balance sheet exposure	Total
Central government, central government-owned entities and their subsidiaries and JVs	10,326	386	10,712
Local governments, local government-owned entities and their subsidiaries and JVs	845	128	973
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,797	2	1,799
Other entities of central government not reported above	-	-	-
Other entities of local governments not reported above	-	-	-
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	794	2	796
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	<u>435</u>	<u>35</u>	<u>470</u>
Total	<u>14,197</u>	<u>553</u>	<u>14,750</u>
Total assets after provision	<u>96,830</u>		
On-balance sheet exposures as percentage of total assets	14.66%		

(viii) International claims (other than local claims in HKD) by geographical segments (as defined in the "Return of International Banking Statistics" – MA(BS)21 after taking into consideration, transfer of risks)

HKD Million
At June 30, 2018

	Banks	Non-bank private sector			Total
		Official Sector	Non-bank Financial institutions	Non-financial private sector	
Developed countries, of which	35,336	3,118	-	6,504	44,958
- <i>Germany</i>	31,208	-	-	406	31,614
- <i>United States</i>	620	3,118	-	2,824	6,562
Developing Africa and Middle East	21	-	-	629	650
Developing Asia and Pacific, of which	4,529	-	-	4,426	8,955
- <i>China</i>	3,631	-	-	2,252	5,883
Developing Latin America and Caribbean	-	-	-	1,603	1,603
Developing Europe	333	-	-	1,270	1,603
Offshore centres, of which	6,826	-	617	28,297	35,740
- <i>Hong Kong</i>	5,368	-	617	19,200	25,185
International organization	-	-	7	-	7
Total	<u>47,045</u>	<u>3,118</u>	<u>624</u>	<u>42,729</u>	<u>93,516</u>

HKD Million
At December 31, 2017

	Banks	Non-bank private sector			Total
		Official Sector	Non-bank Financial institutions	Non-financial private sector	
Developed countries, of which	32,225	-	-	6,834	39,059
- <i>Germany</i>	31,070	-	-	1,091	32,161
- <i>United States</i>	46	-	-	3,116	3,162
Developing Africa and Middle East	10	-	-	970	980
Developing Asia and Pacific, of which	3,571	862	-	4,757	9,190
- <i>China</i>	3,181	804	-	2,479	6,464
Developing Latin America and Caribbean	-	-	-	1,957	1,957
Developing Europe	23	-	-	1,302	1,325
Offshore centres, of which	4,999	2,340	775	25,913	34,027
- <i>Hong Kong</i>	4,486	2,340	775	20,291	27,892
International organization	-	-	7	30	37
Total	<u>40,828</u>	<u>3,202</u>	<u>782</u>	<u>41,763</u>	<u>86,575</u>

(ix) Currency risk

At June 30, 2018

Equivalent in HKD Million	USD	EUR	RMB	Other Foreign Currencies	Total
Spot assets	49,277	5,371	8,319	2,830	65,797
Spot liabilities	(61,618)	(11,155)	(3,809)	(2,537)	(79,119)
Forward purchases	169,783	22,992	124,873	6,637	324,285
Forward sales	(151,657)	(16,585)	(132,538)	(6,807)	(307,587)
Net options positions	-	-	-	-	-
Net long / (short) position	<u>5,785</u>	<u>623</u>	<u>(3,155)</u>	<u>123</u>	<u>3,376</u>

At December 31, 2017

Equivalent in HKD Million	USD	EUR	RMB	Other Foreign Currencies	Total
Spot assets	48,808	9,111	7,853	2,976	68,748
Spot liabilities	(57,321)	(15,970)	(6,141)	(2,345)	(81,777)
Forward purchases	183,334	29,176	139,255	8,124	359,889
Forward sales	(171,001)	(17,238)	(146,612)	(8,592)	(343,443)
Net options positions	-	-	-	-	-
Net long / (short) position	<u>3,820</u>	<u>5,079</u>	<u>(5,645)</u>	<u>163</u>	<u>3,417</u>

(x) Off-Balance Sheet Exposures

The following table summarizes contractual or notional amounts of off-balance sheet exposures:

HKD Million	June 30, 2018	December 31, 2017
Contingencies and commitments		
- Direct credit substitutes	443	527
- Transaction-related contingencies	4,540	3,255
- Trade-related contingencies	3,038	3,156
- Other commitments	<u>3,682</u>	<u>2,276</u>
	<u>11,703</u>	<u>9,214</u>
Derivatives		
- Exchange rate related derivative contracts	378,763	397,276
- Interest rate derivative contracts	114,932	176,527
- Others	<u>603</u>	<u>747</u>
	<u>494,298</u>	<u>574,550</u>

(x) Off-Balance Sheet Exposures (continued)

The following table summarizes the fair value of the derivatives. There is no change in the fair value after the consideration of bilateral netting arrangements:

HKD Million	June 30, 2018	December 31, 2017
Fair value assets		
- Exchange rate related derivative contracts	6,284	7,530
- Interest rate derivative contracts	772	738
- Others	<u>8</u>	<u>9</u>
	<u>7,064</u>	<u>8,277</u>
Fair value liabilities		
- Exchange rate related derivative contracts	6,523	7,488
- Interest rate derivative contracts	1,199	749
- Others	<u>4</u>	<u>5</u>
	<u>7,726</u>	<u>8,242</u>

(xi) Liquidity Maintenance Ratio

The liquidity maintenance ratio (LMR) is calculated in accordance with the Banking (Liquidity) Rules effective from 1 January 2015.

	Second Quarter 2018	First Quarter 2018
3 months average LMR	91.35%	121.27%
		June 30, 2017
6 months average LMR		84.00%

The average LMR is the arithmetic mean of the average value of LMR for each calendar month as reported in the liquidity position return submitted for the reporting period. Q1 2018 and Q2 2018 average LMR are calculated based on 3 months average in accordance with Banking (disclosure) rules (BDR) section 103B and H1 2017 average LMR is calculated based on 6 months average in accordance with pre-amended BDR.

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(xii) Core Funding Ratio

The core funding ratio (CFR) is calculated in accordance with the Banking (Liquidity) (Amendment) Rules 2017.

	Second Quarter 2018	First Quarter 2018
Average CFR	173.72%	187.57%

The average CFR is the arithmetic mean of the average value of CFR for each calendar month as reported in the return submitted for the reporting period.

(xiii) Liquidity risk management

Liquidity risk is defined as the risk arising from the branch's potential inability to meet all payment

obligations when they fall due or to only being able to meet these obligations at excessive costs.

The Group Management Board defines the liquidity and funding risk strategy for the Deutsche Bank Group (“the Group”), and sets the risk appetite. Treasury Executive Committee’s mandate is to act as an oversight and escalation point for Treasury matters. The Branch’s liquidity risk management framework is based on the global liquidity risk strategy and risk appetite with considerations of local regulatory requirements.

(xiii) Liquidity risk management (continued)

Treasury is mandated to manage the overall liquidity and funding position of the Branch, with Liquidity Risk management acting as an independent control function, responsible for the oversight of liquidity and funding risk management strategy and the validation of Liquidity Risk models which are developed by Treasury, to measure and manage the liquidity risk profile. Liquidity and Treasury Reporting and Analysis Team is responsible for the internal reporting on liquidity and funding across the firm on a global and local level.

The Branch's cash-flow based reporting system provides daily liquidity risk information to local management. Stress testing and scenario analysis plays a central role in the Branch's liquidity risk management framework. This also incorporates an assessment of asset liquidity, i.e., the characteristics of the Branch's asset inventory, under various stress scenarios as well as contingent funding requirements from off-balance-sheet commitments. Daily stress test results are used to monitor the Branch's ongoing compliance with the overall liquidity risk appetite.

Section B – Deutsche Bank Group Information - Consolidated (Unaudited)

(I) Capital and Capital Adequacy

BIS capital ratios under CRR/CRD 4 (fully loaded):

	June 30, 2018	December 31, 2017
- Common Equity Tier 1 capital ratio	13.7%	14.0%
- Tier 1 capital ratio	15.1%	15.4%
- Total capital ratio	17.7%	18.4%

Total shareholders' equity was EUR 62.7 billion at June 30, 2018 and EUR 63.2 billion at December 31, 2017.

(II) Other Financial Information

Extracts from the consolidated financial statements for the year ended June 30, 2018:

EUR Billion	June 30, 2018	December 31, 2017
- Total assets	1,421	1,475
- Total liabilities	1,352	1,407
- Total loans and advances	391	402
- Total deposits	558	581

EUR Million	Period Ended June 30, 2018	Period Ended June 30, 2017
Income before income taxes	1,143	1,701

Further details of Deutsche Bank Group can be obtained from the interim report as of June 30 2018 at www.db.com.

Chief Executive’s Declaration of Compliance

It is certified by the Chief Executive of Deutsche Bank AG Hong Kong Branch that the information disclosed above is in compliance with the Banking (disclosure) rules and the disclosure standards of the Supervisory Policy Manual – “Guideline on the Application of the Banking (Disclosure) Rules” issued by the Hong Kong Monetary Authority.

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