

# Deutsche Bank AG Hong Kong Branch

Key Financial Information Disclosure Statement –  
Year Ended December 31, 2016



**Deutsche Bank AG (Hong Kong Branch) releases its Key Financial Information Disclosure Statement for the year ended December 31, 2016 as follows:-**

Deutsche Bank AG (Hong Kong Branch)

Key Financial Information Disclosure Statement for the year ended December 31, 2016

Section A – Branch Information (Hong Kong Office Only)

(I) Income Statement Information

<u>HKD Million</u>	<u>Year Ended December 31, 2016</u>	<u>Year Ended December 31, 2015</u>
Interest income	1,153	1,266
Interest expense	(928)	(1,029)
Other operating income		
- Gains less losses arising from trading in foreign currencies	(1,220)	1,167
- Gains less losses on securities held for trading purposes	2,350	5,046
- Gains less losses from other trading activities	1,276	80
- Net fees and commission income		
- Gross fees and commission income	2,215	2,403
- Gross fees and commission expenses	(20)	(112)
- Others	759	1,231
Operating expenses		
- Staff expenses	(2,861)	(3,427)
- Rental expenses	(333)	(226)
- Others	(2,696)	(4,815)
Impairment losses and provisions for impaired loans and receivables	<u>(3)</u>	<u>3</u>
(Loss)/ profit before taxation	(308)	1,587
Taxation	<u>151</u>	<u>(512)</u>
(Loss)/ profit after taxation	<u>(157)</u>	<u>1,075</u>

(II) Balance Sheet Information

<u>HKD Million</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
<b>Assets</b>		
Cash and balances with banks	6,383	9,719
Due from Exchange Fund	1,137	1,105
Amount due from overseas offices of the institution	41,605	38,859
Trade bills	1,321	2,094
Certificates of deposit held	-	-
Securities held for trading purposes	7,128	1,968
Loans and receivables	57,279	51,207
Amount receivable under reverse repos	208	208
Other investments	783	789
Property, plant and equipment	<u>358</u>	<u>398</u>
Total assets	<u>116,202</u>	<u>106,347</u>
<b>Liabilities</b>		
Deposits and balances of banks	1,341	1,057
Deposits from customers		
- Demand deposits and current accounts	19,134	23,954
- Savings deposits	176	28
- Time, call and notice deposits	14,675	15,828
Amount due to overseas offices of the institution	35,007	27,887
Certificates of deposit issued	4,755	4,980
Other negotiable debt instruments	1,948	1,957
Other liabilities	39,112	30,608
Provisions	<u>54</u>	<u>48</u>
Total liabilities	<u>116,202</u>	<u>106,347</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

<u>HKD Million</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Advances to customers	21,380	21,474
Advances to banks maturing between one and twelve months	-	219
Accrued interest and other accounts	<u>35,899</u>	<u>29,514</u>
	<u>57,279</u>	<u>51,207</u>

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

<u>HKD Million</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
<u>Loans and receivables</u>		
- Collective impairment allowances	36	32
- Specific impairment allowances	8	8
- Country risk provision	-	-
<u>Trade bills</u>		
- Collective impairment allowances	7	7
- Specific impairment allowances	-	-
- Country risk provision	<u>3</u>	<u>1</u>
	<u>54</u>	<u>48</u>

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

<u>Overdue and rescheduled advances to customers</u>	<u>December 31, 2016</u>		<u>June 30, 2016</u>	
	<u>HKD Million</u>	<u>As % of advances to customers</u>	<u>HKD Million</u>	<u>As % of advances to customers</u>
Overdue for:				
- Over one month and up to one year	2	-	2	-
- More than one year	<u>10</u>	<u>-</u>	<u>10</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 determined to be impaired was HKD 12 million at December 31, 2016 and HKD 12 million at June 30, 2016. There was no interest in suspense and collateral coverage. Individual impairment allowances made in respect of such advances were HKD 8 million at December 31, 2016 and HKD 8 million at June 30, 2016.

There were no overdue trade bills at December 31, 2016 and June 30, 2016.

No repossessed asset was held for impaired and overdue loans and receivables and trade bills at December 31, 2016 and June 30, 2016.

(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)

<u>HKD Million</u>	<u>December 31, 2016</u>		<u>June 30, 2016</u>	
	<u>Gross advances</u>	<u>Collateral or other security</u>	<u>Gross advances</u>	<u>Collateral or other security</u>
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Manufacturing	1,590	1,551	1,073	1,034
- Building & construction, property development & investment	-	-	-	-
- Information technology	10	-	14	-
- Wholesale and retail trade	217	-	273	-
- Transport and transport equipment	157	149	168	160
- Hotels	-	-	-	-
- Financial concerns	165	-	55	-
- Stockbrokers	783	-	752	-
- Others	<u>2,187</u>	<u>1,708</u>	<u>1,090</u>	<u>1,053</u>
	5,109	3,408	3,425	2,247
Individuals				
- Others	<u>945</u>	<u>754</u>	<u>1,216</u>	<u>1,164</u>
Total loans for use in Hong Kong	6,054	4,162	4,641	3,411
Trade finance	4,506	309	5,431	276
Loans for use outside Hong Kong	<u>10,820</u>	<u>5,677</u>	<u>11,402</u>	<u>2,496</u>
	<u>21,380</u>	<u>10,148</u>	<u>21,474</u>	<u>5,907</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)

<u>HKD Million</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Developed countries	4,785	6,020
Offshore centres	2,758	2,508
Developing Europe	1,269	1,260
Developing Latin America and Caribbean	1,567	1,111
Developing Africa and Middle East	1,099	1,514
Developing Asia and Pacific	6,550	5,445
Hong Kong	<u>3,352</u>	<u>3,616</u>
	<u>21,380</u>	<u>21,474</u>

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

<u>HKD Million</u>	<u>On-balance sheet exposure</u>	<u>Off-balance sheet exposure</u>	<u>Total</u>
<u>At December 31, 2016</u>			
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	1,178	108	1,286
Local governments, local government-owned entities and their subsidiaries and JVs	938	178	1,116
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	2,850	12	2,862
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	304	2	306
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	<u>179</u>	<u>-</u>	<u>179</u>
Total	<u>5,449</u>	<u>300</u>	<u>5,749</u>
Total assets after provision	<u>116,148</u>		
On-balance sheet exposures as percentage of total assets	4.69%		

<u>HKD Million</u>	<u>On-balance sheet exposure</u>	<u>Off-balance sheet exposure</u>	<u>Total</u>
<u>At June 30, 2016</u>			
Central government, central government-owned entities and their subsidiaries and JVs	2,638	108	2,746
Local governments, local government-owned entities and their subsidiaries and JVs	692	108	800
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	2,472	8	2,480
Other entities of central government not reported above	54	-	54
Other entities of local governments not reported above	1	-	1
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	310	16	326
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	<u>88</u>	<u>3</u>	<u>91</u>
Total	<u>6,255</u>	<u>243</u>	<u>6,498</u>
Total assets after provision	<u>106,299</u>		
On-balance sheet exposures as percentage of total assets	5.88%		

(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)

<u>HKD Million</u> <u>At December 31, 2016</u>		<u>Non-bank private sector</u>			
	<u>Banks</u>	<u>Official Sector</u>	<u>Non-bank Financial institutions</u>	<u>Non-financial private sector</u>	<u>Total</u>
Developed countries, of which	39,499	5,300	-	6,805	51,604
- <i>Germany</i>	38,702	-	-	602	39,304
- <i>United States</i>	201	4,729	-	1,494	6,424
Developing Africa and Middle East	20	-	-	767	787
Developing Asia and Pacific, of which	3,776	-	4	2,608	6,388
- <i>China</i>	3,588	-	-	511	4,099
Developing Latin America and Caribbean	-	-	-	1,176	1,176
Developing Europe	10	-	-	811	821
Offshore centres, of which	5,469	26	61	31,757	37,313
- <i>Hong Kong</i>	5,436	26	61	31,757	37,280
International organization	-	-	15	-	15
Total	<u>48,774</u>	<u>5,326</u>	<u>80</u>	<u>43,924</u>	<u>98,104</u>

<u>HKD Million</u> <u>At June 30, 2016</u>		<u>Non-bank private sector</u>			
	<u>Banks</u>	<u>Official Sector</u>	<u>Non-bank Financial institutions</u>	<u>Non-financial private sector</u>	<u>Total</u>
Developed countries, of which	35,929	4	-	7,097	43,030
- <i>Germany</i>	35,412	-	-	2,091	37,503
Developing Africa and Middle East	52	-	-	1,515	1,567
Developing Asia and Pacific, of which	7,522	-	-	5,440	12,962
- <i>China</i>	7,253	-	-	3,326	10,579
Developing Latin America and Caribbean	3	-	-	1,134	1,137
Developing Europe	14	-	-	1,306	1,320
Offshore centres, of which	7,671	-	32	22,701	30,404
- <i>Hong Kong</i>	7,651	-	32	19,869	27,552
International organization	-	-	186	-	186
Total	<u>51,191</u>	<u>4</u>	<u>218</u>	<u>39,193</u>	<u>90,606</u>

(ix) Currency risk
At December 31, 2016

<u>Equivalent in HKD</u> <u>Million</u>	<u>USD</u>	<u>EUR</u>	<u>GBP</u>	<u>RMB</u>	<u>JPY</u>	<u>Other Foreign Currencies</u>	<u>Total</u>
Spot assets	72,834	7,311	137	5,474	935	573	87,264
Spot liabilities	(76,987)	(7,383)	(108)	(3,080)	(968)	(892)	(89,418)
Forward purchases	214,487	11,977	12,846	166,459	2,609	2,546	410,924
Forward sales	(207,166)	(11,080)	(12,916)	(170,340)	(2,607)	(2,125)	(406,234)
Net options positions	-	-	-	-	-	-	-
Net long / (short) position	<u>3,168</u>	<u>825</u>	<u>(41)</u>	<u>(1,487)</u>	<u>(31)</u>	<u>102</u>	<u>2,536</u>

At June 30, 2016

<u>Equivalent in HKD</u> <u>Million</u>	<u>USD</u>	<u>EUR</u>	<u>GBP</u>	<u>RMB</u>	<u>JPY</u>	<u>Other Foreign Currencies</u>	<u>Total</u>
Spot assets	54,195	6,044	194	13,036	929	1,196	75,594
Spot liabilities	(64,832)	(6,527)	(179)	(7,690)	(374)	(1,072)	(80,674)
Forward purchases	283,017	13,748	6,766	236,580	6,889	2,214	549,214
Forward sales	(273,123)	(12,385)	(7,174)	(239,221)	(8,670)	(2,281)	(542,854)
Net options positions	-	-	-	-	-	-	-
Net long / (short) position	<u>(743)</u>	<u>880</u>	<u>(393)</u>	<u>2,705</u>	<u>(1,226)</u>	<u>57</u>	<u>1,280</u>

 (x) Off-Balance Sheet Exposures

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

<u>HKD Million</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
<u>Contingencies and commitments</u>		
- Direct credit substitutes	82	294
- Transaction-related contingencies	2,721	3,164
- Trade-related contingencies	2,275	2,305
- Other commitments	<u>3,078</u>	<u>4,463</u>
	<u>8,156</u>	<u>10,226</u>
<u>Derivatives</u>		
- Exchange rate related derivative contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements)	449,209	582,413
- Interest rate derivative contracts	133,336	175,600
- Others	<u>441</u>	<u>571</u>
	<u>582,986</u>	<u>758,584</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:

<u>HKD Million</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Fair value assets		
- Exchange rate related derivative contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements)	22,812	13,471
- Interest rate derivative contracts	6,904	7,450
- Others	<u>2</u>	<u>2</u>
	<u>29,718</u>	<u>20,923</u>
Fair value liabilities		
- Exchange rate related derivative contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements)	22,662	13,530
- Interest rate derivative contracts	6,914	7,122
- Others	<u>5</u>	<u>6</u>
	<u>29,581</u>	<u>20,658</u>

(xi) Liquidity Maintenance Ratio

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

	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Average LMR	67.99%	57.88%

The average LMR is arithmetic mean of each calendar month's average LMR calculated in accordance with the Banking (Liquidity) Rules.

(xii) Liquidity risk management

Liquidity risk is defined as the risk arising from the branch's potential inability to meet all payment obligations when due, or to only meet these obligations at excessive costs.

The Group's Management Board (MB) defines the Group's liquidity risk strategy, and in particular the Group's appetite for liquidity risk based on recommendations made by Treasury and/or Liquidity Risk Control (LRC) via Group Risk Committee (GRC). At least once every year the Group's MB will review and approve the limits which are applied to the Group to measure and control liquidity risk as well as the Group's long-term funding and issuance plan. The Branch's liquidity risk management framework is based on the global liquidity risk strategy and risk appetite with considerations of local regulatory requirements.

The Treasury function is responsible for the management of the Branch's liquidity and funding risk as defined in the liquidity risk strategy. The Branch's liquidity risk management framework is designed to identify, measure and manage the Branch's liquidity risk position. Liquidity and Treasury Reporting and Analysis (LTRA) Team is responsible for the internal reporting on liquidity and funding across the firm on a global and local level. In addition Liquidity Risk Control is responsible for the oversight and validation of the branch's liquidity risk management framework.

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):-

	<u>December 31, 2016</u>	<u>June 30, 2016</u>
- Common Equity Tier 1 capital ratio	11.8%	10.8%
- Tier 1 capital ratio	13.1%	12.0%
- Total capital ratio	16.6%	15.1%

Total shareholders' equity was EUR 60 billion at December 31, 2016 and EUR 62 billion at June 30, 2016.

(II) Other Financial Information

Extracts from the consolidated financial statements for the year ended December 31, 2016:

<u>EUR Billion</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
- Total assets	1,591	1,803
- Total liabilities	1,526	1,736
- Total loans and advances	409	428
- Total deposits	550	566

  

<u>EUR Million</u>	<u>Year Ended December 31, 2016</u>	<u>Year Ended December 31, 2015</u>
Loss before income taxes	(810)	(6,097)

Further details of Deutsche Bank Group can be obtained from Annual Report for 2016 at [www.db.com](http://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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