

Deutsche Bank AG Hong Kong Branch

Key Financial Information Disclosure Statement –
Half-Year Ended June 30, 2017



Deutsche Bank AG (Hong Kong Branch) releases its Key Financial Information Disclosure Statement for the half-year ended June 30, 2017 as follows:-

Deutsche Bank AG (Hong Kong Branch)
Key Financial Information Disclosure Statement for the half-year ended June 30, 2017

Section A – Branch Information (Hong Kong Office Only)

(I) Income Statement Information

<u>HKD Million</u>	<u>Half-Year Ended June 30, 2017</u>	<u>Half-Year Ended June 30, 2016</u>
Interest income	593	601
Interest expense	(554)	(439)
Other operating income		
- Gains less losses arising from trading in foreign currencies	495	(326)
- Gains less losses on securities held for trading purposes	1,630	1,261
- Gains less losses from other trading activities	(95)	393
- Net fees and commission income		
- Gross fees and commission income	1,040	1,151
- Gross fees and commission expenses	(20)	(20)
- Others	240	131
Operating expenses		
- Staff expenses	(1,525)	(1,592)
- Rental expenses	(187)	(164)
- Others	(1,555)	(1,128)
Impairment losses and provisions for impaired loans and receivables	<u>10</u>	<u>4</u>
Profit/ (loss) before taxation	72	(128)
Taxation	<u>14</u>	<u>116</u>
Profit/ (loss) after taxation	<u>58</u>	<u>(12)</u>

(II) Balance Sheet Information

<u>HKD Million</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Assets		
Cash and balances with banks	7,261	6,383
Due from Exchange Fund	492	1,137
Amount due from overseas offices of the institution	36,854	41,605
Trade bills	1,816	1,321
Certificates of deposit held	-	-
Securities held for trading purposes	5,070	7,128
Loans and receivables	59,321	57,279
Amount receivable under reverse repos	116	208
Other investments	794	783
Property, plant and equipment	<u>288</u>	<u>358</u>
Total assets	<u>112,012</u>	<u>116,202</u>
Liabilities		
Deposits and balances of banks	2,444	1,341
Deposits from customers		
- Demand deposits and current accounts	16,710	19,134
- Savings deposits	165	176
- Time, call and notice deposits	8,020	14,675
Amount due to overseas offices of the institution	51,688	35,007
Certificates of deposit issued	3,252	4,755
Other negotiable debt instruments	1,966	1,948
Other liabilities	27,723	39,112
Provisions	<u>44</u>	<u>54</u>
Total liabilities	<u>112,012</u>	<u>116,202</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>June 30, 2017</u>	<u>December 31, 2016</u>
Advances to customers	32,069	21,380
Advances to banks maturing between one and twelve months	-	-
Accrued interest and other accounts	<u>27,252</u>	<u>35,899</u>
	<u>59,321</u>	<u>57,279</u>

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

<u>HKD Million</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>
<u>Loans and receivables</u>		
- Collective impairment allowances	24	36
- Specific impairment allowances	8	8
- Country risk provision	-	-
<u>Trade bills</u>		
- Collective impairment allowances	8	7
- Specific impairment allowances	-	-
- Country risk provision	<u>4</u>	<u>3</u>
	<u>44</u>	<u>54</u>

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

<u>Overdue and rescheduled advances to customers</u>	<u>June 30, 2017</u>		<u>December 31, 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 June 30, 2017 and HKD 12 million at December 31, 2016. There was no interest in suspense and collateral coverage. Individual impairment allowances made in respect of such advances were HKD 8 million at June 30, 2017 and HKD 8 million at December 31, 2016.

There were no overdue trade bills at June 30, 2017 and December 31, 2016.

No repossessed asset was held for impaired and overdue loans and receivables and trade bills at June 30, 2017 and December 31, 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>June 30, 2017</u>		<u>December 31, 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	1,524	1,483	1,590	1,551
- Building & construction, property development & investment	-	-	-	-
- Information technology	6	-	10	-
- Wholesale and retail trade	195	-	217	-
- Transport and transport equipment	147	140	157	149
- Hotels	-	-	-	-
- Financial concerns	145	-	165	-
- Stockbrokers	846	-	783	-
- Others	<u>2,356</u>	<u>2,103</u>	<u>2,187</u>	<u>1,708</u>
	5,219	3,726	5,109	3,408
Individuals				
- Others	<u>255</u>	<u>255</u>	<u>945</u>	<u>754</u>
Total loans for use in Hong Kong	5,474	3,981	6,054	4,162
Trade finance	13,470	351	4,506	309
Loans for use outside Hong Kong	<u>13,125</u>	<u>8,897</u>	<u>10,820</u>	<u>5,677</u>
	<u>32,069</u>	<u>13,229</u>	<u>21,380</u>	<u>10,148</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>June 30, 2017</u>	<u>December 31, 2016</u>
International organisations	30	-
Developed countries	6,674	4,785
Offshore centres	6,246	2,758
Developing Europe	828	1,269
Developing Latin America and Caribbean	1,344	1,567
Developing Africa and Middle East	736	1,099
Developing Asia and Pacific	2,819	6,550
Hong Kong	<u>13,392</u>	<u>3,352</u>
	<u>32,069</u>	<u>21,380</u>

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

<u>HKD Million</u> <u>At June 30, 2017</u>	<u>On-balance sheet exposure</u>	<u>Off-balance sheet exposure</u>	<u>Total</u>
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	9,377	177	9,554
Local governments, local government-owned entities and their subsidiaries and JVs	917	95	1,012
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3,012	1	3,013
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	286	2	288
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	<u>201</u>	<u>225</u>	<u>426</u>
Total	<u>13,793</u>	<u>500</u>	<u>14,293</u>
Total assets after provision	<u>111,968</u>		
On-balance sheet exposures as percentage of total assets	12.32%		

<u>HKD Million</u> <u>At December 31, 2016</u>	<u>On-balance sheet exposure</u>	<u>Off-balance sheet exposure</u>	<u>Total</u>
Central government, central government-owned entities and their subsidiaries and 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%		

(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 June 30, 2017</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	37,097	1,558	-	7,084	45,739
- <i>Germany</i>	35,967	-	-	658	36,625
- <i>United States</i>	42	1,558	-	2,513	4,113
Developing Africa and Middle East	30	-	-	888	918
Developing Asia and Pacific, of which	2,689	804	4	2,966	6,463
- <i>China</i>	2,451	804	-	903	4,158
Developing Latin America and Caribbean	-	-	-	1,354	1,354
Developing Europe	29	-	-	851	880
Offshore centres, of which	7,574	-	215	35,728	43,517
- <i>Hong Kong</i>	7,551	-	215	29,454	37,220
International organization	-	-	7	30	37
Total	<u>47,419</u>	<u>2,362</u>	<u>226</u>	<u>48,901</u>	<u>98,908</u>

<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>

(ix) Currency risk

At June 30, 2017

<u>Equivalent in HKD</u> <u>Million</u>	<u>USD</u>	<u>EUR</u>	<u>RMB</u>	<u>Other Foreign Currencies</u>	<u>Total</u>
Spot assets	60,425	13,117	10,861	1,875	86,278
Spot liabilities	(67,543)	(15,016)	(7,895)	(1,970)	(92,424)
Forward purchases	218,397	17,124	157,731	21,088	414,340
Forward sales	(195,091)	(13,534)	(171,398)	(20,812)	(400,835)
Net options positions	-	-	-	-	-
Net long / (short) position	<u>16,188</u>	<u>1,691</u>	<u>(10,701)</u>	<u>181</u>	<u>7,359</u>

At December 31, 2016

<u>Equivalent in HKD</u> <u>Million</u>	<u>USD</u>	<u>EUR</u>	<u>RMB</u>	<u>Other Foreign Currencies</u>	<u>Total</u>
Spot assets	72,834	7,311	5,474	1,645	87,264
Spot liabilities	(76,987)	(7,383)	(3,080)	(1,968)	(89,418)
Forward purchases	214,487	11,977	166,459	18,001	410,924
Forward sales	(207,166)	(11,080)	(170,340)	(17,648)	(406,234)
Net options positions	-	-	-	-	-
Net long / (short) position	<u>3,168</u>	<u>825</u>	<u>(1,487)</u>	<u>30</u>	<u>2,536</u>

(x) Off-Balance Sheet Exposures

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

<u>HKD Million</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>
<u>Contingencies and commitments</u>		
- Direct credit substitutes	316	82
- Transaction-related contingencies	3,197	2,721
- Trade-related contingencies	2,710	2,275
- Other commitments	<u>2,310</u>	<u>3,078</u>
	<u>8,533</u>	<u>8,156</u>
<u>Derivatives</u>		
- Exchange rate related derivative contracts	455,346	449,209
- Interest rate derivative contracts	163,056	133,336
- Others	<u>639</u>	<u>441</u>
	<u>619,041</u>	<u>582,986</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>June 30, 2017</u>	<u>December 31, 2016</u>
Fair value assets		
- Exchange rate related derivative contracts	11,326	22,812
- Interest rate derivative contracts	6,386	6,904
- Others	<u>3</u>	<u>2</u>
	<u>17,715</u>	<u>29,718</u>
Fair value liabilities		
- Exchange rate related derivative contracts	11,166	22,662
- Interest rate derivative contracts	6,433	6,914
- Others	<u>2</u>	<u>5</u>
	<u>17,601</u>	<u>29,581</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>June 30, 2017</u>	<u>December 31, 2016</u>
Average LMR	84.00%	67.99%

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>June 30, 2017</u>	<u>December 31, 2016</u>
- Common Equity Tier 1 capital ratio	14.1%	11.8%
- Tier 1 capital ratio	15.4%	13.1%
- Total capital ratio	18.8%	16.6%

Total shareholders' equity was EUR 66 billion at June 30, 2017 and EUR 60 billion at December 31, 2016.

(II) Other Financial Information

Extracts from the consolidated financial statements for the half-year ended June 30, 2017:

<u>EUR Billion</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>
- Total assets	1,569	1,591
- Total liabilities	1,498	1,526
- Total loans and advances	399	409
- Total deposits	581	550
	Half-Year Ended	Half-Year Ended
<u>EUR Million</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Income before income taxes	1,701	987

Further details of Deutsche Bank Group can be obtained from Interim Report for 2Q 2017 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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