

Deutsche Bank AG

Hong Kong Branch

Key Financial Information Disclosure Statement

Year Ended December 31, 2018



Deutsche Bank AG (Hong Kong Branch) releases its Key Financial Information Disclosure Statement for the year ended December 31, 2018 as follows:-

Deutsche Bank AG (Hong Kong Branch)  
Key Financial Information Disclosure Statement for the year ended December 31, 2018

Section A – Branch Information (Hong Kong Office Only)

(I) Income Statement Information

HKD Million	Year Ended December 31, 2018	Year Ended December 31, 2017
Interest income	2,528	2,419
Interest expense	(1,653)	(1,135)
Other operating income		
- Gains less losses arising from trading in foreign currencies	456	296
- Gains less losses on securities held for trading purposes	(106)	(6)
- Gains less losses from other trading activities	1,859	1,445
- <i>Net fees and commission income</i>		
- Gross fees and commission income	2,819	2,696
- Gross fees and commission expenses	(150)	(53)
- Others	1,208	1,697
Operating expenses		
- Staff expenses	(2,933)	(3,135)
- Rental expenses	(334)	(390)
- Others	(3,322)	(3,076)
Impairment losses and provisions for impaired loans and receivables	(27)	(4)
Profit/ (loss) before taxation	345	754
Taxation	82	(7)
Profit/ (loss) after taxation	427	747

(II) Balance Sheet Information

HKD Million	December 31, 2018	June 30, 2018
Assets		
Cash and balances with banks	4,880	3,410
Placements with banks with residual maturity between 1 months and 12 months	-	593
Due from Exchange Fund	1,073	576
Amount due from overseas offices of the institution	23,086	34,785
Trade bills	3,713	3,978
Securities held for trading purposes	8,991	1,193
Loans and receivables	55,416	49,224
Investment securities	3,162	6,314
Amount receivable under reverse repos	116	116
Other investments	661	663
Property, plant and equipment	167	189
Total assets	101,265	101,041
Liabilities		
Deposits and balances from banks	1,069	696
Deposits from customers		
- Demand deposits and current accounts	16,494	16,625
- Savings deposits	171	127
- Time, call and notice deposits	12,068	17,253
Amount due to overseas offices of the institution	54,086	49,261
Certificates of deposit issued	1,966	1,970
Other negotiable debt instruments	370	377
Other liabilities	15,041	14,732
Total liabilities	101,265	101,041

### (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	December 31, 2018	June 30, 2018
Loans and advances to customers	41,813	36,553
Loans and advances to banks	367	367
Accrued interest and other accounts	13,307	12,338
Less: Allowance for credit losses		
- Collectively assessed	44	27
- Individually assessed	<u>27</u>	<u>7</u>
	<u>55,416</u>	<u>49,224</u>

#### (iii) Trade bills

HKD Million	December 31, 2018	June 30, 2018
Trade bills	3,717	3,985
Less: Allowance for credit losses		
- Collectively assessed	-	3
- Individually assessed	-	-
Less: Country Risk Provision	<u>4</u>	<u>4</u>
	<u>3,713</u>	<u>3,978</u>

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

Overdue and rescheduled advances to customers	December 31, 2018		June 30, 2018	
	HKD Million	As % of advances to customers	HKD Million	As % of advances to customers
Overdue for:				
- Over 3 months and up to 6 months	401	0.96%	-	-
- Over 6 months and up to one year	-	-	-	-
- More than one year	<u>12</u>	<u>0.03%</u>	<u>12</u>	<u>0.03%</u>
	<u>413</u>	<u>0.99%</u>	<u>12</u>	<u>0.03%</u>
Representing:				
- Loans for use in Hong Kong	12		12	
- Loans and advances for use outside Hong Kong	401		-	
- Trade Finance	<u>-</u>		<u>-</u>	
	<u>413</u>		<u>12</u>	
By geographical segments:				
- Hong Kong	12		12	
- Brazil	<u>401</u>		<u>-</u>	
	<u>413</u>		<u>12</u>	

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

Market value of collateral held  
against impaired loans and advances  
to customers

<u>381</u>	<u>          </u>	<u>          </u>	<u>          </u>
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The collateral held in respect of the impaired loans and advances to customers are credit insurance.

The amount of advances to customers on which interest accrual has ceased and individually assessed to be impaired was HKD 413 million at December 31, 2018 and HKD 12 million at June 30, 2018. There was no interest in suspense and collateral coverage. Allowances for credit losses made in respect of such advances were HKD 27 million at December 31, 2018 and HKD 7 million at June 30, 2018.

There were no overdue advances to banks and trade bills at December 31, 2018 and June 30, 2018.

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

(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	December 31, 2018		June 30, 2018	
	Gross advances	Collateral or other security	Gross advances	Collateral or other security
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Manufacturing	4	-	161	157
- Wholesale and retail trade	133	-	88	-
- Transport and transport equipment	269	241	272	259
- Financial concerns	190	-	245	-
- Stockbrokers	752	-	752	-
- Others	6,997	6,759	4,170	3,806
	<u>8,345</u>	<u>7,000</u>	<u>5,688</u>	<u>4,222</u>
Individuals				
- Others	<u>1,645</u>	<u>1,635</u>	<u>500</u>	<u>492</u>
Total loans for use in Hong Kong	9,990	8,635	6,188	4,714
Trade finance	12,021	836	16,149	308
Loans for use outside Hong Kong	<u>19,802</u>	<u>12,200</u>	<u>14,216</u>	<u>7,784</u>
	<u>41,813</u>	<u>21,671</u>	<u>36,553</u>	<u>12,806</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	December 31, 2018	June 30, 2018
Hong Kong	9,727	15,480
Mainland China	4,358	750
Others	<u>27,728</u>	<u>20,323</u>
	<u>41,813</u>	<u>36,553</u>

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

HKD Million	On-balance sheet exposure	Off- balance sheet exposure	Total
<b>At December 31, 2018</b>			
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	9,586	1,185	10,771
Local governments, local government-owned entities and their subsidiaries and JVs	403	85	488
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	2,616	2,772	5,388
Other entities of central government not reported above	-	-	-
Other entities of local governments not reported above	124	660	784
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	362	-	362
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	<u>1,373</u>	<u>25</u>	<u>1,398</u>
Total	<u>14,464</u>	<u>4,727</u>	<u>19,191</u>
Total assets after provision	<u>101,265</u>		
On-balance sheet exposures as percentage of total assets	14.28%		

HKD Million	On-balance sheet exposure	Off- balance sheet exposure	Total
<b>At June 30, 2018</b>			
Central government, central government-owned entities and their subsidiaries and 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%		

(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 December 31, 2018

	Banks	Non-bank private sector			Total
		Official Sector	Non-bank Financial institutions	Non-financial private sector	
Developed countries, of which	25,682	-	-	7,747	33,429
- <i>Germany</i>	20,655	-	-	742	21,397
- <i>United States</i>	1,470	-	-	2,646	4,116
Developing Africa and Middle East	-	-	-	1,885	1,885
Developing Asia and Pacific, of which	6,029	577	-	9,084	15,690
- <i>China</i>	5,384	577	-	5,624	11,585
Developing Latin America and Caribbean	-	-	-	1,865	1,865
Developing Europe	198	-	-	1,334	1,532
Offshore centres, of which	13,533	2,955	174	23,656	40,318
- <i>Hong Kong</i>	12,018	2,955	174	9,744	24,891
International organization	-	-	-	-	-
Total	<u>45,442</u>	<u>3,532</u>	<u>174</u>	<u>45,571</u>	<u>94,719</u>

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>

(ix) Currency risk

At December 31, 2018

Equivalent in HKD Million	USD	EUR	RMB	Other Foreign Currencies	Total
Spot assets	47,219	7,170	15,674	2,848	72,911
Spot liabilities	(61,320)	(13,057)	(8,537)	(2,772)	(85,686)
Forward purchases	172,296	18,474	136,786	4,078	331,634
Forward sales	(158,525)	(12,436)	(142,178)	(4,150)	(317,289)
Net options positions	-	-	-	-	-
Net long / (short) position	<u>(330)</u>	<u>151</u>	<u>1,745</u>	<u>4</u>	<u>1,570</u>

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>

Internal reporting method is adopted as basis of calculating the net options positions.

(x) Off-Balance Sheet Exposures

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

HKD Million	December 31, 2018	June 30, 2018
<b>Contingencies and commitments</b>		
- Direct credit substitutes	306	443
- Transaction-related contingencies	4,705	4,540
- Trade-related contingencies	2,272	3,038
- Other commitments	<u>3,107</u>	<u>3,682</u>
	<u>10,390</u>	<u>11,703</u>
<b>Derivatives</b>		
- Exchange rate related derivative contracts	395,205	378,763
- Interest rate derivative contracts	111,095	114,932
- Others	<u>690</u>	<u>603</u>
	<u>506,990</u>	<u>494,298</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	December 31, 2018	June 30, 2018
Fair value assets		
- Exchange rate related derivative contracts	6,141	6,284
- Interest rate derivative contracts	800	772
- Others	<u>35</u>	<u>8</u>
	<u>6,976</u>	<u>7,064</u>
Fair value liabilities		
- Exchange rate related derivative contracts	5,418	6,523
- Interest rate derivative contracts	1,157	1,199
- Others	<u>10</u>	<u>4</u>
	<u>6,585</u>	<u>7,726</u>

(xi) Liquidity Maintenance Ratio

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

	Quarter ended December 31, 2018	Quarter ended September 30, 2017
3 months average LMR	76.20%	88.95%
	December 31, 2018	December 31, 2017
12 months average LMR	94.44%	90.29%

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. Q3 2018 and Q4 2018 average LMR are calculated based on 3 month average in according to Banking (disclosure) rules (BDR) section 103B and December 2017 and 2018 average LMR is calculated based on 12 months average in according to pre-amended BDR.

(xii) Core Funding Ratio

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

	Quarter ended December 31, 2018	Quarter ended September 30, 2018
3 months average CFR	146.72%	163.74%
	December 31, 2018	
12 months average CFR	167.94%	

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



### (xiii) Liquidity risk management (continued)

branch's liquidity management model provides a framework to identify, mitigate and manage the liquidity and funding risks to which the branch is exposed. The framework ensures that roles and responsibilities are clearly defined and understood, in both normal and stressed liquidity conditions.

#### **Liquidity risk governance**

The Group Management Board defines the liquidity and funding risk strategy for the Deutsche Bank Group ("the Group"), and sets the risk appetite based on recommendations made by Treasury and Liquidity Risk Management. 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.

Treasury is mandated to manage the overall liquidity and funding position of the Branch. Under the stewardship of local Treasury, Deutsche Bank Hong Kong Assets and Liabilities Committee provides the forum for managing capital, funding and liquidity risk of the Branch.

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.

Treasury and LRM work with businesses and relevant functional areas to identify the relevant inherent liquidity risks and look to ensure that they are controlled and mitigated through its liquidity management framework.

Liquidity risk is managed through the main below items:

#### **Internal Stress testing**

The branch maps all material risk sub-types into short-term liquidity and long-term liquidity risk. The branch measures its short term liquidity risk through the use of liquidity stress testing, where the branch quantifies the potential amount of liquidity outflows and inflows that may materialize in a stress scenario. The branch also produces business-as-usual cashflow projection report to monitor liquidity outflows and inflows under normal scenario.

The selection of liquidity risk drivers for stress testing is based on a review of the IFRS balance sheet and incorporate relevant off-balance sheet items which have been determined through an analysis of the branch's business model and activities.

The branch aims to maintain a positive stressed net liquidity position throughout an 8 week liquidity stress under all three different liquidity stress scenarios. In the event of a stress scenario unfolding, the branch would enact its comprehensive contingency funding plan.

#### **Liquidity Dashboard**

The liquidity Dashboard monitors a number of the Group's specific liquidity risk and market indicators which are considered to provide early warning indicators of deteriorations in the bank's liquidity risk profile and financial market conditions.

#### **Contingency Funding Plan**

The branch's CFP outlines how the branch would respond to an actual or anticipated liquidity risk scenario. This includes a decisive set of actions that can be taken to raise cash and/ or recover branch's liquidity metrics in a stress scenario.

Liquidity information disclosures can be obtained from the Deutsche Bank AG Hong Kong Branch year disclosure statement as of December 31 2018 at [www.db.com/hongkong/](http://www.db.com/hongkong/).

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

### (I) Capital and Capital Adequacy

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

	December 31, 2018	June 30, 2018
- Common Equity Tier 1 capital ratio	13.6%	13.7%
- Tier 1 capital ratio	14.9%	15.1%
- Total capital ratio	17.5%	17.7%

Total shareholders' equity was EUR 62.5 billion at December 31, 2018 and EUR 62.7 billion at June 30, 2018.

### (II) Other Financial Information

Extracts from the consolidated financial statements for the year ended December 31, 2018:

EUR Billion	December 31, 2018	June 30, 2018
- Total assets	1,348	1,421
- Total liabilities	1,279	1,352
- Total loans and advances	400	391
- Total deposits	564	558

  

EUR Million	Period Ended December 31, 2018	Period Ended December 31, 2017
Income before income taxes	1,330	1,228

Further details of Deutsche Bank Group can be obtained from the annual report as of December 31 2018 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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