

Deutsche Bank AG

Hong Kong Branch

(incorporated in the Federal Republic of Germany and
members' liability is limited)

Key Financial Information Disclosure Statement

Half-Year Ended June 30, 2019



Deutsche Bank AG (Hong Kong Branch) releases its Key Financial Information Disclosure Statement for the half-year ended June 30, 2019 as follows:-

Deutsche Bank AG (Hong Kong Branch)
Key Financial Information Disclosure Statement for the half-year ended June 30, 2019

Section A – Branch Information (Hong Kong Office Only)

(I) Income Statement Information

HKD Million	Half-Year Ended June 30, 2019	Half-Year Ended June 30, 2018
Interest income	1,620	1,375
Interest expense	(1,081)	(758)
Other operating income		
- Gains less losses arising from trading in foreign currencies	257	217
- Gains less losses on securities held for trading purposes	846	530
- Gains less losses from other trading activities	588	57
- <i>Net fees and commission income</i>		
- Gross fees and commission income	1,382	1,611
- Gross fees and commission expenses	(110)	(64)
- Others	460	1,185
Operating expenses		
- Staff expenses	(1,458)	(1,539)
- Rental expenses	(149)	(176)
- Others	(1,455)	(1,485)
Impairment losses and provisions for impaired loans and receivables	(2)	8
Impairment losses on assets	<u>(508)</u>	<u>-</u>
Profit/ (loss) before taxation	390	961
Taxation	<u>(378)</u>	<u>(21)</u>
Profit/ (loss) after taxation	<u>12</u>	<u>940</u>

(II) Balance Sheet Information

HKD Million	June 30, 2019	December 31, 2018
Assets		
Cash and balances with banks	4,547	4,880
Placements with banks with residual maturity between 1 months and 12 months	-	-
Due from Exchange Fund	1,966	1,073
Amount due from overseas offices of the institution	36,298	23,086
Trade bills	2,682	3,713
Securities held for trading purposes	6,777	8,991
Loans and receivables	63,451	55,416
Investment securities	2,505	3,162
Amount receivable under reverse repos	116	116
Other investments	654	661
Property, plant and equipment	<u>1,188</u>	<u>167</u>
Total assets	<u>120,184</u>	<u>101,265</u>
Liabilities		
Deposits and balances from banks	1,144	1,069
Deposits from customers		
- Demand deposits and current accounts	19,255	16,494
- Savings deposits	430	171
- Time, call and notice deposits	16,783	12,068
Amount due to overseas offices of the institution	65,194	54,086
Certificates of deposit issued	1,962	1,966
Other negotiable debt instruments	369	370
Other liabilities	<u>15,047</u>	<u>15,041</u>
Total liabilities	<u>120,184</u>	<u>101,265</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, 2019	December 31, 2018
Loans and advances to customers	49,505	41,813
Loans and advances to banks	367	367
Accrued interest and other accounts	13,650	13,307
Less: Allowance for credit losses		
- Collectively assessed	41	44
- Individually assessed	30	27
	<u>63,451</u>	<u>55,416</u>

(iii) Trade bills

HKD Million	June 30, 2019	December 31, 2018
Trade bills	2,686	3,717
Less: Allowance for credit losses		
- Collectively assessed	-	-
- Individually assessed	-	-
Less: Country Risk Provision	4	4
	<u>2,682</u>	<u>3,713</u>

(iv) Impaired loans and advances

	HKD Million	June 30, 2019 As % of advances to customers	HKD Million	December 31, 2018 As % of advances to customers
Impaired loans and advances to customer net of allowance for individually assessed credit losses				
- Impaired loans and advances to customers	438	0.88%	413	0.99%
- Individually assessed allowance	<u>(30)</u>		<u>(27)</u>	
	<u>408</u>		<u>386</u>	
Representing by geographical segments:				
- Hong Kong	10		12	
- Germany	28		-	
- Brazil	<u>400</u>		<u>401</u>	
	<u>438</u>		<u>413</u>	

(iv) Impaired loans and advances to customers (Continued)

	June 30, 2019 HKD Million	December 31, 2018 HKD Million
Market value of collateral held against impaired loans and advances to customers	<u>380</u>	<u>381</u>
Covered portion of impaired loans and advances	<u>380</u>	<u>381</u>
Uncovered portion of impaired loans and advances	<u>58</u>	<u>32</u>

The collateral held in respect of the impaired loans and advances to customers are credit insurance.

There were no impaired advances to banks and trade bills at June 30, 2019 and December 31, 2018.

(v) Overdue loans and receivables and trade bills

	June 30, 2019 As % of advances to customers	December 31, 2018 As % of advances to customers
	HKD Million	HKD Million
Overdue for:		
- Over 3 months and up to 6 months	-	401
- Over 6 months and up to one year	400	-
- More than one year	<u>10</u>	<u>12</u>
	<u>410</u>	<u>413</u>
Representing:		
- Loans for use in Hong Kong	10	12
- Loans and advances for use outside Hong Kong	400	401
- Trade Finance	<u>-</u>	<u>-</u>
	<u>410</u>	<u>413</u>
By geographical segments:		
- Hong Kong	10	12
- Brazil	<u>400</u>	<u>401</u>
	<u>410</u>	<u>413</u>
Market value of collateral held against overdue loans and advances to customers	<u>380</u>	<u>381</u>
Covered portion of overdue loans and advances to customers	<u>380</u>	<u>381</u>
Uncovered portion of overdue loans and advances to customers	<u>30</u>	<u>32</u>

The amount of advances to customers on which interest accrual has ceased and individually assessed to be impaired was HKD 410 million at June 30, 2019 and HKD 413 million at December 31, 2018. There was no interest in suspense. Allowances for credit losses made in respect of such advances were HKD 25 million at June 30, 2019 and HKD 27 million at December 31, 2018.

There were no overdue advances to banks and trade bills at June 30, 2019 and December 31, 2018.

(vi) Resheduled loans and receivables and trade bills

No repossessed asset was held for impaired and overdue loans and receivables June 30, 2019 and trade bills at and December 31, 2018.

(vii) 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, 2019		December 31, 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	-
- Wholesale and retail trade	74	-	133	-
Transport and transport equipment	235	223	269	241
- Financial concerns	190	-	190	-
- Stockbrokers	780	-	752	-
- Others	<u>6,827</u>	<u>6,492</u>	<u>6,997</u>	<u>6,759</u>
	8,106	6,715	8,345	7,000
Individuals				
- Others	<u>806</u>	<u>802</u>	<u>1,645</u>	<u>1,635</u>
Total loans for use in Hong Kong	8,912	7,517	9,990	8,635
Trade finance	19,298	678	12,021	836
Loans for use outside Hong Kong	<u>21,295</u>	<u>14,993</u>	<u>19,802</u>	<u>12,200</u>
	<u>49,505</u>	<u>23,188</u>	<u>41,813</u>	<u>21,671</u>

(viii) 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, 2019	December 31, 2018
Hong Kong	18,592	9,727
Mainland China	7,049	4,358
Others	<u>23,864</u>	<u>27,728</u>
	<u>49,505</u>	<u>41,813</u>

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

HKD Million	On-balance sheet exposure	Off- balance sheet exposure	Total
At June 30, 2019			
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	13,855	1,669	15,524
Local governments, local government-owned entities and their subsidiaries and JVs	554	11	565
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3,548	2,227	5,775
Other entities of central government not reported above	-	-	-
Other entities of local governments not reported above	782	-	782
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	611	-	611
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	<u>1,242</u>	<u>58</u>	<u>1,300</u>
Total	<u>20,592</u>	<u>3,965</u>	<u>24,557</u>
Total assets after provision	<u>120,184</u>		
On-balance sheet exposures as percentage of total assets	17.13%		

HKD Million	On-balance sheet exposure	Off- balance sheet exposure	Total
At December 31, 2018			
Central government, central government-owned entities and their subsidiaries and 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%		

- (x) 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, 2019

	Banks	Non-bank private sector			Total
		Official Sector	Non-bank Financial institutions	Non-financial private sector	
Developed countries, of which	37,044	-	-	9,614	46,658
- <i>Germany</i>	33,623	-	-	844	34,467
- <i>United States</i>	1,428	-	-	1,469	2,897
Developing Africa and Middle East	41	-	-	683	724
Developing Asia and Pacific, of which	7,397	-	-	10,035	17,432
- <i>China</i>	6,918	-	-	7,433	14,351
Developing Latin America and Caribbean	-	-	-	1,572	1,572
Developing Europe	353	-	-	1,173	1,526
Offshore centres, of which	15,758	455	110	25,928	42,251
- <i>Hong Kong</i>	15,749	455	110	17,636	33,950
International organization	-	-	-	18	18
Total	<u>60,593</u>	<u>455</u>	<u>110</u>	<u>49,023</u>	<u>110,181</u>

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>

(xi) Currency risk

At June 30, 2019

Equivalent in HKD Million	USD	EUR	RMB	AUD	Other Foreign Currencies	Total
Spot assets	62,258	12,854	15,646	387	4,450	95,595
Spot liabilities	(76,974)	(13,571)	(4,870)	(397)	(4,007)	(99,819)
Forward purchases	195,628	8,470	162,258	1,353	1,631	369,340
Forward sales	(180,748)	(7,898)	(171,373)	(1,745)	(2,072)	(363,836)
Net options positions	-	-	-	-	-	-
Net long / (short) position	<u>164</u>	<u>(145)</u>	<u>1,661</u>	<u>(402)</u>	<u>2</u>	<u>1,280</u>

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>

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

(xii) Off-Balance Sheet Exposures

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

HKD Million	June 30, 2019	December 31, 2018
Contingencies and commitments		
- Direct credit substitutes	140	306
- Transaction-related contingencies	4,578	4,705
- Trade-related contingencies	1,901	2,272
- Other commitments	<u>836</u>	<u>3,107</u>
	<u>7,455</u>	<u>10,390</u>
Derivatives		
- Exchange rate related derivative contracts	439,459	395,205
- Interest rate derivative contracts	146,119	111,095
- Others	<u>1,180</u>	<u>690</u>
	<u>586,758</u>	<u>506,990</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, 2019	December 31, 2018
Fair value assets		
- Exchange rate related derivative contracts	4,606	6,141
- Interest rate derivative contracts	1,645	800
- Others	<u>198</u>	<u>35</u>
	<u>6,449</u>	<u>6,976</u>
Fair value liabilities		
- Exchange rate related derivative contracts	4,506	5,418
- Interest rate derivative contracts	1,710	1,157
- Others	<u>193</u>	<u>10</u>
	<u>6,409</u>	<u>6,585</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 June 30, 2019	Quarter ended June 30, 2018
3 months average LMR	110.99%	91.35%

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. Average LMR are calculated based on 3 month average in according to Banking (disclosure) rules (BDR) section 103B.

(xii) Core Funding Ratio

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

	Quarter ended June 30, 2019	Quarter ended June 30, 2018
3 months average CFR	151.22%	173.72%

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 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.

(xiii) Liquidity risk management (continued)

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 half year disclosure statement as of June 30 2019 at 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):

	June 30, 2019	December 31, 2018
- Common Equity Tier 1 capital ratio	13.4%	13.6%
- Tier 1 capital ratio	14.7%	14.9%
- Total capital ratio	17.3%	17.5%

Total shareholders' equity was EUR 58.7 billion at June 30, 2019 and EUR 62.5 billion at December 31, 2018.

(II) Other Financial Information

Extracts from the consolidated financial statements for the year ended June 30, 2019:

EUR Billion	June 30, 2019	December 31, 2018
- Total assets	1,436	1,348
- Total liabilities	1,371	1,279
- Total loans and advances	415	400
- Total deposits	577	564

EUR Million	Period Ended June 30, 2019	Period Ended June 30, 2018
Income/ (loss) before income taxes	(654)	1,143

Further details of Deutsche Bank Group can be obtained from the interim report as of June 30 2019 at www.db.com.