



**Commerzbank AG Hong Kong Branch
Interim Financial Disclosure for the half-year ended 30 June 2018**

September 2018

**COMMERZBANK AG
HONG KONG BRANCH**

(Expressed in HKD'000)



I. Income Statement Information

	<u>1.Jan - 30.Jun.2018</u>	<u>1.Jan - 30.Jun.2017</u>
Interest income	131,848	70,988
Interest expense	(112,573)	(47,533)
Other operating income		
- Net Gains / (Losses) arising from trading in foreign currencies	177,179	(33,224)
- Net Gains / (Losses) on securities held for trading purposes	-	-
- Net Gains / (Losses) from trading in interest rate derivatives	(127,781)	52,429
- Net fees and commission income	59,984	36,261
- gross fees and commission income	77,764	53,030
- gross fees and commission expenses	(17,780)	(16,769)
Income from non-trading investments	725	134
Profit/(loss) on sale of fixed assets	-	-
Others	266,538	146,018
Operating expenses		
- Rental expenses	(8,958)	(8,300)
- Staff expenses	(85,404)	(76,673)
- Other operating expenses	(115,956)	(90,440)
Impairment releases / (losses and provisions) for impaired loans and receivables	(4,252)	6,182
Impairment losses on assets	-	-
Profit / (Loss) before taxation	181,350	55,842
Tax expense	(17,908)	-
Profit / (Loss) after taxation	163,442	55,842

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II. Balance Sheet Information

ASSETS			LIABILITIES		
	30-Jun-18	31-Dec-17		30-Jun-18	31-Dec-17
(i) Cash and balances with banks (except those included in item (iii))	42,353	76,885	(i) Deposits and balances from banks (except those included in item (iv))	3,200,000	-
(ii) Amount due from Exchange Fund	2,699	80,731	(ii) Amount due to Exchange Fund	-	-
(iii) Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months (except those included in item (iii))	-	-	(iii) Deposits from customers	2,088,494	3,907,337
			- Demand deposits and current accounts	1,381,541	1,572,483
			- Savings deposits	-	-
			- Time, call and notice deposits	706,953	2,334,854
(iv) Amount due from overseas offices of the institution	15,413,675	8,420,628	(iv) Amount due to overseas offices of the institution	17,126,447	10,557,087
(v) Trade bills	-	-	(v) Certificates of deposit issued	-	-
(vi) Certificates of deposit held	-	-	(vi) Issued debt securities	-	-
(vii) Securities held for trading purposes	-	-	(vii) Other liabilities	1,695,586	1,632,086
(viii) Loans and receivables	8,160,251	5,448,545	(viii) Provisions	18,423	41,310
(ix) Investment securities	499,550	2,098,530			
(x) Other investments	-	-			
(xi) Property, plant and equipment and investment properties	10,422	12,501			
(xii) Total assets	<u>24,128,950</u>	<u>16,137,820</u>	(ix) Total liabilities	<u>24,128,950</u>	<u>16,137,820</u>

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III. Additional Balance Sheet Information

	<u>30-Jun-18</u>	<u>31-Dec-17</u>
(i) Loans and receivables		
- loans and advances to customers	6,395,535	3,568,743
- loans and advances to banks	133,173	154,570
- other accounts	1,631,543	1,725,232
- <i>accrued interest</i>	<i>71,350</i>	<i>100,217</i>
- <i>others</i>	<i>1,560,193</i>	<i>1,625,015</i>
- provisions for impaired loans and receivables to customers which constitute the institution's		
- collective impairment allowances	8,743	6,408
- individual impairment allowances	-	29,103
- provisions for impaired loans and receivables to bank which constitute the institution's		
- collective impairment allowances	216	496
- individual impairment allowances	-	-
-provisions made by the head office against the exposures of the Branch		
- collective impairment allowances	-	-
- individual impairment allowances	-	-
(ii) Amount of loans and advances to customers on which individual impairment allowances made in respect of such loans and advances		
a. amount of impaired loans and advances to customers which are individually determined to be impaired	-	78,146
b. amount of individual impairment allowances made for such loans and advances	-	29,103
c. value of collateral which has been taken into account in respect of such loans and advances to which the individual impairment allowances relate	-	-
d. percentage of such loans and advances to the total amount of loans and advances to customers	0.00%	2.19%
During the period, there were no loans and advances to banks which are individually determined to be impaired.		
(iii) Analysis of impaired loans and advances to customers by countries of location:		
Hong Kong	-	78,146

	<u>30-Jun-18</u>	<u>30-Jun-18</u>	<u>31-Dec-17</u>	<u>31-Dec-17</u>
	Outstanding Balance	Balance Covered by Collateral	Outstanding Balance	Balance Covered by Collateral
III. <u>Additional Balance Sheet Information</u>				
(iv) Analysis of gross amount of loans and advances to customers:				
- Loans and advances for use in Hong Kong				
Industrial, commercial and financial				
- Property development	-	-	-	-
- Property investment	-	-	-	-
- Financial concerns	551,609	-	50,000	-
- Stockbrokers	-	-	-	-
- Wholesale and retail trade	565,713	-	647,917	-
- Manufacturing	3,349,680	-	1,500,619	-
- Transport and transport equipment	5,301	-	72	-
- Recreational activities	-	-	-	-
- Information technology	15,692	-	15,629	-
- Electricity and gas	-	-	-	-
- Civil engineering works	24,000	-	24,000	-
- Others	139,204	-	120,842	-
Individuals				
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor schemes	-	-	-	-
- Loans for the purchase of other residential properties	-	-	-	-
- Credit card advances	-	-	-	-
- Others	-	-	-	-
- Trade finance	31,348	-	21,061	-
- Loans and advances for use outside Hong Kong	1,712,988	829,556	1,188,603	884,007
	<u>6,395,535</u>	<u>829,556</u>	<u>3,568,743</u>	<u>884,007</u>

III. Additional Balance Sheet Information

30-Jun-18

31-Dec-17

(v) Geographical analysis of gross loans and advances to customers

The following geographical analysis of gross loans and advances to customers is classified in accordance with the location of the counterparties.

Asia & Pacific:		
China	252,017	260,353
Hong Kong	4,684,834	2,384,826
New Zealand	277,301	301,093
North America:		
United States	300,238	322,562
Europe:		
Sweden	292,698	299,904
Netherlands	588,446	-
Germany	1	5
Gross amount of loans and advances to customers	<u>6,395,535</u>	<u>3,568,743</u>

(vi) Overdue and impaired loans and advances to customers and banks by countries where constitutes not less than 10% of the gross amount of loans and advances

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(vii) Overdue and rescheduled assets

(a) gross amount of loans and advances to customers and banks which have been overdue for:

- more than 3 months but not more than 6 months	-	-
- more than 6 months but not more than one year	-	-
- more than one year	-	-

(b) amount of rescheduled loans and advances to customers and banks excluding those which have been overdue for more than 3 months and disclosed pursuant to item (vii)(a) above

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(c) amount of repossessed assets held

- -

(viii) Other assets such as trade bills and debt securities which have been overdue for

- more than 3 months but not more than 6 months	-	-
- more than 6 months but not more than one year	-	-
- more than one year	-	-

IV. Currency Risk

Foreign currency exposures other than reporting currency constitutes not less than 10% of the total net position in all foreign currencies

	<u>30-Jun-18</u>				<u>31-Dec-17</u>			
	CNY	USD	EUR	Total	CNY	USD	EUR	Total
Spot assets	2,119	3,779	15,584	21,482	4,459	1,974	5,808	12,241
Spot liabilities	(1,569)	(1,101)	(16,206)	(18,876)	(3,367)	(7,520)	(2,582)	(13,469)
Forward purchases	9,502	34,157	12,341	56,000	8,700	37,120	14,756	60,576
Forward sales	(10,062)	(36,933)	(11,605)	(58,600)	(9,755)	(31,584)	(17,837)	(59,176)
Net option position	-	-	-	-	-	-	-	-
Net long (or net short) position	<u>(10)</u>	<u>(98)</u>	<u>114</u>	<u>6</u>	<u>37</u>	<u>(10)</u>	<u>145</u>	<u>172</u>
Net structural position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

V. International Claims

International claims by major countries or geographical segments to which not less than 10% of the total International claims are attributable after taking into account any recognised risk transfer

	Banks	Official sector	<u>Non-bank private sector</u>		Total
			Non-bank financial institutions	Non-financial private sector	
<u>As at 30 June 2018</u>					
Developed countries	15,467	-	303	1,234	17,004
of which					
- Germany	15,466	-	-	73	15,539
Offshore Centres	37	-	-	4,295	4,332
of which					
- Hong Kong	37	-	-	4,295	4,332
Developing Asia and Pacific	117	-	253	15	385
of which					
- China	7	-	253	15	275
<u>As at 31 December 2017</u>					
Developed countries	8,514	-	325	669	9,508
of which					
- Germany	8,512	-	-	67	8,579
Offshore Centres	68	-	-	2,090	2,158
of which					
- Hong Kong	68	-	-	2,090	2,158
Developing Asia and Pacific	130	-	262	36	428
of which					
- China	-	-	262	36	298

VI. Non-Bank Mainland Exposures

	On-balance Sheet Exposure	Off-balance Sheet Exposure	Total Exposure	Individual Impairment Allowances
<u>As at 30 Jun 2018</u>				
Central government, central government-owned entities and their subsidiaries and JVs	3,170	91	3,261	-
Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-	-
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	2	-	2	-
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	2,141	725	2,866	-
Total	5,313	816	6,129	-
Total assets after provision	24,111			
On-balance sheet exposures as percentage of total assets	22.04%			
<u>As at 31 Dec 2017</u>				
Central government, central government-owned entities and their subsidiaries and JVs	1,439	-	1,439	-
Local governments, local government-owned entities and their subsidiaries and JVs	29	-	29	-
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	5	-	5	-
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,073	2,933	4,006	-
Total	2,546	2,933	5,479	-
Total assets after provision	16,097			
On-balance sheet exposures as percentage of total assets	15.82%			

	<u>30-Jun-18</u>	<u>31-Dec-17</u>
<u>VII. Off-balance Sheet Exposures (other than derivative transactions)</u>		
- Direct credit substitutes	767,601	798,834
- Transaction-related contingencies	184,873	225,584
- Trade-related contingencies	286,192	293,608
- Note issuance and revolving underwriting facilities	-	-
- Other commitments	3,881,904	6,444,638
- Others	-	-
<u>VIII. Derivative Transactions</u>		
Derivatives notional amounts:		
- Exchange rate-related derivative contracts	71,855,626	72,910,173
- Interest rate derivative contracts	8,379,651	5,687,813
- Others	-	-
Derivatives assets:		
- Exchange rate-related derivative contracts	1,363,343	1,581,456
- Interest rate derivative contracts	16,689	21,316
Derivatives liabilities:		
- Exchange rate-related derivative contracts	1,215,790	1,341,876
- Interest rate derivative contracts	12,158	12,939

The above derivatives assets and liabilities, being the positive or negative marked-to-market value of the respective derivatives contracts, represent gross replacement costs.

As at 30 June 2018 and 31 Dec 2017, the Bank has no bilateral netting arrangements.

<u>IX. Liquidity maintenance ratio</u>	<u>Jan - Mar 2018</u>	<u>Apr - Jun 2018</u>	<u>Jan - Jun 2017</u>
Average liquidity maintenance ratio	48.04% (3 months average)	48.19% (3 months average)	60.52% (6 months average)

The above ratios are calculated as the arithmetic mean of each calendar month's average value for the reporting period.

X. Disclosure on Remuneration

Under paragraph 3.1.2 of SPM CG-5 "Guideline on a Sound Remuneration System", Commerzbank AG Hong Kong Branch as an overseas-incorporated Authorised Institution is not required to make separate disclosures on its own remuneration system. The Group's Annual Report will provide relevant disclosure, where appropriate.

XI. Disclosure on Liquidity Risk Management

Group Treasury is responsible for liquidity management, which comprises both operational and strategic elements. Group Risk function is responsible for risk management, which includes identification, analysis, monitoring, reporting of liquidity risk and setting of respective limits and escalation processes. The internal bank liquidity risk model is the basis for liquidity management and reporting to the Board of Managing Directors. Key decisions on liquidity risk management and monitoring are made by the central Asset & Liability Committee (ALCO). At the operating level, additional sub-committees are responsible for dealing with liquidity risk issues at local level. The liquidity risk policy of Hong Kong Branch follows the Group's internal liquidity risk model for liquidity management, which will be reviewed yearly and approved by the local ALCO.

XII. Consolidated Bank Information

	<u>30-Jun-18¹</u>	<u>31-Dec-17¹</u>
(i) Capital and Capital adequacy		
Consolidated Amount of Shareholders' funds	29,138	30,041
Consolidated Capital Adequacy Ratio*	16.10%	18.30%
(ii) Other Financial Information		
Total assets	487,537	452,493
Total liabilities	458,399	422,452
Total claims on banks and customers	306,980	289,457
Total liabilities to customers	309,623	297,890
	<u>1.Jan - 30.Jun.2018</u>	<u>1.Jan - 30.Jun.2017</u>
Pre-tax Profit / (Loss)	689	(292)

¹Non audited figures for 2018 Source: 2018 Interim Report

²Audited figures for 2017 Source: 2017 Group Annual Report

* The consolidated capital adequacy ratio is calculated in accordance with Basel Capital Accord

XIII. Statement of Compliance

This 2018 Interim Financial Disclosure Statement contains all disclosures required by the Banking (Disclosure) Rules and Supervisory Policy Manual:

- Guideline on the Application of the Banking (Disclosure) Rules issued by the HKMA.

The information contained in the disclosure statement is not false or misleading in any respect, and that the operations of the Bank are clearly explained.



Dr. Volkhardt Kruse
Chief Executive