



**Commerzbank AG Hong Kong Branch
Interim Financial Disclosure for the half-year ended 30 June 2017**

September 2017

**COMMERZBANK AG
HONG KONG BRANCH**

(Expressed in HKD'000)



I. Income Statement Information

	<u>1.Jan - 30.Jun.2017</u>	<u>1.Jan - 30.Jun.2016</u>
Interest income	70,988	108,545
Interest expense	(47,533)	(44,774)
Other operating income		
- Net Gains / (Losses) arising from trading in foreign currencies	(33,224)	(65,578)
- Net Gains / (Losses) on securities held for trading purposes	-	-
- Net Gains / (Losses) from trading in interest rate derivatives	52,429	18,206
- Net fees and commission income	36,261	28,957
- <i>gross fees and commission income</i>	53,030	42,618
- <i>gross fees and commission expenses</i>	(16,769)	(13,661)
- Income from non-trading investments	134	139
- Gains from available-for-sale investment securities at fair value through profit or loss	-	-
- Profit/(loss) on sale of fixed assets	0	8
- Others	146,018	90,262
Operating expenses		
- Rental expenses	(8,300)	(7,691)
- Staff expenses	(76,673)	(72,474)
- Other operating expenses	(90,440)	(80,395)
Impairment releases / (losses and provisions) for impaired loans and receivables	6,182	(40,943)
Impairment losses on assets	-	-
Losses from the disposal of property, plant and equipment and investment properties	-	-
Profit / (Loss) before taxation	55,842	(65,738)
Tax expense	-	-
Profit / (Loss) after taxation	55,842	(65,738)

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II. Balance Sheet Information

ASSETS			LIABILITIES		
	<u>30-Jun-17</u>	<u>31-Dec-16</u>		<u>30-Jun-17</u>	<u>31-Dec-16</u>
(i) Cash and balances with banks (except those included in item (iii))	154,941	72,218	(i) Deposits and balances from banks (except those included in item (iv))	0	0
(ii) Amount due from Exchange Fund	42,953	54,875	(ii) Amount due to Exchange Fund	0	288,099
(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	2,249,569	3,444,608
			- Demand deposits and current accounts	1,258,231	1,748,537
			- Savings deposits	-	-
			- Time, call and notice deposits	991,338	1,696,071
(iv) Amount due from overseas offices of the institution	4,185,938	2,545,528	(iv) Amount due to overseas offices of the institution	6,816,586	2,779,494
(v) Trade bills	-	-	(v) Certificates of deposit issued	0	-
(vi) Certificates of deposit held	-	-	(vi) Issued debt securities	0	-
(vii) Securities held for trading purposes	-	-	(vii) Other liabilities	1,287,965	1,976,016
(viii) Loans and receivables	4,234,764	5,353,733	(viii) Provisions	32,060	54,302
(ix) Investment securities	1,752,817	499,263			
(x) Other investments	-	-			
(xi) Property, plant and equipment and investment properties	14,767	16,902			
(xii) Total assets	<u>10,386,180</u>	<u>8,542,519</u>	(ix) Total liabilities	<u>10,386,180</u>	<u>8,542,519</u>

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III. Additional Balance Sheet Information

	<u>30-Jun-17</u>	<u>31-Dec-16</u>
(i) Loans and receivables		
- loans and advances to customers	2,604,153	3,156,828
- loans and advances to banks	174,189	168,913
- other accounts	1,456,422	2,027,992
- <i>accrued interest</i>	88,825	77,357
- <i>others</i>	1,367,597	1,950,635
- provisions for impaired loans and receivables to customers which constitute the institution's		
- collective impairment allowances	4,548	7,495
- individual impairment allowances	21,461	41,120
- provisions for impaired loans and receivables to bank which constitute the institution's		
- collective impairment allowances	1,458	1,643
- 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	78,048	155,110
b. amount of individual impairment allowances made for such loans and advances	21,461	41,120
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	3.00%	4.91%
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	78,048	155,110

	<u>30-Jun-17</u>	<u>30-Jun-17</u>	<u>31-Dec-16</u>	<u>31-Dec-16</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	50,000	-	50,000	-
- Stockbrokers	-	-	-	-
- Wholesale and retail trade	310,317	-	384,155	-
- Manufacturing	1,107,792	-	1,355,865	-
- Transport and transport equipment	5,176	-	4,364	-
- Recreational activities	-	-	-	-
- Information technology	-	-	1	-
- Electricity and gas	-	-	-	-
- Civil engineering works	24,000	-	24,000	-
- Others	120,834	-	104,168	-
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	63,131	-	194,036	-
- Loans and advances for use outside Hong Kong	922,903	948,752	1,040,239	930,114
	<u>2,604,153</u>	<u>948,752</u>	<u>3,156,828</u>	<u>930,114</u>

III. Additional Balance Sheet Information

30-Jun-17

31-Dec-16

(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	269,206	276,458
Hong Kong	1,687,930	2,124,764
New Zealand	302,185	292,002
North America:		
United States	344,832	364,333
Caribbean:		
Cayman Islands	-	99,271
Gross amount of loans and advances to customers	<u>2,604,153</u>	<u>3,156,828</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

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- -
- -

(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

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(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

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- -
- -

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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-17</u>				<u>31-Dec-16</u>			
	CNY	USD	EUR	Total	CNY	USD	EUR	Total
Spot assets	992	4,160	1,986	7,138	1,247	3,080	1,525	5,852
Spot liabilities	(1,460)	(930)	(6,239)	(8,629)	(932)	(1,236)	(2,895)	(5,063)
Forward purchases	7,925	25,684	13,500	47,109	8,767	23,294	8,783	40,844
Forward sales	(7,420)	(28,909)	(9,145)	(45,474)	(9,064)	(25,243)	(7,286)	(41,593)
Net option position	-	-	-	-	-	-	-	-
Net long (or net short) position	<u>37</u>	<u>5</u>	<u>102</u>	<u>144</u>	<u>18</u>	<u>(105)</u>	<u>127</u>	<u>40</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	Non-bank private sector		Total
			Non-bank financial institutions	Non-financial private sector	
<u>As at 30 June 2017</u>					
Developed countries	4,277	-	347	375	4,999
of which					
- Germany	4,273	-	-	72	4,345
Offshore Centres	148	-	-	1,343	1,491
of which					
- Hong Kong	148	-	-	1,343	1,491
Developing Asia and Pacific	122	-	270	80	472
of which					
- China	1	-	270	80	351
<u>As at 31 December 2016</u>					
Developed countries	2,619	-	366	636	3,621
of which					
- Germany	2,615	-	-	343	2,958
Offshore Centres	66	-	-	1,503	1,569
of which					
- Hong Kong	66	-	-	1,404	1,470
Developing Asia and Pacific	120	-	278	202	600
of which					
- China	47	-	278	202	527

VI. Non-Bank Mainland Exposures

	On-balance Sheet Exposure	Off-balance Sheet Exposure	Total Exposure	Individual Impairment Allowances
<u>As at 30 Jun 2017</u>				
Central government, central government-owned entities and their subsidiaries and JV:	1,049	-	1,049	-
Local governments, local government-owned entities and their subsidiaries and JV:	29	-	29	-
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	7	-	7	-
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	486	815	1,301	-
Total	1,571	815	2,386	-
Total assets after provision	10,354			
On-balance sheet exposures as percentage of total assets	15.17%			
<u>As at 31 Dec 2016</u>				
Central government, central government-owned entities and their subsidiaries and JV:	907	-	907	-
Local governments, local government-owned entities and their subsidiaries and JV:	29	-	29	-
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	8	-	8	-
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,108	1,119	2,227	-
Total	2,052	1,119	3,171	-
Total assets after provision	8,488			
On-balance sheet exposures as percentage of total assets	24.17%			

	<u>30-Jun-17</u>	<u>31-Dec-16</u>
VII. <u>Off-balance Sheet Exposures (other than derivative transactions)</u>		
- Direct credit substitutes	393,770	360,971
- Transaction-related contingencies	201,696	219,322
- Trade-related contingencies	359,257	195,166
- Note issuance and revolving underwriting facilities	-	-
- Other commitments	5,942,343	4,272,830
- Others	-	-
VIII. <u>Derivative Transactions</u>		
Derivatives notional amounts:		
- Exchange rate-related derivative contracts	56,485,185	46,816,368
- Interest rate derivative contracts	4,932,109	2,989,785
- Others	-	-
Derivatives assets:		
- Exchange rate-related derivative contracts	1,254,699	1,839,709
- Interest rate derivative contracts	17,762	20,569
Derivatives liabilities:		
- Exchange rate-related derivative contracts	1,107,172	1,842,667
- Interest rate derivative contracts	13,568	16,204

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 31 Dec 2016 and 30 June 2017, the Bank has no bilateral netting arrangements.

	<u>Jan - Jun 2017</u>	<u>Jan - Jun 2016</u>
IX. <u>Liquidity maintenance ratio</u>		
Average liquidity maintenance ratio	60.52%	48.34%

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

(i) Capital and Capital adequacy	<u>30-Jun-17¹</u>	<u>31-Dec-16¹</u>
Consolidated Amount of Shareholders' funds	29,375	29,640
Consolidated Capital Adequacy Ratio*	17.40%	16.90%
(ii) Other Financial Information		
Total assets	487,260	480,450
Total liabilities	457,885	450,810
Total claims on banks and customers	283,456	275,106
Total lending	225,557	224,050
Total liabilities to customers	259,241	250,920
	<u>1. Jan - 30. Jun. 2017</u>	<u>1. Jan - 30. Jun. 2016</u>
Pre-tax Profit / (Loss)	(292)	575

¹ Non audited figures for 2017 Source: 2017 Interim Report

² Audited figures for 2016 Source : 2016 Group Annual Report

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

XIII. Statement of Compliance

This 2017 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.



Eberhard Brodhage
Chief Executive