



**Commerzbank AG Hong Kong Branch
Interim Financial Disclosure for the half-year ended 30 June 2016**

COMMERZBANK AG
HONG KONG BRANCH
(Expressed in HKD'000)



I. Income Statement Information

	<u>1.Jan - 30.Jun.2016</u>	<u>1.Jan - 30.Jun.2015</u>
Interest income	108,545	256,997
Interest expense	(44,774)	(193,028)
Other operating income		
- Net Gains / (Losses) arising from trading in foreign currencies	(65,578)	(8,573)
- Net Gains / (Losses) on securities held for trading purposes	-	-
- Net Gains / (Losses) from trading in interest rate derivatives	18,206	(45,383)
- Net fees and commission income	28,957	71,390
- <i>gross fees and commission income</i>	42,618	79,851
- <i>gross fees and commission expenses</i>	(13,661)	(8,461)
- Income from non-trading investments	139	141
- Gains from available-for-sale investment securities at fair value through profit or loss	-	-
- Profit/(loss) on sale of fixed assets	8	62
- Others	90,262	145,193
Operating expenses		
- Rental expenses	(7,691)	(17,442)
- Staff expenses	(72,474)	(70,071)
- Other operating expenses	(80,395)	(77,350)
Impairment releases / (losses and provisions) for impaired loans and receivables	(40,943)	27,133
Impairment losses on assets	-	-
Losses from the disposal of property, plant and equipment and investment properties	-	-
Profit / (Loss) before taxation	(65,738)	89,069
Tax expense	-	-
Profit / (Loss) after taxation	(65,738)	89,069

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II. Balance Sheet Information

ASSETS			LIABILITIES		
	30-Jun-16	31-Dec-15		30-Jun-16	31-Dec-15
(i) Cash and balances with banks (except those included in item (iii))	45,552	175,810	(i) Deposits and balances from banks (except those included in item (iv))	387,925	387,508
(ii) Amount due from Exchange Fund	9,007	58,303	(ii) Amount due to Exchange Fund	0	792,630
(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	2,896,678	2,120,161
			- Demand deposits and current accounts	1,203,292	1,334,519
			- Savings deposits	-	-
			- Time, call and notice deposits	1,693,386	785,642
(iv) Amount due from overseas offices of the institution	3,184,078	4,184,607	(iv) Amount due to overseas offices of the institution	7,519,589	8,198,057
(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	1,604,131	1,896,286
(viii) Loans and receivables	7,485,336	8,645,646	(viii) Provisions	96,095	103,253
(ix) Investment securities	1,760,785	411,781			
(x) Other investments	-	-			
(xi) Property, plant and equipment and investment properties	19,660	21,748			
(xii) Total assets	<u>12,504,418</u>	<u>13,497,895</u>	(ix) Total liabilities	<u>12,504,418</u>	<u>13,497,895</u>

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III. Additional Balance Sheet Information

	<u>30-Jun-16</u>	<u>31-Dec-15</u>
(i) Loans and receivables		
- loans and advances to customers	3,773,763	3,308,780
- loans and advances to banks	1,889,325	3,995,556
- other accounts	1,822,248	1,341,310
- <i>accrued interest</i>	89,112	82,698
- <i>others</i>	1,733,136	1,258,612
- provisions for impaired loans and receivables to customers which constitute the institution's		
- collective impairment allowances	7,024	5,575
- individual impairment allowances	81,522	84,222
- provisions for impaired loans and receivables to bank which constitute the institution's		
- collective impairment allowances	5,306	9,201
- 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	232,755	310,006
b. amount of individual impairment allowances made for such loans and advances	81,522	84,222
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	6.17%	9.37%

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	232,755	310,006
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III. Additional Balance Sheet Information

30-Jun-16

31-Dec-15

(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

324,106

294,506

Hong Kong

2,741,231

2,558,988

New Zealand

323,006

-

North America:

United States

385,420

405,211

Caribbean:

Cayman Islands

-

50,075

Gross amount of loans and advances to customers

3,773,763

3,308,780

(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

-

-

(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

-

-

(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

-

-

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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-16</u>				<u>31-Dec-15</u>			
	CNY	USD	EUR	Total	CNY	USD	EUR	Total
Spot assets	1,950	3,308	3,013	8,271	3,018	5,613	2,921	11,552
Spot liabilities	(881)	(1,648)	(7,378)	(9,907)	(1,251)	(1,805)	(7,297)	(10,353)
Forward purchases	6,767	22,915	11,578	41,260	4,917	18,787	12,027	35,731
Forward sales	(7,816)	(24,705)	(7,012)	(39,533)	(5,512)	(21,405)	(9,972)	(36,889)
Net option position	-	-	-	-	-	-	-	-
Net long (or net short) position	20	(130)	201	91	1,172	1,190	(2,321)	41
Net structural position	-	-	-	-	-	-	-	-

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 sectors	<u>Non-bank private sector</u>		Total
			Non-bank financial institutions	Non-financial private sector	
<u>As at 30 June 2016</u>					
Developed countries	3,269	-	387	722	4,378
of which					
- Germany	3,267	-	-	398	3,665
Offshore Centres	50	12	-	1,729	1,791
of which					
- Hong Kong	50	12	-	1,729	1,791
Developing Asia and Pacific	1,778	-	287	463	2,528
of which					
- China	1,708	-	287	463	2,458
<u>As at 31 December 2015</u>					
Developed countries	4,601	-	407	405	5,413
of which					
- Germany	4,595	-	-	405	5,000
Offshore Centres	203	12	-	1,510	1,725
of which					
- Hong Kong	167	12	-	1,460	1,639
Developing Asia and Pacific	3,539	-	295	491	4,325
of which					
- China	3,392	-	295	491	4,178

VI. Non-Bank Mainland Exposures

	On-balance Sheet Exposure	Off-balance Sheet Exposure	Total Exposure	Individual Impairment Allowances
<u>As at 30 Jun 2016</u>				
Central government, central government-owned entities and their subsidiaries and JVs	1,107	36	1,143	-
Local governments, local government-owned entities and their subsidiaries and JVs	62	-	62	-
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	11	-	11	-
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,368	998	2,366	-
Total	2,548	1,034	3,582	-
Total assets after provision	12,408			
On-balance sheet exposures as percentage of total assets	20.53%			
<u>As at 31 Dec 2015</u>				
Central government, central government-owned entities and their subsidiaries and JVs	1,060	159	1,219	-
Local governments, local government-owned entities and their subsidiaries and JVs	62	-	62	-
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	13	-	13	-
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	960	766	1,726	-
Total	2,095	925	3,020	-
Total assets after provision	13,395			
On-balance sheet exposures as percentage of total assets	15.65%			

	<u>30-Jun-16</u>	<u>31-Dec-15</u>
<u>VII. Off-balance Sheet Exposures (other than derivative transactions)</u>		
- Direct credit substitutes	366,638	286,525
- Transaction-related contingencies	99,223	63,810
- Trade-related contingencies	300,462	376,227
- Note issuance and revolving underwriting facilities	-	-
- Other commitments	3,820,788	4,223,970
- Others	-	-
<u>VIII. Derivative Transactions</u>		
Derivatives notional amounts:		
- Exchange rate-related derivative contracts	47,458,585	38,861,206
- Interest rate derivative contracts	3,941,312	3,221,920
- Others	-	-
Derivatives assets:		
- Exchange rate-related derivative contracts	1,650,527	1,179,928
- Interest rate derivative contracts	32,165	23,662
Derivatives liabilities:		
- Exchange rate-related derivative contracts	1,623,868	1,547,771
- Interest rate derivative contracts	29,315	22,862

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 2016 and 30 June 2015, the Bank has no bilateral netting arrangements.

	<u>Jan - Jun 2016</u>	<u>Jan - Jun 2015</u>
<u>IX. Liquidity maintenance ratio</u>		
Average liquidity maintenance ratio	48.34%	61.59%

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-16¹</u>	<u>31-Dec-15²</u>
Consolidated Amount of Shareholders' funds	29,682	30,367
Consolidated Capital Adequacy Ratio*	16.40%	16.50%
(ii) Other Financial Information		
Total assets	532,602	532,641
Total liabilities	502,920	502,274
Total claims on banks and customers	301,576	294,631
Total lending	232,768	230,374
Total liabilities to customers	252,478	257,615
	<u>1.Jan - 30.Jun.2016</u>	<u>1.Jan - 30.Jun.2015</u>
Pre-tax Profit / (Loss)	575	1,023

¹ Non audited figures for 2016 Source: 2016 Interim Report

² Audited figures for 2015 Source : 2015 Group Annual Report

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

XIII. Statement of Compliance

This 2016 Interim Financial Disclosure Statement which 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