



Volksbanken Raiffeisenbanken  
cooperative financial network

**DZ BANK AG Hong Kong Branch**  
Annual Financial Disclosure  
For the year ended 31 December 2021



**DZ BANK**

Bank on Germany

# **KEY FINANCIAL INFORMATION DISCLOSURE STATEMENT OF DZ BANK AG HONG KONG BRANCH**

## **Section A - Branch Information**

	31-Dec-21 in mio HKD	31-Dec-20 in mio HKD
<b>I. Profit and loss information</b>		
Interest income	228	353
Interest expense	(103)	(203)
<b>Net interest income</b>	<b>125</b>	<b>150</b>
Other operating income		
- Gains less losses arising from trading in foreign currencies	(8)	(9)
- Gains less losses on securities held for trading purposes	-	-
- Gains less losses from other trading activities	-	-
- Net fees and commission income	58	42
- Fees and commission income	65	52
- Fees and commission expenses	(7)	(10)
- Others	-	8
<b>Other operating income</b>	<b>50</b>	<b>41</b>
<b>Total income</b>	<b>175</b>	<b>191</b>
Operating expenses		
- Staff and rental expenses	(83)	(79)
- Other expenses	(48)	(45)
- Net credit / (charge) for other provisions	32	(47)
<b>Operating expenses</b>	<b>(99)</b>	<b>(171)</b>
<b>Operating profit/(loss) before provisions</b>	<b>76</b>	<b>20</b>
Credit / (Charge) for bad and doubtful debts	(53)	(42)
<b>Operating profit/(loss)</b>	<b>23</b>	<b>(22)</b>
Gains less losses from the disposal of property, plant and equipment and investment properties	-	-
<b>Profit/(loss) before taxation</b>	<b>23</b>	<b>(22)</b>
Taxation charge	-	-
<b>Profit/(loss) after taxation</b>	<b>23</b>	<b>(22)</b>

**II. Balance Sheet Information**

	<b>31-Dec-21</b> <u>in mio HKD</u>	<b>30-Jun-21</b> <u>in mio HKD</u>
<b><u>Assets</u></b>		
Cash and balances with banks	925	1,311
Due from Exchange Fund	33	26
Placements with banks which have a residual contractual maturity of more than one month but not more than twelve months	4,629	3,033
Amount due from overseas offices	3,917	6,619
Trade bills	447	613
Certificates of deposit held	1,356	1,452
Securities held for trading purposes	-	-
Loans and receivables	7,771	7,949
Investment securities	10	10
Other investments	3	2
Property, plant and equipment and investment properties	31	33
<b>Total assets</b>	<b>19,122</b>	<b>21,048</b>
<b><u>Liabilities</u></b>		
Deposits and balances from banks	1,000	2,077
Deposits and balances from sovereign	-	-
Deposits from customers:		
- Demand deposits and current accounts	324	349
- Savings deposits	-	-
- Time, call and notice deposits	95	98
Amount due to overseas offices	15,510	17,815
Certificates of deposit issued	1,899	402
Issued debt securities	-	-
Other liabilities	88	76
Provisions	206	231
<b>Total liabilities</b>	<b>19,122</b>	<b>21,048</b>

**III. Additional balance sheet information**

	<b>31-Dec-21</b> <u>in mio HKD</u>	<b>30-Jun-21</b> <u>in mio HKD</u>
<b>(i) Loans and receivables</b>		
Gross amount of loans and receivables		
- Loans and advances to customers	7,557	7,821
- Loans and advances to banks	145	67
- Accrued interest and other accounts	69	61
	<u>7,771</u>	<u>7,949</u>
 Provisions for impaired loans and advances*		
- General provisions	-	-
- Specific provisions		
- Loans and advances to customers	124	111
- Loans and advances to banks	-	-
- Accrued interest and other accounts	-	-
	<u>124</u>	<u>111</u>

\* Impaired loans are advances to customers which have been classified as "substandard", "doubtful" and "loss" in accordance with the HKMA Return of Loans and Advances and Provisions (Form MA(BS)2A) completion instructions.

Gross impaired loans and advances to customers	201	174
Specific provisions - individually assessed	124	111
Gross impaired loans and advances to customers as a % of gross loans and advances to customers	2.7%	2.2%

As at 31 December 2021 and 30 June 2021, there were no collateral held against the impaired loans and advances to customers.

Breakdown of impaired loans and advances to customers by countries:

- Hong Kong	130	87
- United States	-	12
- Vietnam	71	75

**(ii) Loans and advances to customers by sector**

	<b>31-Dec-21</b>		<b>30-Jun-21</b>	
	<u>in mio HKD</u>	<u>% of advances covered by collateral or other securities</u>	<u>in mio HKD</u>	<u>% of advances covered by collateral or other securities</u>
<b>Loans and advances for use in Hong Kong</b>				
<b>Industrial, commercial and financial sectors</b>				
- Property development	-	0.0%	-	0.0%
- Property investment	-	0.0%	-	0.0%
- Financial concerns	150	0.0%	150	0.0%
- Stockbrokers	-	0.0%	-	0.0%
- Wholesale and retail trade	113	0.0%	60	0.0%
- Manufacturing	19	0.0%	21	0.0%
- Transport and transport equipment	-	0.0%	-	0.0%
- Recreational activities	-	0.0%	-	0.0%
- Information technology	-	0.0%	-	0.0%
- Others	-	0.0%	-	0.0%
Trade finance	78	0.0%	145	0.0%
Loans and advances for use outside Hong Kong	7,197	41.5%	7,445	41.6%
Gross amount of loans and advances to customers	<u>7,557</u>	<u>39.5%</u>	<u>7,821</u>	<u>39.6%</u>



(iii) **Loans and advances to customers by geographical segments**

Breakdown of exposures to countries outside Hong Kong that exceed 10% of the aggregate amount of advances to customers :

	31-Dec-21 in mio HKD	30-Jun-21 in mio HKD
- Australia	2,123	2,272
- Italy	839	905
- South Korea	1,906	1,480

The reported amounts have been taken into account the fact of risk transfer.

(iv)

**International Claims**

(Countries or geographical segments constituting 10% or more of international claims after taking into account the effect of any recognised risk transfer)

Equivalent in millions of HKD

		31-Dec-21				
		Non-bank private sector				
		Non-bank				Total
	Banks	Official Sector	financial institutions	Non-financial private sector	Others	
<b>1. Developed Countries</b>	<b>3,932</b>	-	<b>1,701</b>	<b>3,362</b>	-	<b>8,995</b>
of which: - Australia	13	-	217	1,913	-	2,143
- Germany	3,918	-	115	440	-	4,473
<b>2. Developing Asia Pacific</b>	<b>7,217</b>	-	<b>1,609</b>	<b>382</b>	-	<b>9,208</b>
of which: - China	1,787	-	102	77	-	1,966
- South Korea	5,427	-	1,507	-	-	6,934

Equivalent in millions of HKD

		30-Jun-21				
		Non-bank private sector				
		Non-bank				Total
	Banks	Official Sector	financial institutions	Non-financial private sector	Others	
<b>1. Developed Countries</b>	<b>6,626</b>	-	<b>1,830</b>	<b>3,427</b>	-	<b>11,883</b>
of which: - Australia	5	-	227	2,054	-	2,286
- Germany	6,620	-	129	373	-	7,122
<b>2. Developing Asia Pacific</b>	<b>6,407</b>	-	<b>1,564</b>	<b>364</b>	-	<b>8,335</b>
of which: - China	2,040	-	-	143	-	2,183
- South Korea	4,366	-	1,564	-	-	5,930

(v) **Overdue or rescheduled assets**

	31-Dec-21		30-Jun-21	
	<u>in mio HKD</u>	<u>% to total loans and advances to customers</u>	<u>in mio HKD</u>	<u>% to total loans and advances to customers</u>
Gross amount of overdue loans and advances to customers :				
- more than three months but not more than six months	-	0.0%	-	0.0%
- more than six months but not more than one year	-	0.0%	16	0.2%
- more than one year	86	1.1%	102	1.3%
	<u>86</u>		<u>118</u>	

As at 31 December 2021 and 30 June 2021, there were no overdue loans and advances to banks and other accounts.

Specific provision for overdue loans and advances to customers 52 79

As at 31 December 2021 and 30 June 2021, there were no collateral held against the overdue loans and advances to customers.

Breakdown of overdue loans and advances to customers by countries:

- Hong Kong	15	31
- Vietnam	71	75
- United States	-	12

Gross amount of rescheduled loans and advances

(excluding those which have been overdue for over three months and reported above)

- to customers	-	0.0%	-	0.0%
- to banks	-	0.0%	-	0.0%

As at 31 December 2021 and 30 June 2021, there were no repossessed assets held against loans and advances to customers, banks and other accounts. Upon repossession, DZ BANK AG HK Branch would continue to record loans concerned as loans and advances until realisation of the assets repossessed.

(vi) Non-Bank Mainland exposures

As at 31 December 2021

Types of Counterparties	On-balance sheet exposure in mio HKD	Off-balance sheet exposure in mio HKD	Total in mio HKD
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	-	-	-
2. Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	280	604	884
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local governments not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	47	31	78
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
<b>Total</b>	<b>327</b>	<b>635</b>	<b>962</b>
<b>Total assets after provision</b>	<b>18,916</b>		
<b>On-balance sheet exposures as percentage of total assets</b>	<b>1.73%</b>		

As at 30 June 2021

Types of Counterparties	On-balance sheet exposure in mio HKD	Off-balance sheet exposure in mio HKD	Total in mio HKD
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	-	-	-
2. Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	118	-	118
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local governments not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	50	427	477
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
<b>Total</b>	<b>168</b>	<b>427</b>	<b>595</b>
<b>Total assets after provision</b>	<b>20,816</b>		
<b>On-balance sheet exposures as percentage of total assets</b>	<b>0.81%</b>		

**(vii) Currency Risk**

Foreign currency exposure arising from trading, non-trading and structural positions :

(Individual currency constituting 10% or more of total net position in all foreign currencies)

Equivalent in millions of HKD

**31-Dec-21**

	EUR	USD	AUD	Total
Spot assets	7,802	7,839	2,137	17,778
Spot liabilities	(11,293)	(4,318)	(1,483)	(17,094)
Forward purchases	7,112	4,323	-	11,435
Forward sales	(3,479)	(7,909)	(707)	(12,095)
Net option position	-	-	-	-
Net long (short) position	142	(65)	(53)	24

Equivalent in millions of HKD

**30-Jun-21**

	EUR	USD	AUD	Total
Spot assets	9,044	8,403	2,280	19,727
Spot liabilities	(13,499)	(3,718)	(928)	(18,145)
Forward purchases	8,952	6,614	294	15,860
Forward sales	(4,372)	(11,379)	(1,699)	(17,450)
Net option position	-	-	-	-
Net long (short) position	125	(80)	(53)	(8)

**IV. Off-balance sheet exposures**

**31-Dec-21**  
in mio HKD

**30-Jun-21**  
in mio HKD

**Contingent liabilities and commitments**
Contractual or notional amounts

- Direct credit substitutes	576	580
- Transaction-related contingencies	5	12
- Trade-related contingencies	87	137
- Note issuance and revolving underwriting facilities	-	-
- Other commitments	2,304	2,039
- Others	-	5,465

**Derivatives**
Notional amounts

- Exchange rate contracts	13,383	19,035
- Interest rate contracts	1,749	1,743
- Others	-	-

Fair values Assets

- Exchange rate contracts	106	88
- Interest rate contracts	1	2
- Others	-	-
	<u>107</u>	<u>90</u>

Fair values Liabilities

- Exchange rate contracts	118	149
- Interest rate contracts	5	4
- Others	-	-
	<u>123</u>	<u>153</u>

As at 31 December 2021 and 30 June 2021, the Bank has no bilateral netting arrangements.

**V. Liquidity ratio**

**Q4 2021**

**Q4 2020**

The average liquidity maintenance ratio for the financial period	145.55%	136.87%
--	---------	---------

The above ratios are calculated based on the arithmetic mean of the average values of each calendar month for the reporting period. Both Q4 2021 and Q4 2020 ratios are based on 3 months average.



**Section B - Bank Information (DZ BANK Group)**

	30-Jun-21	31-Dec-20
<b>I. Capital and capital adequacy</b>		
Regulatory capital ratios with full application of the CRR		
- Consolidated Common Equity Tier 1 capital ratio	15.4%	15.2%
- Consolidated Tier 1 capital ratio	16.8%	16.6%
- Consolidated Total capital ratio	18.7%	19.4%
	<b>30-Jun-21</b>	<b>31-Dec-20</b>
	<u>in mio EUR</u>	<u>in mio EUR</u>
Consolidated shareholders' fund (Capital & Reserves)	28,503	29,159
<b>II. Other financial information</b>	<b>30-Jun-21</b>	<b>31-Dec-20</b>
	<u>in mio EUR</u>	<u>in mio EUR</u>
- Total assets	637,870	594,573
- Total liabilities	609,367	565,414
- Total loans and advances	294,002	293,314
- Banks	102,419	103,020
- Non-bank customers	191,583	190,294
- Total customer deposits	143,090	133,925
	<b>30-Jun-21</b>	<b>30-Jun-20</b>
	<u>in mio EUR</u>	<u>in mio EUR</u>
- Pre-tax profit*	1,832	557
- After-tax profit*	1,308	372

\* Pre-tax profit and After-tax profit presented in this disclosure statement are referred to the "Profit before taxes" and "Group net profit" respectively in DZ Bank Annual Report.

**Section C - Other Disclosures**
Disclosure on Remuneration

Under paragraph 3.1.2 of SPM CG-5 "Guideline on a Sound Remuneration System", DZ BANK AG as an overseas-incorporated authorized institution is not required to make separate disclosures in respect of the remuneration system applicable to its Hong Kong operations. The Bank's Annual Report will provide relevant disclosures, where appropriate.

Disclosure on Liquidity Risk Management

Below is prepared according to the Pillar 3 disclosure requirements for Table LIQA. Further disclosure on liquidity risk can be found in section VI 'Combined opportunity and risk report' of the annual report.  
(<https://www.dzbank.com/content/dzbank/en/home/dz-bank/investor-relations/reports.html>)

**Governance**

The Liquidity risk management of Hong Kong Branch is governed by the DZ BANK Group's internal liquidity risk framework. A local liquidity risk management policy has been set up to integrate the framework into local business environment and local regulatory standards (Supervisory Policy Manual LM1 and LM2), which is reviewed on an annual basis by local Asset & Liability Committee (ALCO).

Hong Kong Treasury is responsible for liquidity management to ensure the Branch has sufficient liquidity and liquefiable assets to meet business transactions' payment obligations. Hong Kong Risk Controlling is responsible for monitoring of liquidity risk.

**Funding strategy**

The funding strategy is centralized and the main source of liquidity of the Branch is from Head Office, which has a diversified funding base backed by the cooperative banks network and capital markets. The long-term funding requirements in foreign currencies are covered through the basis swap market while short-term foreign currencies funding requirements are managed through foreign exchange swaps with matching maturities.

**Liquidity risk mitigation**

The projected cash flow of the Branch, including off-balance sheet cash flows, is monitored under business-as-usual and stress scenarios. The Branch also adopts funding gap limits on significant regional currencies to limit the Branch's liquidity exposure on foreign currencies. Meanwhile, on the regulatory ratio front, a projection and a stress computation of LMR are performed regularly on a weekly and monthly basis.

## Stress testing

Liquidity risk is measured and managed on a liquidity surplus, in which projected cumulative cash flow is compared against available liquidity reserves, and is stressed against the liquidity risk limit under various scenarios including 'corporate crisis', market crisis' and 'combination crisis'. The Branch is informed on a daily basis of the stress testing result, alongside with other liquidity information of the Branch, to identify any source of liquidity risk at an early stage.

### Contingency funding plan

The contingency funding plan enables the Branch to respond swiftly to crisis events in a coordinated manner in accordance to the outlined structure and funding strategies to minimize impacts of a liquidity shock.

### Liquidity Risk Mismatch

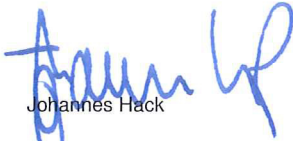
The following table is prepared with reference to the completion instruction for the Returns of Liquidity Monitoring Tools.

As at 31 December 2021 Expressed in thousands HKD	Up to 1 month	Over 1 month up to 3 months	Over 3 months up to 12 months	Over 1 year up to 5 years	Over 5 years	Balancing amount
<b>On-balance sheet liabilities</b>						
Deposits from non-bank customers	327,755	90,856	-	-	-	-
Amount payable arising from derivative contracts	3,111,375	2,505,437	2,887,721	3,267,505	2,108,454	-
Due to overseas central banks	-	-	-	-	-	-
Due to banks	1,698,499	782,996	4,231,335	5,291,289	3,079,069	1,426,237
Debt securities, prescribed instruments and structured financial instruments issued and outstanding	-	700,126	752,216	449,900	-	-
Other liabilities	2,824	271	17,441	2,159	343	24,467
Capital and reserves	-	-	-	-	-	22,796
<b>Total on-balance sheet liabilities</b>	<b>5,140,453</b>	<b>4,079,686</b>	<b>7,888,713</b>	<b>9,010,853</b>	<b>5,187,866</b>	<b>1,473,500</b>
<b>Off-balance sheet obligations</b>						
Irrevocable loan commitments or facilities	1,997,319	6,289	83,812	171,048	28,572	-
Contractual obligations arising from derivative contracts	-	143	5,417	77,616	69,413	-
Other off-balance sheet obligations	208,670	416,612	43,868	-	-	-
<b>Total off-balance sheet obligations</b>	<b>2,205,989</b>	<b>423,044</b>	<b>133,097</b>	<b>248,664</b>	<b>97,985</b>	<b>-</b>
<b>On-balance sheet assets</b>						
Currency notes and coins	10	-	-	-	-	-
Amount receivable arising from derivative contracts	3,070,879	2,514,392	2,923,493	3,213,338	1,926,991	-
Due from MA for a/c of Exchange Fund	32,675	-	-	-	-	-
Due from banks	3,736,639	1,723,316	3,050,307	1,021,549	93,823	-
Debt securities, prescribed instruments and structured financial instruments held (net of short)	1,360,026	-	-	-	-	-
Acceptances and bills of exchange held	-	-	447,804	-	-	-
Loans and advances to non-bank customers	48,357	70,330	1,149,375	2,747,134	3,355,788	200,719
Other assets	2,800	16	509	-	-	41,252
<b>Total on-balance sheet assets</b>	<b>8,251,386</b>	<b>4,308,054</b>	<b>7,571,488</b>	<b>6,982,021</b>	<b>5,376,602</b>	<b>241,971</b>
<b>Off-balance sheet claims</b>						
Contractual claims arising from derivative contracts	73	865	6,925	75,776	64,568	-
<b>Total off-balance sheet claims</b>	<b>73</b>	<b>865</b>	<b>6,925</b>	<b>75,776</b>	<b>64,568</b>	<b>-</b>
<b>Contractual Maturity Mismatch</b>	<b>905,017</b>	<b>(193,811)</b>	<b>(443,397)</b>	<b>(2,201,720)</b>	<b>155,319</b>	
<b>Cumulative Contractual Maturity Mismatch</b>	<b>905,017</b>	<b>711,206</b>	<b>267,809</b>	<b>(1,933,911)</b>	<b>(1,778,592)</b>	

Hong Kong Branch does not have concentration limits on collateral pools.

**Statement of Compliance**

In preparing this financial information disclosure statement, DZ BANK AG HK Branch has fully complied with the disclosure standards set out in the "Banking (Disclosure) Rules" and "Guideline on the Application of the Banking (Disclosure) Rules" issued by the Hong Kong Monetary Authority ("HKMA").



Johannes Hack

Chief Executive  
DZ BANK AG Hong Kong Branch