Volksbanken Raiffeisenbanken
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DZ BANK AG Hong Kong Branch

Annual Financial Disclosure
For the year ended 31 December 2022

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Bank on Germany

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

Section A - Branch Information

I. Profit and loss information	31-Dec-22 in mio HKD	31-Dec-21 in mio HKD
Interest income	501	228
Interest expense	(373)	(103)
Net interest income	**128**	**125**
Other operating income		
- Gains less losses arising from trading in foreign currencies	(9)	(8)
- Gains less losses on securities held for trading purposes	-	-
- Gains less losses from other trading activities	-	-
- Net fees and commission income	86	58
- Fees and commission income	91	65
- Fees and commission expenses	(5)	(7)
- Others	-	-
Other operating income	**77**	**50**
Total income	**205**	**175**
Operating expenses		
- Staff and rental expenses	(78)	(83)
- Other expenses	(45)	(48)
- Net credit / (charge) for other provisions	(72)	32
Operating expenses	**(195)**	**(99)**
Operating profit/(loss) before provisions	**10**	**76**
Credit / (Charge) for bad and doubtful debts	57	(53)
Operating profit/(loss)	**67**	**23**
Gains less losses from the disposal of property, plant and equipment and investment properties	-	-
Profit/(loss) before taxation	**67**	**23**
Taxation charge	-	-
Profit/(loss) after taxation	**67**	**23**

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II. Balance Sheet Information

Assets	31-Dec-22 in mio HKD	30-Jun-22 in mio HKD
Cash and balances with banks	1,856	501
Due from Exchange Fund	1	4
Placements with banks which have a residual contractual maturity of more than one month but not more than twelve months	3,198	6,053
Amount due from overseas offices	9,169	9,843
Trade bills	586	586
Certificates of deposit held	1,533	972
Securities held for trading purposes	-	-
Loans and receivables	7,790	8,056
Investment securities	-	10
Other investments	3	3
Property, plant and equipment and investment properties	28	27
Total assets	**24,164**	**26,055**

Liabilities	31-Dec-22 in mio HKD	30-Jun-22 in mio HKD
Deposits and balances from banks	1,172	3,178
Deposits and balances from sovereign	-	-
Deposits from customers:		
- Demand deposits and current accounts	221	313
- Savings deposits	-	-
- Time, call and notice deposits	276	109
Amount due to overseas offices	15,885	17,347
Certificates of deposit issued	6,086	4,768
Issued debt securities	-	-
Other liabilities	313	145
Provisions	211	195
Total liabilities	**24,164**	**26,055**

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III. Additional balance sheet information

(i) Loans and receivables

	31-Dec-22 in mio HKD	30-Jun-22 in mio HKD
Gross amount of loans and receivables		
- Loans and advances to customers	7,481	7,704
- Loans and advances to banks	144	135
- Accrued interest and other accounts	165	217
	7,790	8,056

	31-Dec-22 in mio HKD	30-Jun-22 in mio HKD
Provisions for impaired loans and advances*		
- General provisions	-	-
- Specific provisions		
- Loans and advances to customers	59	123
- Loans and advances to banks	-	-
- Accrued interest and other accounts	-	-
	59	123

* 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.

	31-Dec-22	30-Jun-22
Gross impaired loans and advances to customers	81	198
Specific provisions - individually assessed	59	123
Gross impaired loans and advances to customers as a % of gross loans and advances to customers	1.1%	2.6%

As at 31 December 2022 and 30 June 2022, there were no collateral held against the impaired loans and advances to customers.

Breakdown of impaired loans and advances to customers by countries:	31-Dec-22	30-Jun-22
- Hong Kong	81	131
- Vietnam	-	67

(ii) Loans and advances to customers by sector

	31-Dec-22		30-Jun-22	
	in mio HKD	% of advances covered by collateral or other securities	in mio HKD	% of advances covered by collateral or other securities
Loans and advances for use in Hong Kong				
Industrial, commercial and financial sectors				
- Property development	-	0.0%	-	0.0%
- Property investment	-	0.0%	-	0.0%
- Financial concerns	110	0.0%	150	0.0%
- Stockbrokers	-	0.0%	-	0.0%
- Wholesale and retail trade	73	0.0%	112	0.0%
- Manufacturing	9	0.0%	19	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	11	0.0%	33	0.0%
Loans and advances for use outside Hong Kong	7,278	36.9%	7,390	38.3%
Gross amount of loans and advances to customers	7,481	35.9%	7,704	36.7%

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(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-22	**30-Jun-22**
	in mio HKD	in mio HKD
- Australia	2,484	2,392
- Italy	757	798
- South Korea	1,839	1,870

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-22**

			Non-bank private sector			
	Banks	Official Sector	Non-bank financial institutions	Non-financial private sector	Others	Total
1. Developed Countries	**9,190**	**-**	**1,527**	**3,635**	**-**	**14,352**
of which: - Australia	2	-	198	2,307		2,507
- Germany	9,186	-	91	350	-	9,627
2. Developing Asia Pacific	**7,485**	**-**	**1,482**	**395**	**-**	**9,362**
of which: - South Korea	5,494	-	1,337	-	-	6,831

Equivalent in millions of HKD **30-Jun-22**

			Non-bank private sector			
	Banks	Official Sector	Non-bank financial institutions	Non-financial private sector	Others	Total
1. Developed Countries	**9,851**	**-**	**1,613**	**3,586**	**-**	**15,050**
of which: - Germany	9,845	-	103	392	-	10,340
2. Developing Asia Pacific	**8,412**	**-**	**1,532**	**390**	**-**	**10,334**
of which: - China	2,438	-	109	33	-	2,580
- South Korea	5,968	-	1,421	-	-	7,389

(v) **Overdue or rescheduled assets**

	31-Dec-22		30-Jun-22	
	in mio HKD	% to total loans and advances to customers	in mio HKD	% to total loans and advances to customers
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%	-	0.0%
- more than one year	11	0.1%	79	1.0%
	11		**79**	

As at 31 December 2022 and 30 June 2022, there were no overdue loans and advances to banks and other accounts.

	31-Dec-22	30-Jun-22
Specific provision for overdue loans and advances to customers	10	46

As at 31 December 2022 and 30 June 2022, there were no collateral held against the overdue loans and advances to customers.

	31-Dec-22	30-Jun-22
Breakdown of overdue loans and advances to customers by countries:		
- Hong Kong	11	11
- Vietnam	-	68

	31-Dec-22		30-Jun-22	
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 2022 and 30 June 2022, 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 2022

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	189	592	781
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	33	26	59
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	**222**	**618**	**840**
Total assets after provision	**23,953**		
On-balance sheet exposures as percentage of total assets	**0.93%**		

As at 30 June 2022

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	252	591	843
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	32	15	47
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	**284**	**606**	**890**
Total assets after provision	**25,860**		
On-balance sheet exposures as percentage of total assets	**1.10%**		

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(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-22**

	EUR	USD	AUD	CNY	TWD	Total
Spot assets	12,720	7,589	2,327	212	-	22,848
Spot liabilities	(11,209)	(5,753)	(1,604)	(2,896)	(82)	(21,544)
Forward purchases	4,652	6,855	344	2,915	-	14,766
Forward sales	(6,065)	(8,740)	(1,128)	(193)	-	(16,126)
Net option position	-	-	-	-	-	-
Net long (short) position	98	(49)	(61)	38	(82)	(56)

Equivalent in millions of HKD — **30-Jun-22**

	EUR	USD	AUD	CNY	Total
Spot assets	14,348	8,136	2,306	28	24,818
Spot liabilities	(11,245)	(8,584)	(1,651)	(1,976)	(23,456)
Forward purchases	4,772	8,258	-	1,990	15,020
Forward sales	(7,624)	(7,883)	(707)	(9)	(16,223)
Net option position	-	-	-	-	-
Net long (short) position	251	(73)	(52)	33	159

IV. Off-balance sheet exposures

	31-Dec-22 in mio HKD	30-Jun-22 in mio HKD
Contingent liabilities and commitments		
Contractual or notional amounts		
- Direct credit substitutes	356	564
- Transaction-related contingencies	8	12
- Trade-related contingencies	190	149
- Note issuance and revolving underwriting facilities	-	-
- Other commitments	1,835	2,796
- Others	-	-
Derivatives		
Notional amounts		
- Exchange rate contracts	17,231	17,558
- Interest rate contracts	1,359	1,760
- Others	-	-
Fair values Assets		
- Exchange rate contracts	231	276
- Interest rate contracts	-	1
- Others	-	-
	231	277
Fair values Liabilities		
- Exchange rate contracts	289	166
- Interest rate contracts	5	3
- Others	-	-
	294	169

As at 31 December 2022 and 30 June 2022, the Bank has no bilateral netting arrangements.

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V.	Liquidity ratio	Q4 2022	Q4 2021
	The average liquidity maintenance ratio for the financial period	357.11%	145.55%

The above ratios are calculated based on the arithmetic mean of the average values of each calendar month for the reporting period. Both Q4 2022 and Q4 2021 ratios are based on 3 months average.

Section B - Bank Information (DZ BANK Group)	30-Jun-22	31-Dec-21
I. Capital and capital adequacy		
Regulatory capital ratios with full application of the CRR		
- Consolidated Common Equity Tier 1 capital ratio	13.3%	15.3%
- Consolidated Tier 1 capital ratio	14.8%	16.8%
- Consolidated Total capital ratio	16.4%	18.5%
	30-Jun-22 in mio EUR	31-Dec-21 in mio EUR
Consolidated shareholders' fund (Capital & Reserves)	24,304	28,661
II. Other financial information	30-Jun-22 in mio EUR	31-Dec-21 in mio EUR
- Total assets	658,657	627,273
- Total liabilities	634,353	598,612
- Total loans and advances	318,948	303,324
- Banks	115,946	107,659
- Non-bank customers	203,002	195,665
- Total customer deposits	163,668	138,975
	30-Jun-22 in mio EUR	30-Jun-21 in mio EUR
- Pre-tax profit*	1,141	1,829 #
- After-tax profit*	781	1,307 #

* 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.

Amount as at 30 June 2021 is restated.

Section C - Other Disclosures

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 VII 'DZ BANK Group and DZ BANK 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 2022 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
On-balance sheet liabilities						
Deposits from non-bank customers	361,272	54,838	83,159	-	-	-
Amount payable arising from derivative contracts	4,300,097	1,412,593	8,738,547	1,940,815	1,741,584	-
Due to overseas central banks	-	-	-	-	-	-
Due to banks	2,162,414	1,424,122	3,361,454	5,723,191	3,005,241	1,454,627
Debt securities, prescribed instruments and structured financial instruments issued and outstanding	750,000	1,356,257	3,483,065	525,513	-	-
Other liabilities	5,679	239	14,224	2,552	580	7,850
Capital and reserves	-	-	-	-	-	66,899
Total on-balance sheet liabilities	**7,579,462**	**4,248,049**	**15,680,449**	**8,192,071**	**4,747,405**	**1,529,376**
Off-balance sheet obligations						
Irrevocable loan commitments or facilities	1,358,380	29,210	133,654	307,720	6,051	-
Contractual obligations arising from derivative contracts	-	6,209	60,942	169,912	101,234	-
Other off-balance sheet obligations	213,416	308,608	32,179	-	-	-
Total off-balance sheet obligations	**1,571,796**	**344,027**	**226,775**	**477,632**	**107,285**	**-**
On-balance sheet assets						
Currency notes and coins	10	-	-	-	-	-
Amount receivable arising from derivative contracts	4,320,127	1,438,638	8,638,481	1,890,799	1,663,707	-
Due from MA for a/c of Exchange Fund	825	-	-	-	-	-
Due from banks	7,081,900	1,818,025	4,590,076	765,949	144,245	-
Debt securities, prescribed instruments and structured financial instruments held (net of short	1,523,073	-	-	-	-	-
Acceptances and bills of exchange held	-	157,894	433,149	-	-	-
Loans and advances to non-bank customers	57,207	115,621	1,447,457	2,400,714	3,426,265	80,656
Other assets	1,563	-	-	-	-	38,883
Total on-balance sheet assets	**12,984,705**	**3,530,178**	**15,109,163**	**5,057,462**	**5,234,217**	**119,539**
Off-balance sheet claims						
Contractual claims arising from derivative contracts	2,506	13,055	52,848	164,040	95,296	-
Total off-balance sheet claims	**2,506**	**13,055**	**52,848**	**164,040**	**95,296**	**-**
Contractual Maturity Mismatch	3,835,953	(1,048,843)	(745,213)	(3,448,201)	474,823	
Cumulative Contractual Maturity Mismatch	3,835,953	2,787,110	2,041,897	(1,406,304)	(931,481)	

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