

DZ BANK AG Hong Kong Branch
Annual Financial Disclosure
For the year ended 31 December 2023

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

Section A - Branch Information

| I. Profit and loss information | 31-Dec-23 in mio HKD | 31-Dec-22 in mio HKD |
|--|-------------------------|-------------------------|
| Interest income | 1,246 | 501 |
| Interest expense | (1,054) | (373) |
| Net interest income | 192 | 128 |
| Other operating income | | |
| - Gains less losses arising from trading in foreign currencies | 7 | (9) |
| - Gains less losses on securities held for trading purposes | - | - |
| - Gains less losses from other trading activities | - | - |
| - Net fees and commission income | 79 | 86 |
| - Fees and commission income | 83 | 91 |
| - Fees and commission expenses | (4) | (5) |
| - Others | - | - |
| Other operating income | 86 | 77 |
| Total income | 278 | 205 |
| Operating expenses | | |
| - Staff and rental expenses | (83) | (78) |
| - Other expenses | (55) | (45) |
| - Net credit / (charge) for other provisions | (9) | (72) |
| Operating expenses | (147) | (195) |
| Operating profit/(loss) before provisions | 131 | 10 |
| Credit / (Charge) for bad and doubtful debts | (9) | 57 |
| Operating profit/(loss) | 122 | 67 |
| Gains less losses from the disposal of property, plant and equipment and investment properties | - | - |
| Profit/(loss) before taxation | 122 | 67 |
| Taxation charge | - | - |
| Profit/(loss) after taxation | 122 | 67 |

II. Balance Sheet Information

| <u>Assets</u> | <u>31-Dec-23</u> in mio HKD | <u>30-Jun-23</u> in mio HKD |
|---|--------------------------------|--------------------------------|
| Cash and balances with banks | 835 | 991 |
| Due from Exchange Fund | 60 | 8 |
| Placements with banks which have a residual contractual maturity of more than one month but not more than twelve months | 3,700 | 4,181 |
| Amount due from overseas offices | 8,305 | 15,961 |
| Trade bills | 624 | 737 |
| Certificates of deposit held | 1,953 | 1,563 |
| Held-to-maturity investments | 111 | - |
| Loans and receivables | 7,888 | 8,629 |
| Investment securities | - | - |
| Other investments | 3 | 3 |
| Property, plant and equipment and investment properties | 27 | 28 |
| Total assets | 23,506 | 32,101 |
| | | |
| <u>Liabilities</u> | | |
| Deposits and balances from banks | 2,282 | 6,345 |
| Deposits and balances from sovereign | - | 1,871 |
| Deposits from customers: | | |
| - Demand deposits and current accounts | 188 | 210 |
| - Savings deposits | - | - |
| - Time, call and notice deposits | 278 | 121 |
| Amount due to overseas offices | 13,331 | 15,429 |
| Certificates of deposit issued | 6,734 | 7,318 |
| Issued debt securities | - | - |
| Other liabilities | 557 | 580 |
| Provisions | 136 | 227 |
| Total liabilities | 23,506 | 32,101 |

III. Additional balance sheet information

| | 31-Dec-23 <u>in mio HKD</u> | 30-Jun-23 <u>in mio HKD</u> |
|---|--------------------------------|--------------------------------|
| (i) Loans and receivables | | |
| Gross amount of loans and receivables | | |
| - Loans and advances to customers | 7,190 | 7,404 |
| - Loans and advances to banks | 342 | 379 |
| - Accrued interest and other accounts | 356 | 846 |
| | <u>7,888</u> | <u>8,629</u> |
| Provisions for impaired loans and advances* | | |
| - General provisions | - | - |
| - Specific provisions | | |
| - Loans and advances to customers | 68 | 68 |
| - Loans and advances to banks | - | - |
| - Accrued interest and other accounts | - | - |
| | <u>68</u> | <u>68</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 | 98 | 96 |
| Specific provisions - individually assessed | 68 | 68 |
| Gross impaired loans and advances to customers as a % of gross loans and advances to customers | 1.4% | 1.3% |

As at 31 December 2023 and 30 June 2023, 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 | 98 | 96 |
|-------------|----|----|

(ii) Loans and advances to customers by sector

| | 31-Dec-23 | | 30-Jun-23 | |
|---|-------------------|--|-------------------|--|
| | <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> |
| Loans and advances for use in Hong Kong | | | | |
| <u>Industrial, commercial and financial sectors</u> | | | | |
| - Property development | - | 0.0% | - | 0.0% |
| - Property investment | - | 0.0% | - | 0.0% |
| - Financial concerns | 180 | 0.0% | 70 | 0.0% |
| - Stockbrokers | - | 0.0% | - | 0.0% |
| - Wholesale and retail trade | 88 | 0.0% | 85 | 0.0% |
| - Manufacturing | 13 | 0.0% | 13 | 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% | 11 | 0.0% |
| Loans and advances for use outside Hong Kong | 6,898 | 41.3% | 7,225 | 35.3% |
| Gross amount of loans and advances to customers | <u>7,190</u> | 39.7% | <u>7,404</u> | 34.4% |

(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-23 <u>in mio HKD</u> | 30-Jun-23 <u>in mio HKD</u> |
|---------------|--------------------------------|--------------------------------|
| - Australia | 2,578 | 2,559 |
| - South Korea | 1,752 | 1,863 |

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-23 | | | | | |
|----------------------------|--------------|------------------------|--|---|---------------|--------------|
| | | | <u>Non-bank private sector</u> | | | |
| | <u>Banks</u> | <u>Official Sector</u> | <u>Non-bank financial institutions</u> | <u>Non-financial private sector</u> | <u>Others</u> | <u>Total</u> |
| 1. Developed Countries | 8,469 | - | 1,376 | 3,332 | - | 13,177 |
| of which: - Australia | 4 | - | 192 | 2,411 | - | 2,607 |
| - Germany | 8,432 | - | 70 | 330 | - | 8,832 |
| 2. Developing Asia Pacific | 7,112 | - | 2,173 | 578 | - | 9,863 |
| of which: - China | 2,009 | - | 404 | 11 | - | 2,424 |
| - South Korea | 5,099 | - | 1,769 | - | - | 6,868 |

Equivalent in millions of HKD

| | 30-Jun-23 | | | | | |
|----------------------------|--------------|------------------------|--|---|---------------|--------------|
| | | | <u>Non-bank private sector</u> | | | |
| | <u>Banks</u> | <u>Official Sector</u> | <u>Non-bank financial institutions</u> | <u>Non-financial private sector</u> | <u>Others</u> | <u>Total</u> |
| 1. Developed Countries | 16,052 | - | 1,461 | 3,566 | - | 21,079 |
| of which: - Germany | 16,044 | - | 81 | 338 | - | 16,463 |
| 2. Developing Asia Pacific | 8,012 | - | 1,539 | 471 | - | 10,022 |
| of which: - China | 2,738 | - | 288 | 11 | - | 3,037 |
| - South Korea | 5,143 | - | 1,251 | - | - | 6,394 |

(v) Overdue or rescheduled assets

| | 31-Dec-23 | | 30-Jun-23 | |
|---|-------------------|---|-------------------|---|
| | <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% | - | 0.0% |
| - more than one year | 11 | 0.2% | 11 | 0.1% |
| | <u>11</u> | | <u>11</u> | |

As at 31 December 2023 and 30 June 2023, there were no overdue loans and advances to banks and other accounts.

| | | |
|--|----|----|
| Specific provision for overdue loans and advances to customers | 10 | 11 |
|--|----|----|

As at 31 December 2023 and 30 June 2023, 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 | 11 | 11 |
|-------------|----|----|

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 2023 and 30 June 2023, 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 2023

| 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 | 85 | 468 | 553 |
| 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 | 22 | 13 | 35 |
| 7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures | - | - | - |
| Total | 107 | 481 | 588 |
| Total assets after provision | 23,369 | | |
| On-balance sheet exposures as percentage of total assets | 0.46% | | |

As at 30 June 2023

| 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 | 83 | 469 | 552 |
| 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 | 27 | 14 | 41 |
| 7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures | - | - | - |
| Total | 110 | 483 | 593 |
| Total assets after provision | 31,874 | | |
| On-balance sheet exposures as percentage of total assets | 0.35% | | |

(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-23

| | EUR | USD | TWD | Total |
|---------------------------|---------|----------|-----|----------|
| Spot assets | 10,824 | 9,301 | - | 20,125 |
| Spot liabilities | (7,724) | (4,790) | - | (12,514) |
| Forward purchases | 5,663 | 25,338 | - | 31,001 |
| Forward sales | (9,035) | (29,794) | - | (38,829) |
| Net option position | - | - | - | - |
| Net long (short) position | (272) | 55 | - | (217) |

Equivalent in millions of HKD

30-Jun-23

| | EUR | USD | TWD | Total |
|---------------------------|---------|----------|------|----------|
| Spot assets | 12,725 | 15,312 | - | 28,037 |
| Spot liabilities | (9,285) | (6,982) | (93) | (16,360) |
| Forward purchases | 3,998 | 11,926 | - | 15,924 |
| Forward sales | (7,809) | (20,128) | - | (27,937) |
| Net option position | - | - | - | - |
| Net long (short) position | (371) | 128 | (93) | (336) |

IV. **Off-balance sheet exposures**

31-Dec-23
in mio HKD

30-Jun-23
in mio HKD

Contingent liabilities and commitments

Contractual or notional amounts

| | | |
|---|-------|-------|
| - Direct credit substitutes | 172 | 348 |
| - Transaction-related contingencies | 8 | 8 |
| - Trade-related contingencies | 225 | 48 |
| - Note issuance and revolving underwriting facilities | - | - |
| - Other commitments | 1,440 | 1,734 |
| - Others | 352 | - |

Derivatives

Notional amounts

| | | |
|---------------------------|--------|--------|
| - Exchange rate contracts | 55,982 | 33,206 |
| - Interest rate contracts | 1,362 | 1,367 |
| - Others | - | - |

Fair values Assets

| | | |
|---------------------------|------------|------------|
| - Exchange rate contracts | 280 | 110 |
| - Interest rate contracts | - | - |
| - Others | - | - |
| | <u>280</u> | <u>110</u> |

Fair values Liabilities

| | | |
|---------------------------|------------|------------|
| - Exchange rate contracts | 419 | 372 |
| - Interest rate contracts | 5 | 4 |
| - Others | - | - |
| | <u>424</u> | <u>376</u> |

As at 31 December 2023 and 30 June 2023, the Bank has no bilateral netting arrangements.

| V. Liquidity ratio | Q4 2023 | Q4 2022 |
|--|---------|---------|
| The average liquidity maintenance ratio for the financial period | 222.10% | 357.11% |

The above ratios are calculated based on the arithmetic mean of the average values of each calendar month for the reporting period. Both Q4 2023 and Q4 2022 ratios are based on 3 months average.

| <u>Section B - Bank Information (DZ BANK Group)</u> | 30-Jun-23 | 31-Dec-22 |
|--|-------------------|-------------------|
| I. Capital and capital adequacy | | |
| Regulatory capital ratios with full application of the CRR | | |
| - Consolidated Common Equity Tier 1 capital ratio | 15.6% | 13.7% |
| - Consolidated Tier 1 capital ratio | 17.8% | 15.2% |
| - Consolidated Total capital ratio | 20.3% | 18.0% |
| | 30-Jun-23 | 31-Dec-22 |
| | <u>in mio EUR</u> | <u>in mio EUR</u> |
| Consolidated shareholders' fund (Capital & Reserves) | 30,877 | 28,109 # |
| II. Other financial information | 30-Jun-23 | 31-Dec-22 |
| | <u>in mio EUR</u> | <u>in mio EUR</u> |
| - Total assets | 653,374 | 628,397 # |
| - Total liabilities | 622,497 | 600,288 # |
| - Total loans and advances | 335,472 | 327,090 |
| - Banks | 130,065 | 123,444 |
| - Non-bank customers | 205,407 | 203,646 |
| - Total customer deposits | 164,391 | 159,429 |
| | 30-Jun-23 | 30-Jun-22 |
| | <u>in mio EUR</u> | <u>in mio EUR</u> |
| - Pre-tax profit* | 1,954 | 938 # |
| - After-tax profit* | 1,412 | 577 # |

* 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 Half-Year Financial Report.

Amounts as at 31 December 2022 and 30 June 2022 are 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/we-are-dz-bank/investor-relations/reports/latest-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 2023 | 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 |
|---|-------------------|-----------------------------|-------------------------------|---------------------------|------------------|------------------|
| Expressed in thousands HKD | | | | | | |
| On-balance sheet liabilities | | | | | | |
| Deposits from non-bank customers | 337,102 | 2,810 | 128,898 | - | - | - |
| Amount payable arising from derivative contracts | 14,180,485 | 17,283,640 | 21,826,478 | 2,027,964 | 1,460,823 | - |
| Due to overseas central banks | - | - | - | - | - | - |
| Due to banks | 2,336,154 | 443,538 | 3,904,067 | 4,985,888 | 2,598,630 | 1,438,964 |
| Debt securities, prescribed instruments and structured financial instruments issued and outstanding | 996,207 | 2,430,159 | 2,986,638 | 403,103 | - | - |
| Other liabilities | 2,122 | 390 | 15,184 | 3,589 | 404 | 8,147 |
| Capital and reserves | - | - | - | - | - | 122,223 |
| Total on-balance sheet liabilities | 17,852,070 | 20,160,537 | 28,861,265 | 7,420,544 | 4,059,857 | 1,569,334 |
| Off-balance sheet obligations | | | | | | |
| Irrevocable loan commitments or facilities granted | 1,136,196 | 25,594 | 131,943 | 145,638 | 889 | - |
| Contractual obligations arising from derivative contracts | - | 9,943 | 61,834 | 141,638 | 71,873 | - |
| Other off-balance sheet obligations | 451,668 | 185,170 | 120,421 | - | - | - |
| Total off-balance sheet obligations | 1,587,864 | 220,707 | 314,198 | 287,276 | 72,762 | - |
| On-balance sheet assets | | | | | | |
| Currency notes and coins | 11 | - | - | - | - | - |
| Amount receivable arising from derivative contracts | 14,162,566 | 17,288,246 | 21,735,173 | 1,954,189 | 1,367,088 | - |
| Due from MA for a/c of Exchange Fund | 59,621 | - | - | - | - | - |
| Due from banks | 4,077,373 | 2,382,539 | 6,024,112 | 801,432 | 85,928 | - |
| Debt securities, prescribed instruments and structured financial instruments held (net of short) | 1,997,704 | - | - | - | - | - |
| Acceptances and bills of exchange held | - | 164,298 | 477,151 | - | - | - |
| Loans and advances to non-bank customers | 57,449 | 69,330 | 1,042,238 | 2,516,886 | 3,462,482 | 98,476 |
| Other assets | 1,500 | - | - | - | - | 36,912 |
| Total on-balance sheet assets | 20,356,224 | 19,904,413 | 29,278,674 | 5,272,507 | 4,915,498 | 135,388 |
| Off-balance sheet claims | | | | | | |
| Contractual claims arising from derivative contracts | 3,369 | 15,247 | 51,452 | 136,158 | 66,856 | - |
| Other off-balance sheet claims | 351,525 | - | - | - | - | - |
| Total off-balance sheet claims | 354,894 | 15,247 | 51,452 | 136,158 | 66,856 | - |
| Contractual Maturity Mismatch | 1,271,184 | (461,584) | 154,663 | (2,299,155) | 849,735 | |
| Cumulative Contractual Maturity Mismatch | 1,271,184 | 809,600 | 964,263 | (1,334,892) | (485,157) | |

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