



**Commerzbank AG Hong Kong Branch
Financial Disclosure for the year ended 31 December 2021**

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



I. Income Statement Information

	<u>1..Jan - 31.Dec.2021</u>	<u>1..Jan - 31.Dec.2020</u>
Interest income	182,843	254,101
Interest expense	(42,233)	(64,019)
Other operating income		
- Net Gains / (Losses) arising from trading in foreign currencies	(103,718)	(45,852)
- Net Gains / (Losses) on securities held for trading purposes	-	-
- Net Gains / (Losses) from trading in interest rate derivatives	3,283	22,713
- Net fees and commission income	32,002	43,739
- <i>gross fees and commission income</i>	38,112	52,304
- <i>gross fees and commission expenses</i>	(6,110)	(8,565)
- Income from non-trading investments	(984)	1,098
- Gains from available-for-sale investment securities at fair value through profit or loss	-	-
- Profit/(loss) on sale of fixed assets	-	-
- Others	56,528	76,469
Operating expenses		
- Rental expenses	(13,441)	(26,450)
- Staff expenses	(76,321)	(110,202)
- Other operating expenses	(171,967)	(137,369)
Impairment releases / (losses and provisions) for impaired loans and receivables	4,390	(331,325)
Impairment losses on assets	-	-
Losses from the disposal of property, plant and equipment and investment properties	-	-
Profit / (Loss) before taxation	(129,618)	(317,097)
Tax expense	-	(3,224)
Profit / (Loss) after taxation	(129,618)	(320,321)

II. Balance Sheet Information

	LIABILITIES		
	<u>31-Dec-2021</u>	<u>30-Jun-2021</u>	<u>30-Jun-2021</u>
	ASSETS		
(i) Cash and balances with banks (except those included in item (iii))	24,560	184,494	-
(ii) Amount due from Exchange Fund	23,821	40,220	-
(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 (i))	-	-	1,107,024
(iv) Amount due from overseas offices of the institution	8,419,884	14,757,895	855,038
(v) Trade bills	-	-	-
(vi) Certificates of deposit held	-	-	251,986
(vii) Securities held for trading purposes	-	-	-
(viii) Loans and receivables	1,124,035	5,621,070	-
(ix) Investment securities	999,880	999,760	-
(x) Other investments	-	-	-
(xi) Property, plant and equipment and investment properties	3,472	5,591	-
(xii) Total assets	<u>10,595,652</u>	<u>21,609,030</u>	<u>21,609,030</u>
(i) Deposits and balances from banks (except those included in item (iv))	-		-
(ii) Amount due to Exchange Fund	-		-
(iii) Deposits from customers - Demand deposits and current accounts - Savings deposits - Time, call and notice deposits	43,921 43,921 - -		19,209,410
(iv) Amount due to overseas offices of the institution	9,832,588		-
(v) Certificates of deposit issued	-		-
(vi) Issued debt securities	-		-
(vii) Other liabilities	401,187		939,054
(viii) Provisions	317,956		353,542
(ix) Total liabilities	<u>10,595,652</u>		<u>21,609,030</u>

III. Additional Balance Sheet Information

(v) 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	-	1,768,746	-
- Stockbrokers	-	-	-
- Wholesale and retail trade	313,647	646,266	-
- Manufacturing	-	40,186	-
- Transport and transport equipment	-	-	-
- Recreational activities	-	-	-
- Information technology	-	-	-
- Electricity and gas	-	-	-
- Civil engineering works	-	-	-
- Others	-	2,376	-

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

9,928

- Loans and advances for use outside Hong Kong

314,377

367,804

628,024

-

4,585,442

367,804

III. Additional Balance Sheet Information

31-Dec-2021

30-Jun-2021

(vi) 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	314,377	533,324
Hong Kong	313,647	2,467,502
New Zealand	-	177,665
South Korea	-	-
North America:		
United States	-	-
Europe:		
Netherlands	-	291,231
Cayman Islands	-	802,949
British Virgin Islands	-	312,771
Gross amount of loans and advances to customers	<u>628,024</u>	<u>4,585,442</u>

III. Additional Balance Sheet Information

	<u>31-Dec-2021</u>		<u>30-Jun-2021</u>	
	Outstanding balance	% to total loans and advances to customers	Outstanding balance	% to total loans and advances to customers
(vii) Overdue and rescheduled assets				
a) Overdue loans and advances to customers				
More than 3 months but not more than 6 months	-	0%	-	0%
More than 6 months but not more than 1 year	-	0%	-	0%
More than 1 year	313,647	49.94%	312,321	6.81%
Total	313,647	49.94%	312,321	6.81%
Individual impairment allowance	313,647		312,321	
Collateral value	-		-	
Covered portion	-		-	
Uncovered portion	313,647		312,321	
b) Overdue loans and advances to banks and financial institutions	-		-	
c) Rescheduled loans and advances to customers and banks, excluding those which have been overdue for more than 3 months and disclosed pursuant to item a) and b) above	-		-	
d) Repossessed assets held	-		-	
e) Other assets such as trade bills and debt securities	-		-	

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>31-Dec-2021</u>				<u>30-Jun-2021</u>			
	CNY	USD	EUR	Total	CNY	USD	EUR	Total
Spot assets	1,809	1,134	6,139	9,082	4,968	3,862	10,845	19,675
Spot liabilities	0	(5,907)	(4,311)	(10,218)	(161)	(10,168)	(10,400)	(20,729)
Forward purchases	3,039	10,320	2,273	15,632	3,707	24,743	14,706	43,156
Forward sales	(4,887)	(5,432)	(3,999)	(14,318)	(8,568)	(18,319)	(15,061)	(41,948)
Net option position	-	-	-	-	-	-	-	-
Net long (or net short) position	(39)	115	102	178	(54)	118	90	154
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

As at 31 Dec 2021

	Banks	Official sectors	Non-bank financial institutions	Non-bank private sector	Total
Developed countries	8,458	-	-	-	8,458
of which					
- Germany	8,457	-	-	-	8,457
Offshore Centres	21	-	-	314	335
of which					
- Hong Kong	21	-	-	314	335
Developing Asia and Pacific	47	-	-	315	362
of which					
- China	-	-	-	315	315

As at 30 Jun 2021

Developed countries	14,851	-	-	636	15,487
of which					
- Germany	14,850	-	-	101	14,951
Offshore Centres	217	-	-	3,201	3,418
of which					
- Hong Kong	181	-	-	2,082	2,263
Developing Asia and Pacific	133	-	191	344	668
of which					
- China	-	-	191	344	535

VI. Non-Bank Mainland Exposures

	On-balance Sheet Exposure	Off-balance Sheet Exposure	Total Exposure	Individual Impairment Allowances
<u>As at 31 Dec 2021</u>				
Central government, central government-owned entities and their subsidiaries and JVs	-	-	-	-
Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-	-
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	628	69	697	314
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-	-
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-	-
Total	628	69	697	314
Total assets after provision	10,278			
On-balance sheet exposures as percentage of total assets	6.11%			
<u>As at 30 Jun 2021</u>				
Central government, central government-owned entities and their subsidiaries and JVs	1,150	-	1,150	-
Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-	-
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,729	554	2,283	312
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-	-
Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,155	-	1,155	-
Total	4,034	554	4,588	312
Total assets after provision	21,255			
On-balance sheet exposures as percentage of total assets	18.98%			

	<u>31-Dec-2021</u>	<u>30-Jun-2021</u>
VII. <u>Off-balance Sheet Exposures (other than derivative transactions)</u>		
- Direct credit substitutes	57,424	416,381
- Transaction-related contingencies	89,465	230,330
- Trade-related contingencies	-	101,228
- Note issuance and revolving underwriting facilities	-	-
- Other commitments	971,968	3,566,997
- Others	-	-

VIII. Derivative Transactions

Derivatives notional amounts:

- Exchange rate-related derivative contracts	15,906,903	43,454,356
- Interest rate derivative contracts	1,147,370	8,680,396
- Others	-	-

Derivatives assets:

- Exchange rate-related derivative contracts	325,771	461,437
- Interest rate derivative contracts	7,788	157,742

Derivatives liabilities:

- Exchange rate-related derivative contracts	293,815	534,064
- Interest rate derivative contracts	5,417	186,004

The above derivatives assets and liabilities, being the positive or negative marked-to-market value of the respective derivatives contracts, represent gross replacement costs. There is no bilateral netting arrangements for these derivative contracts.

IX. Liquidity maintenance ratio

Average liquidity maintenance ratio

<u>Oct - Dec 2021</u>	<u>Oct - Dec 2020</u>
849.05%	141.97%

The above ratios are calculated based on the arithmetic mean of the average values of each calendar month for each quarter

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

Introduction

Commerzbank Group maintains a Liquidity Risk Governance Framework. It sets the group-wide overarching guidelines for liquidity risk management and covers all significant facets of a sound risk management in terms of risk identification, assessment, measurement, steering, mitigation, monitoring and reporting.

Governance of Liquidity Risk Management

Liquidity risk is the risk that Commerzbank Group will be unable to meet its payment obligations on a day-to-day basis or future payments cannot be funded for the full amount in the required currency or at standard market conditions, as and when they are due. Risk tolerance represents the maximum amount and type of risk that Commerzbank is willing to incur within its business model in order to achieve its business objectives and business activities as well as to avoid existential threats. Commerzbank's liquidity risk tolerance is operationalized first of all by the design of stress scenario, the length of the reserve period and a set of liquidity risk limits.

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 bases for liquidity management and reporting to the Group's Board of Managing Directors (BoMD). Key decisions on liquidity risk management and monitoring are made by the central Asset & Liability Committee (ALCO). The Global ALCO is supported operationally by the Regional and local ALCOs which purpose is the planning and steering of all asset and liability management activities for the branch. Hong-Kong branch Liquidity Risk Management framework is fully integrated within the Group Risk framework

The Group's (BoMD) is ultimately responsible for the management of liquidity and respective risks throughout the Group and the determination of the Group's liquidity risk strategy.

For Hong Kong Branch, Group Finance is responsible for the calculation of the daily Liquidity Maintenance Ratio (LMR) and submit to Group Treasury, CEO and COO for review. To ensure that the LMR adequacy is maintained, Group Treasury will conduct daily projections of the LMR position to ensure the LMR is above the internal trigger ratio 30%. Group Market Risk performs daily liquidity gap reporting and monitoring against the agreed limits, as well as liquidity stress test reporting. In addition, the treatment of revocable commitment (part of the qualifying liabilities) will be subject to quarterly stress-test on the LMR. Group Finance will assume 30% of total undrawn revocable commitments to be taken into account under LMR while 10% of total undrawn revocable commitments is used in practice.

XI. Disclosure on Liquidity Risk Management

Funding strategy

Commerzbank Group manages its global liquidity centrally using cash pooling. This approach ensures that liquidity resources are used efficiently and that this occurs across all time zones, as Group Treasury units are located in Frankfurt, London, New York and Singapore.

Head Office in Frankfurt represents the chief funding provider for the Group, including Hong Kong Branch. Intra-branch funding transactions are carried out at arm's length and treated in lines with other third party transactions.

Commerzbank had unrestricted access to the money and capital markets throughout the reporting period of 2021, and its liquidity and solvency were also adequate at all times. It was always able to raise the resources required for a balanced funding mix and continued to enjoy a comfortable liquidity position in the period under review.

Liquidity risk mitigation

Commerzbank Group holds a Liquidity Reserve to mitigate against liquidity risk. The Bank has chosen to hold a reserve of LCR-eligible liquid assets which ensure the generation of liquidity within a short time at a predictable value. The maintenance of the Liquidity Reserve is under the responsibility of Group Treasury.

Stress testing

Three stress scenarios namely a bank-specific, a market-specific and a combination of both are performed on a regular basis to identify potential vulnerabilities on the Group's liquidity position under stressed market condition. The bank-specific stress computes the effect of a rating downgrade of two notches on the bank's available net liquidity. The market-specific stress computes the effect of a general market disruption on the bank's available net liquidity. This market-specific stress scenario is derived from the experience of the subprime crisis starting in summer 2007 and of the following financial crisis.

Contingency Funding Plan

Commerzbank Group maintains a Liquidity Contingency Plan that specifies an approach for analyzing and responding to actual and potential liquidity events. The Plan outlines an appropriate governance structure for the management and monitoring of liquidity events, processes for effective internal and external communication, and identifies potential counter measures to be considered at various stages of events.

Commerzbank Group has established early warning indicators for the purpose of managing liquidity risk. These ensure that appropriate steps can be taken in good time to secure long-term financial solidity. Market Risk Department is responsible for the monitoring and reporting of quantitative criteria and Treasury Department is responsible for analyzing qualitative measures triggering liquidity contingencies e.g. information about difficulties or restrictions in interbank funding market due to market disruption. Should there be any early signs of significant impact on the Bank's liquidity, Treasury Department will provide the information to Market Risk and ALCO. The ALCO decides which contingency measures are to be taken based on the suggestion made by the Treasury.

Locally, Hong-Kong branch has defined a local Liquidity contingency plan in addition to the Global plan to ensure the Group's contingency procedure is extended in a consistent manner. Hong-Kong branch contingency plan is reviewed and approved by ALCO at least on a yearly basis.

XI. Disclosure on Liquidity Risk Management

On-and off-balance sheet liquidity gaps

The Commerzbank Hong Kong Branch's analysis of on-and off-balance sheet items by remaining maturity and the resultant liquidity gap as at 31 December 2021 is shown as follows:

	Next day	Up to 1 month	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Undated	Total amount
On-balance sheet liabilities								
Deposits from non-bank customers	43,921	-	-	-	-	-	-	43,921
Amount payable arising from derivative contracts	-	3,562,940	6,748,566	5,564,472	-	-	-	15,875,978
Due to banks	10	918,346	6,111,320	2,807,791	-	-	-	9,837,467
Other liabilities and capital and reserves	-	-	-	-	-	-	211,393	211,393
Total On-balance sheet liabilities	43,931	4,481,286	12,859,886	8,372,263	-	-	211,393	211,393
Total Off-balance sheet obligations	202,589	9,282	30,469	34,868	35,856	-	36,310	349,374
On-balance sheet assets								
Amount receivable arising from derivative contracts	-	3,502,987	6,767,151	5,645,575	-	-	-	15,915,713
Due from M/A for a/c of Exchange Fund	23,821	-	-	-	-	-	-	23,821
Due from banks	48,571	6,637,334	1,795,558	-	-	-	-	8,481,463
Debt securities, prescribed instruments and structured financial instruments held (net of short positions)	999,880	-	-	-	-	-	-	999,880
Acceptances and bills of exchange held	-	-	46,840	-	-	-	-	46,840
Loans and advances to non-bank customers	-	156,444	-	158,394	-	-	313,647	628,485
Other assets	-	-	-	-	-	-	66,305	66,305
Total On-balance sheet assets	1,072,272	10,296,765	8,609,549	5,803,969	-	-	379,952	17,762,747
Total Off-balance sheet claims	-	3,071	6,309	412	-	-	-	9,792
Contractual Maturity Mismatch	825,752	5,809,268	-4,274,497	-2,602,750	-35,856	0	-	-
Cumulative Contractual Maturity Mismatch	825,752	6,635,020	2,360,523	-242,227	-278,083	-278,083	-	-

XIII. Statement of Compliance

This 2021 Annual 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.



*Anthony Barrons
Chief Executive*