



**Commerzbank AG Hong Kong Branch
Financial Disclosure for the year ended 31 December 2020**

HONG KONG BRANCH
(Expressed in HKD'000)



	<u>1.Jan - 31.Dec.2020</u>	<u>1.Jan - 31.Dec.2019</u>
<u>I. Income Statement Information</u>		
Interest income	254,101	350,902
Interest expense	(64,019)	(252,773)
Other operating income		
- Net Gains / (Losses) arising from trading in foreign currencies	(45,852)	50,286
- Net Gains / (Losses) on securities held for trading purposes	-	-
- Net Gains / (Losses) from trading in interest rate derivatives	22,713	(46,149)
- Net fees and commission income	43,739	59,559
- <i>gross fees and commission income</i>	52,304	69,314
- <i>gross fees and commission expenses</i>	(8,565)	(9,755)
- Income from non-trading investments	1,098	(94)
- Gains from available-for-sale investment securities at fair value through profit or loss	-	-
- Profit/(loss) on sale of fixed assets	-	133
- Others	76,469	74,037
Operating expenses		
- Rental expenses	(26,450)	(19,277)
- Staff expenses	(110,202)	(148,712)
- Other operating expenses	(137,369)	(171,197)
Impairment releases / (losses and provisions) for impaired loans and receivables	(331,325)	(7,941)
Impairment losses on assets	-	-
Losses from the disposal of property, plant and equipment and investment properties	-	-
Profit / (Loss) before taxation	(317,097)	(111,226)
Tax expense	(3,224)	-
Profit / (Loss) after taxation	(320,321)	(111,226)

II. Balance Sheet Information

	ASSETS		LIABILITIES	
	<u>31-Dec-20</u>	<u>30-Jun-20</u>	<u>31-Dec-20</u>	<u>30-Jun-20</u>
(i) Cash and balances with banks (except those included in item (iii))	53,356	88,456	357,466	2,924,515
(ii) Amount due from Exchange Fund	18,993	36,966	-	-
(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))	-	-	3,044,220	1,513,347
(iv) Amount due from overseas offices of the institution	13,209,498	14,145,604	1,301,058	1,086,577
(v) Trade bills	-	-	1,743,162	426,770
(vi) Certificates of deposit held	-	-	-	-
(vii) Securities held for trading purposes	-	-	-	-
(viii) Loans and receivables	11,096,638	10,270,335	1,218,574	814,463
(ix) Investment securities	999,860	997,700	342,565	190,169
(x) Other investments	-	-	-	-
(xi) Property, plant and equipment and investment properties	2,283	4,146	-	-
(xii) Total assets	<u>25,380,628</u>	<u>25,543,207</u>	<u>25,380,628</u>	<u>25,543,207</u>
(ix) Total liabilities			<u>25,380,628</u>	<u>25,543,207</u>

III. Additional Balance Sheet Information

31-Dec-20 30-Jun-20

(i) Loans and receivables		
- loans and advances to customers	9,214,793	9,365,303
- loans and advances to banks	209,028	125,643
- other accounts	1,672,817	779,389
- <i>accrued interest</i>	62,927	28,864
- <i>others</i>	1,609,890	750,525
- provisions for impaired loans and receivables to customers which constitute the institution's		
- collective impairment allowances	13,778	16,036
- individual impairment allowances	325,103	168,407
- provisions for impaired loans and receivables to bank which constitute the institution's		
- collective impairment allowances	463	250
- 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	331,400	329,338
b. amount of individual impairment allowances made for such loans and advances (Provision made)	325,103	168,407
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	3.60%	3.52%

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	331,400	329,338
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(iv) Analysis of gross amount of overdue loans and advances to customers by countries of location:

Hong Kong	311,808	311,659
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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	4,308,082	4,112,065	4,112,065	-
- Stockbrokers	-	-	-	-
- Wholesale and retail trade	843,958	683,907	683,907	-
- Manufacturing	194,817	188,740	188,740	-
- Transport and transport equipment	-	-	-	-
- Recreational activities	-	-	-	-
- Information technology	155,068	-	-	-
- Electricity and gas	-	-	-	-
- Civil engineering works	-	-	-	-
- Others	1,310	3	3	-

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

- Loans and advances for use outside Hong Kong

	<u>31-Dec-20</u>	<u>31-Dec-20</u>	<u>30-Jun-20</u>	<u>30-Jun-20</u>
	Outstanding Balance	Balance Covered by Collateral	Outstanding Balance	Balance Covered by Collateral
	26,718	-	214,624	-
	3,684,840	567,709	4,165,964	604,038
	<u>9,214,793</u>	<u>567,709</u>	<u>9,365,303</u>	<u>604,038</u>

III. Additional Balance Sheet Information

31-Dec-20 30-Jun-20

(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	622,081	675,068
Hong Kong	5,529,953	5,199,339
New Zealand	200,933	199,425
South Korea	713,565	650,910
North America:		
United States	166,595	194,440
Europe:		
Sweden	-	277,722
Netherlands	581,505	581,273
Germany	-	1
Cayman Islands	1,077,735	1,082,559
British Virgin Islands	322,426	504,566
Gross amount of loans and advances to customers	<u>9,214,793</u>	<u>9,365,303</u>

III. Additional Balance Sheet Information

	<u>31-Dec-20</u>	<u>30-Jun-20</u>
	Outstanding balance	Outstanding balance
	% to total loans and advances to customers	% 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	-	311,659
More than 6 months but not more than 1 year	311,808	-
More than 1 year	-	-
	0%	3.33%
	3.38%	0%
	0%	0%
Total	311,808	311,659
	3.38%	3.33%
Individual impairment allowance	305,707	150,792
Collateral value	-	-
Covered portion	-	-
Uncovered portion	-	-
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-20</u>				<u>30-Jun-20</u>			
	CNY	USD	EUR	Total	CNY	USD	EUR	Total
Spot assets	4,240	5,352	12,734	22,326	67	4,966	18,337	23,370
Spot liabilities	(549)	(9,943)	(13,510)	(24,002)	(1,565)	(5,468)	(16,373)	(23,406)
Forward purchases	3,847	36,819	28,341	69,007	5,098	16,908	7,747	29,753
Forward sales	(7,579)	(32,375)	(27,309)	(67,263)	(3,579)	(16,454)	(9,621)	(29,654)
Net option position	-	-	-	-	-	-	-	-
Net long (or net short) position	(41)	(147)	256	68	21	(48)	90	63
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	Non-bank financial institutions	Non-bank private sector	Total
<u>As at 31 Dec 2020</u>					
Developed countries	13,248	-	167	953	14,368
of which					
- Germany	13,247	-	-	123	13,370
Offshore Centres	48	-	190	6,248	6,486
of which					
- Hong Kong	48	-	190	4,842	5,080
Developing Asia and Pacific	153	-	916	423	1,492
of which					
- China	50	-	201	423	674
<u>As at 30 June 2020</u>					
Developed countries	14,138	-	196	1,285	15,619
of which					
- Germany	14,137	-	-	182	14,319
Offshore Centres	84	-	-	6,246	6,330
of which					
- Hong Kong	84	-	-	4,733	4,817
Developing Asia and Pacific	73	-	863	466	1,402
of which					
- China	7	-	211	466	684

VI. Non-Bank Mainland Exposures

As at 31 Dec 2020

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

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

Total assets after provision

On-balance sheet exposures as percentage of total assets

As at 30 Jun 2020

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

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

Total assets after provision

On-balance sheet exposures as percentage of total assets

	On-balance Sheet Exposure	Off-balance Sheet Exposure	Total Exposure	Individual Impairment Allowances
Central government, central government-owned entities and their subsidiaries and JVs	3,023	-	3,023	-
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	3,335	593	3,928	306
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	1,311	41	1,352	-
Total	7,669	634	8,303	306
Total assets after provision	25,038			
On-balance sheet exposures as percentage of total assets	30.63%			
Central government, central government-owned entities and their subsidiaries and JVs	2,962	-	2,962	-
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	3,204	811	4,015	151
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	1,541	-	1,541	-
Total	7,707	811	8,518	151
Total assets after provision	25,353			
On-balance sheet exposures as percentage of total assets	30.40%			

	<u>31-Dec-20</u>	<u>30-Jun-20</u>
- Direct credit substitutes	532,100	350,755
- Transaction-related contingencies	759,556	536,601
- Trade-related contingencies	79,988	65,783
- Note issuance and revolving underwriting facilities	-	-
- Other commitments	3,561,558	4,543,083
- Others	-	-

VII. Off-balance Sheet Exposures (other than derivative transactions)

VIII. Derivative Transactions

Derivatives notional amounts:

- Exchange rate-related derivative contracts	70,235,780	33,181,494
- Interest rate derivative contracts	13,270,038	12,589,128
- Others	-	-

Derivatives assets:

- Exchange rate-related derivative contracts	617,211	369,883
- Interest rate derivative contracts	256,610	287,480

Derivatives liabilities:

- Exchange rate-related derivative contracts	461,364	490,588
- Interest rate derivative contracts	274,340	299,817

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

<u>Oct - Dec 2020</u>	<u>Oct - Dec 2019</u>
141.97%	57.14%

Average liquidity maintenance ratio

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 2020, 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

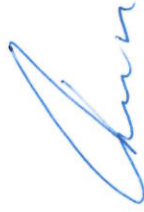
The Commerzbank Hong Kong Branch's analysis of on-and off-balance sheet items by remaining maturity and the resultant liquidity gap as at 31 December 2020 is shown as follows:

	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	1,301,058	1,724,925	17,835	570	-	-	-	3,044,388
Amount payable arising from derivative contracts	-	29,323,116	12,705,115	23,938,325	4,430,129	377,914	-	70,774,599
Due to banks	9	2,094,308	4,754,940	6,524,448	7,414,320	-	-	20,788,025
Other liabilities and capital and reserves	-	-	-	-	-	-	95,322	95,322
Total On-balance sheet liabilities	1,301,067	33,142,349	17,477,890	30,463,343	11,844,449	377,914	95,322	95,322
Total Off-balance sheet obligations	460,855	226,886	93,104	408,227	359,820	-	56,059	1,604,951
On-balance sheet assets								
Amount receivable arising from derivative contracts	-	29,326,945	12,918,974	23,713,158	4,383,146	368,355	-	70,710,578
Due from MA for a/c of Exchange Fund	18,993	-	-	-	-	-	-	18,993
Due from banks	97,148	8,706,335	-	4,493,692	-	-	-	13,297,175
Debt securities, prescribed instruments and structured financial instruments held (net of short positions)	999,860	-	-	-	-	-	-	999,860
Acceptances and bills of exchange held	-	30,384	2,741	166,778	9,125	-	-	209,028
Loans and advances to non-bank customers	53,582	396,770	1,146,889	3,231,134	3,962,943	107,110	331,399	9,229,827
Other assets	-	-	-	-	-	-	56,964	56,964
Total On-balance sheet assets	1,169,583	38,460,434	14,068,604	31,604,762	8,355,214	475,465	388,363	99,344
Total Off-balance sheet claims	-	3,013	55,775	40,556	-	-	-	-
Contractual Maturity Mismatch	-592,339	5,094,212	-3,446,615	773,748	-3,849,055	97,551	-	-
Cumulative Contractual Maturity Mismatch	-592,339	4,501,873	1,055,258	1,829,006	-2,020,049	-1,922,498	-	-

XIII. Statement of Compliance

This 2020 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.



*Dr. Volkhardt Kruse
Chief Executive*

