



**Commerzbank AG Hong Kong Branch
Interim Financial Disclosure for the half-year ended 30 June 2020**

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



I. Income Statement Information

	<u>1. Jan - 30. Jun. 2020</u>	<u>1. Jan - 30. Jun. 2019</u>
Interest income	120,386	191,528
Interest expense	(39,698)	(146,360)
Other operating income		
- Net Gains / (Losses) arising from trading in foreign currencies	16,037	79,400
- Net Gains / (Losses) on securities held for trading purposes	-	-
- Net Gains / (Losses) from trading in interest rate derivatives	(27,360)	(72,939)
- Net fees and commission income	21,340	32,220
- <i>gross fees and commission income</i>	24,149	41,321
- <i>gross fees and commission expenses</i>	(2,809)	(9,101)
- Income from non-trading investments	1,687	(57)
- Gains from available-for-sale investment securities at fair value through profit or loss	-	-
- Profit/(loss) on sale of fixed assets	-	-
- Others	45,227	60,593
Operating expenses		
- Rental expenses	(9,558)	(9,643)
- Staff expenses	(53,817)	(89,708)
- Other operating expenses	(65,649)	(97,551)
Impairment releases / (losses and provisions) for impaired loans and receivables	(168,570)	(1,091)
Impairment losses on assets	-	-
Losses from the disposal of property, plant and equipment and investment properties	-	-
Profit / (Loss) before taxation	(159,975)	(53,608)
Tax expense	-	-
Profit / (Loss) after taxation	(159,975)	(53,608)

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II. Balance Sheet Information

	LIABILITIES		
	<u>30-Jun-20</u>	<u>31-Dec-19</u>	<u>31-Dec-19</u>
ASSETS			
(i) Cash and balances with banks (except those included in item (iii))	88,456	173,834	350,000
(ii) Amount due from Exchange Fund	36,966	46,682	-
(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))	-	-	1,799,595
(iv) Amount due from overseas offices of the institution	14,145,604	12,256,907	19,828,724
(v) Trade bills	-	-	-
(vi) Certificates of deposit held	-	-	-
(vii) Securities held for trading purposes	-	-	707,965
(viii) Loans and receivables	10,270,335	9,226,511	22,838
(ix) Investment securities	997,700	999,160	-
(x) Other investments	-	-	-
(xi) Property, plant and equipment and investment properties	4,146	6,028	-
(xii) Total assets	<u>25,543,207</u>	<u>22,709,122</u>	<u>22,709,122</u>
(i) Deposits and balances from banks (except those included in item (iv))	2,924,515	-	-
(ii) Amount due to Exchange Fund	-	-	-
(iii) Deposits from customers - Demand deposits and current accounts - Savings deposits - Time, call and notice deposits	1,513,347 1,086,577 - 426,770	-	1,799,595 1,042,303 - 757,292
(iv) Amount due to overseas offices of the institution	20,100,713	-	-
(v) Certificates of deposit issued	-	-	-
(vi) Issued debt securities	-	-	-
(vii) Other liabilities	814,463	-	-
(viii) Provisions	190,169	-	-
(ix) Total liabilities	<u>25,543,207</u>	<u>22,709,122</u>	<u>22,709,122</u>

III. Additional Balance Sheet Information

	<u>30-Jun-20</u>	<u>31-Dec-19</u>
(i) Loans and receivables		
- loans and advances to customers	9,365,303	8,278,201
- loans and advances to banks	125,643	185,707
- other accounts	779,389	762,603
- <i>accrued interest</i>	28,864	56,484
- <i>others</i>	750,525	706,119
- provisions for impaired loans and receivables to customers which constitute the institution's		
- collective impairment allowances	16,036	17,436
- individual impairment allowances	168,407	-
- provisions for impaired loans and receivables to bank which constitute the institution's		
- collective impairment allowances	250	658
- 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	329,338	-
b. amount of individual impairment allowances made for such loans and advances (Provision made)	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	3.52%	0.00%
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	329,338	-
(iv) Analysis of gross amount of overdue loans and advances to customers by countries of location:		
Hong Kong	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

	<u>30-Jun-20</u>	<u>30-Jun-20</u>	<u>31-Dec-19</u>	<u>31-Dec-19</u>
	Outstanding Balance	Balance Covered by Collateral	Outstanding Balance	Balance Covered by Collateral
Industrial, commercial and financial				
- Property development	-	-	-	-
- Property investment	-	-	-	-
- Financial concerns	4,112,065	-	2,110,210	-
- Stockbrokers	-	-	-	-
- Wholesale and retail trade	683,907	-	364,536	-
- Manufacturing	188,740	-	2,321,696	-
- Transport and transport equipment	-	-	4,913	-
- Recreational activities	-	-	-	-
- Information technology	-	-	-	-
- Electricity and gas	-	-	-	-
- Civil engineering works	-	-	24,000	-
- Others	3	-	2,083	-
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	214,624	-	32,934	-
- Loans and advances for use outside Hong Kong	4,165,964	604,038	3,417,829	660,619
	<u>9,365,303</u>	<u>604,038</u>	<u>8,278,201</u>	<u>660,619</u>

III. Additional Balance Sheet Information

30-Jun-20

31-Dec-19

(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	675,068	594,896
Hong Kong	5,199,339	4,860,372
New Zealand	199,425	217,175
South Korea	650,910	-
North America:		
United States	194,440	222,297
Europe:		
Sweden	277,722	279,914
Netherlands	581,273	583,984
Germany	1	-
Cayman Islands	1,082,559	1,011,015
British Virgin Islands	504,566	508,548
Gross amount of loans and advances to customers	<u>9,365,303</u>	<u>8,278,201</u>

III. Additional Balance Sheet Information

	<u>30-Jun-20</u>	<u>31-Dec-19</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	-	-
More than 1 year	-	-
Total	311,659	-
	3.33%	0.00%
Individual impairment allowance		
Collateral value	150,792	-
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>30-Jun-20</u>				<u>31-Dec-19</u>			
	CNY	USD	EUR	Total	CNY	USD	EUR	Total
Spot assets	67	4,966	18,337	23,370	186	7,725	12,468	20,379
Spot liabilities	(1,565)	(5,468)	(16,373)	(23,406)	(95)	(7,703)	(13,806)	(21,604)
Forward purchases	5,098	16,908	7,747	29,753	4,039	20,097	10,971	35,107
Forward sales	(3,579)	(16,454)	(9,621)	(29,654)	(4,106)	(20,119)	(9,594)	(33,819)
Net option position	-	-	-	-	-	-	-	-
Net long (or net short) position	21	(48)	90	63	24	0	39	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 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
<u>As at 31 December 2019</u>					
Developed countries	12,380	-	224	1,234	13,838
of which					
- Germany	12,377	-	-	113	12,490
Offshore Centres	168	-	-	5,746	5,914
of which					
- Hong Kong	168	-	-	4,220	4,388
Developing Asia and Pacific	129	-	222	374	725
of which					
- China	-	-	222	374	596

VI. Non-Bank Mainland Exposures

	On-balance Sheet Exposure	Off-balance Sheet Exposure	Total Exposure	Individual Impairment Allowances
<u>As at 30 Jun 2020</u>				
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>As at 31 Dec 2019</u>				
Central government, central government-owned entities and their subsidiaries and JVs	3,050	16	3,066	-
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	2,651	393	3,044	-
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	1,651	61	1,712	-
Total	7,352	470	7,822	-
Total assets after provision	22,686			
On-balance sheet exposures as percentage of total assets	32.41%			

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

	<u>30-Jun-20</u>	<u>31-Dec-19</u>
- Direct credit substitutes	350,755	505,599
- Transaction-related contingencies	536,601	257,659
- Trade-related contingencies	65,783	134,847
- Note issuance and revolving underwriting facilities	-	-
- Other commitments	4,543,083	4,669,294
- Others	-	-

VIII. Derivative Transactions

Derivatives notional amounts:

- Exchange rate-related derivative contracts	33,181,494	39,990,094
- Interest rate derivative contracts	12,589,128	14,354,723
- Others	-	-

Derivatives assets:

- Exchange rate-related derivative contracts	369,883	518,554
- Interest rate derivative contracts	287,480	116,078

Derivatives liabilities:

- Exchange rate-related derivative contracts	490,588	547,739
- Interest rate derivative contracts	299,817	139,775

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>Apr - Jun 2020</u>	<u>Apr - Jun 2019</u>
	270.06%	57.07%

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

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.

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 for review and monitoring to ensure that the LMR adequacy is maintained. In addition, Group Market Risk performs daily liquidity gap reporting and monitoring against the agreed limits, as well as liquidity stress test reporting.

XII. Consolidated Bank Information

(i) Capital and Capital adequacy

Amount of Shareholders' funds (Equity)

Total Capital Ratio*

	<u>30-Jun-2020</u> ¹	<u>31-Dec-19</u> ²
Amount of Shareholders' funds (Equity)	31,758	30,667
Total Capital Ratio*	17.60%	16.80%

(ii) Other Financial Information

Total assets

Total liabilities

Total Loans and advances

Total Deposits

Total assets	550,628	463,636
Total liabilities	518,870	432,969
Total Loans and advances	313,565	288,997
Total Deposits	407,349	328,691

Pre-tax Profit / (Loss)

	<u>1-Jan - 30-Jun-2020</u>	<u>1-Jan - 30-Jun-2019</u>
Pre-tax Profit / (Loss)	(74)	542

1 Non audited figures for 2020 Source: 2020 Interim Report

2 Audited figures for 2019 Source: 2019 Annual Report

** The consolidated capital adequacy ratio is calculated in accordance with Basel Capital Accord*

XIII. Statement of Compliance

This 2020 Interim 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*