

UniCredit Bank AG
Hong Kong Branch
Disclosure Statement for the Financial Period Ended 30 Sep 2018

For and on behalf of
UniCredit Bank AG
Hong Kong Branch


Authorized Signature(s)

UniCredit Bank AG

Financial Disclosure for Hong Kong Branch for the financial period ended 30 September 2018

Section A. Hong Kong Branch Information

I. Income statement information

Description	30 September 2018		30 June 2018	
	HK\$ million		HK\$ million	
Interest income		481		239
Interest expense		(103)		(76)
Other operating income		(85)		6
- Gains less losses arising from trading in foreign currencies	(184)		(59)	
- Gains less losses on securities held for trading purposes	1		(1)	
- Gains less losses from other trading activities	(41)		(27)	
- Net fees and commission income	78		53	
- Fees and commission income	83		57	
- Fees and commission expenses	(5)		(4)	
- Others	61		40	
Operating expenses		(206)		(135)
- Staff expenses	(85)		(54)	
- Rental expenses	(18)		(12)	
- Other expenses less fee and commission expenses	(103)		(69)	
Impairment losses and provision for impaired loans and receivables		1		-
Net charge for other provision		-		-
Gains less losses from the disposal of property, plant and equipment and investment properties		-		-
Profit before taxation		88		34
Taxation expenses or tax income		-		-
Profit after taxation		88		34

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II. Balance sheet information

Description	<u>30 September 2018</u> HK\$ million	<u>30 June 2018</u> HK\$ million
Assets		
Cash and balances with banks (excluding overseas offices)	1,397	2,053
Placements with banks maturing between one and twelve months	3,230	5,756
Amounts due from overseas offices of the institution	48,764	39,677
Trade bills	1,391	1,196
Certificates of deposit held	-	-
Securities held for trading purposes	-	-
Loans and receivables	7,237	7,020
- Loans and advances to customers	4,184	3,265
- Loans and advances to banks	98	84
- Other accounts	2,955	3,671
- Provisions for impaired loans and receivables	-	-
- Collective provision	-	-
- Individual provision	-	-
Investment Securities	30,478	32,582
Other investments	-	-
Property, plant and equipment and investment properties	3	3
Total assets	<u>92,500</u>	<u>88,287</u>
Liabilities		
Deposits and balances from banks (excluding overseas offices)	6,855	3,998
Deposits from customers	1,412	1,601
- Demand deposits and current accounts	743	668
- Savings deposits	-	-
- Time, call and notice deposits	669	933
Amounts due to overseas offices of the institution	74,483	67,208
Certificates of deposit issued	-	-
Issued debt securities	-	-
Other liabilities	9,750	15,480
Provisions	-	-
Total liabilities	<u>92,500</u>	<u>88,287</u>

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Additional balance sheet information

(a) Impaired loans and advances (Note 1)	30 September 2018		30 June 2018	
	HK\$ million		HK\$ million	
	Collateral coverage		Collateral coverage	
(i) Impaired loans and advances to customers	-	-	-	-
Specific provisions made in respect of such advances	-	-	-	-
Impaired loans to customers after allowances	-	-	-	-
Percentage of impaired loans to total advances to customers		0.00%		0.00%
(ii) Impaired loans and advances to banks	-	-	-	-
Specific provisions made in respect of such advances	-	-	-	-
Impaired loans to banks after allowances	-	-	-	-
Percentage of impaired loans to total advances to banks		0.00%		0.00%

(b) Off-balance sheet exposures	30 September 2018		30 June 2018	
	HK\$ million		HK\$ million	
The contractual or notional amounts of each of the following class of off-balance sheet exposures outstanding:				
Contingent liabilities and commitments (Note 2)				
Direct credit substitutes		1,507		1,360
Transaction-related contingencies		87		111
Trade-related contingencies		1,187		950
Note issuance and revolving underwriting facilities		-		-
Other commitments		1,079		1,859
Others		46,807		40,854
Total		50,667		45,134
Derivatives (Note 3)				
Exchange rate-related derivative contracts		216,601		240,324
Interest rate derivative contracts		36,105		46,650
Others		-		-
Total		252,706		286,974

(c) The fair value of derivatives outstanding (Note 4):	30 September 2018		30 June 2018	
	HK\$ million		HK\$ million	
Exchange rate-related derivative contracts		1,651		1,397
Interest rate derivative contracts		6		7
Others		-		-
Total		1,657		1,404

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III. International claims (Note 5)

(expressed in HK\$ million)

Geographical segment	Banks	Official Sector	Non-bank private sector		Others	Total
			Non-bank financial institutions	Non-financial private sector		
As at 30 September 2018						
1. Developed countries	49,539	28,922	1,369	597	-	80,427
of which Germany	48,795	3,177	399	320	-	52,691
of which Japan	79	25,745	-	-	-	25,824
2. Offshore centres	24	-	-	1	-	25
3. Developing Europe	465	-	-	-	-	465
4. Developing Latin America and Caribbean	-	-	-	-	-	-
5. Developing Africa and Middle East	-	-	-	-	-	-
6. Developing Asia-Pacific	4,902	115	-	3,496	-	8,513
7. International organisations	-	-	-	-	-	-
8. Unallocated by country	-	-	-	-	-	-
Impairments loans and advances to customers	-	-	-	-	-	-
Overdue loans and advances to customers	-	-	-	-	-	-

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International claims (cont.)

(expressed in HK\$ million)

Geographical segment	Banks	Official Sector	Non-bank private sector		Others	Total
			Non-bank financial institutions	Non-financial private sector		
As at 30 June 2018						
1. Developed countries	40,465	31,046	1,384	629	-	73,524
of which Germany	39,703	4,126	403	381	-	44,613
of which Japan	140	26,920	-	-	-	27,060
2. Offshore centres	17	-	-	-	-	17
3. Developing Europe	364	-	-	-	-	364
4. Developing Latin America and Caribbean	-	-	-	-	-	-
5. Developing Africa and Middle East	-	-	-	-	-	-
6. Developing Asia-Pacific	7,990	119	-	2,527	-	10,636
of which China	7,708	119	-	2,303	-	10,130
7. International organisations	-	-	-	-	-	-
8. Unallocated by country	-	-	-	-	-	-
Impairments loans and advances to customers	-	-	-	-	-	-
Overdue loans and advances to customers	-	-	-	-	-	-

IV. Sector information

(expressed in HK\$ million)

Sector classification	30 September 2018		30 June 2018	
Gross loans and advances to customers by major sectors	Collateral Coverage	Gross amount of loans and advances	Collateral Coverage	Gross amount of loans and advances
<i>Loans and Advances for use in Hong Kong</i>				
Industrial, commercial and financial :				
- Property development	-	-	-	-
- Property investment	-	-	-	-
- Financial concerns	-	235	-	235
- Stockbrokers	-	-	-	-
- Wholesale and retail trade	-	213	-	292
- Manufacturing	-	2,078	-	2,085
- Transport and transport equipment	-	6	-	7
- Recreational activities	-	-	-	-
- Information technology	-	-	-	-
- Others	-	1	-	1
Total industrial, commercial and financial	-	2,533	-	2,620
Individuals :				
- Loans for the purchase of flats in the Home Owners Scheme, Private Sector Participation Scheme & Tenants Purchase Scheme, or their respective successor schemes	-	-	-	-
- Loans for the purchase of other residential properties	-	-	-	-
- Credit card advances	-	-	-	-
- Others	-	-	-	-
Total individual	-	-	-	-
Loans and Advances for use in Hong Kong	-	2,533	-	2,620
<i>Trade finance</i>	-	168	-	119
<i>Loans and Advances for use outside Hong Kong</i>	-	1,483	-	526
<i>Advances to customers (Note 6)</i>	-	<u>4,184</u>	-	<u>3,265</u>
Geographic Breakdown :				
China	-	2,364	-	2,302
South Korea	-	906	-	-
Italy	-	365	-	354
Germany	-	324	-	384

V. Overdue and rescheduled assets

(expressed in HK\$ million)

Description	30 September 2018			30 June 2018		
	Collateral coverage	Gross amount	As % to total loans	Collateral coverage	Gross amount	As % to total loans
(1) Analysis of loans and advances to customers which have been overdue for:						
- more than 3 months but not more than 6 months	-	-	0.00%	-	-	0.00%
- more than 6 months but not more than one year	-	-	0.00%	-	-	0.00%
- more than one year	-	-	0.00%	-	-	0.00%
Total	-	-		-	-	
(2) Analysis of loans and advances to banks which have been overdue for:						
- more than 3 months but not more than 6 months	-	-	0.00%	-	-	0.00%
- more than 6 months but not more than one year	-	-	0.00%	-	-	0.00%
- more than one year	-	-	0.00%	-	-	0.00%
Total	-	-		-	-	
(3) Value of collateral held against overdue loans and advances						
- Current market value of collateral held against the covered portion of overdue loans and advances		-			-	
- Covered portion of overdue loans and advances		-		-	-	
- Uncovered portion of overdue loans and advances		-			-	
(4) Specific provision made for overdue loans and advances		-			-	
(5) Rescheduled loans and advances to customers net of those which have been overdue for over three months		-	0.00%		-	0.00%
(6) Rescheduled loans and advances to banks net of those which have been overdue for over three months		-	0.00%		-	0.00%
(7) Analysis of gross amount of other assets such as trade bills and debt securities, which have been overdue for:						
- more than 3 months but not more than 6 months	-	-	0.00%	-	-	0.00%
- more than 6 months but not more than one year	-	-	0.00%	-	-	0.00%
- more than one year	-	-	0.00%	-	-	0.00%
Total	-	-		-	-	
(8) Amount of repossessed assets held (Note 6)		-	0.00%		-	0.00%

VI. Mainland Activities (Note 7)

(expressed in HK\$ million)

Types of Counterparties	On-balance sheet exposures	Off-balance sheet exposures	Total
As at 30 September 2018			
1. Central government, central government-owned entities and their subsidiaries and JVs	114	-	114
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	68	-	68
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of central government not reported in items 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	219	23	242
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	401	23	424
Total Assets after provisions	92,500		
On-balance sheet exposure as percentage of total assets	0.43%		

Types of Counterparties	On-balance sheet exposures	Off-balance sheet exposures	Total
As at 30 June 2018			
1. Central government, central government-owned entities and their subsidiaries and JVs	118	-	118
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	-	-	-
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of central government not reported in items 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	231	63	294
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	349	63	412
Total Assets after provisions	88,287		
On-balance sheet exposure as percentage of total assets	0.40%		

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VII. Currency Risk (Note 8)

Equivalent in millions of HK\$	USD	EUR	CNY	Total
<u>As at 30 September 2018</u>				
Spot assets	7,124	14,041	1,648	22,813
Spot liabilities	(28,546)	(63,555)	(124)	(92,225)
Forward purchases	114,029	75,219	10,614	199,862
Forward sales	(91,937)	(25,779)	(12,204)	(129,920)
Net option position	-	-	-	-
Net long (short) position	670	(74)	(66)	530
Net structural position	3	-	-	3
<u>As at 30 June 2018</u>				
Spot assets	9,734	8,150	3,396	21,280
Spot liabilities	(14,761)	(65,441)	(99)	(80,301)
Forward purchases	119,705	79,309	12,142	211,156
Forward sales	(114,748)	(22,111)	(15,492)	(152,351)
Net option position	-	-	-	-
Net long (short) position	(70)	(93)	(53)	(216)
Net structural position	3	-	-	3

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VIII. Liquidity Information	<u>30 September 2018</u>	<u>30 June 2018</u>
(i) The average liquidity maintenance ratio for the financial period	408.77%	379.26%

(ii) Liquidity Risk Management Policy

Liquidity risk is defined as the risk that the bank will not be able to meet its obligations as they come due without incurring in unacceptable losses. With the objective to determine precisely and timely the location and amount of liquidity risk, and to execute proper measures against such risk, the bank has set out a liquidity risk management framework at Head Office level, and documented it in its fundamental policies, rules, procedures and internal control systems. An addendum specific to Hong Kong Branch has been set up to integrate and adapt said framework to the local business environment and regulatory requirements, specifically in accordance with the requirements set out in the "Supervisory Policy Manual (LM2)" issued by the HKMA.

At Head Office, senior management (including Treasury and the Asset & Liability Committee) exercise significant management oversight on liquidity risk management; at Hong Kong Branch level the strategy is implemented by the Treasury function. Head Office Finance Department is responsible for monitoring and supervising Liquidity Risk. Detailed procedures are in place to define the mechanics of reports' data transmission to HO Finance Dept, as well as to ensure adequate 4-eyes-principle checking of Hong Kong Branch liquidity positions.

Representatives of Hong Kong Branch (CIB Head of Asia Pacific, Head of Treasury, Head of Finance and Head of Risk Control) meet on a regular and when-necessary basis to discuss ALM and liquidity risk topics; Head of Treasury Hong Kong meets regularly with UCB AG Head of Treasury and with Head of Group Treasury to discuss ALM and liquidity risk topics in Hong Kong, as well as the bank's funding situation.

It is coherent with our strategy to hold an appropriate amount of High Quality Liquid Assets to meet liquidity needs in times of liquidity stress.

The main tool for Liquidity Risk Management is the Liquidity Ladder. Daily-generated Cash Flow projections are plotted against HQLA positions to generate a time-bucketed Liquidity Ladder, in order to measure mismatches and funding gaps for each major currency. Gaps are monitored daily vs Gap Limits set out annually by Head Office ALCO.

Stress tests on the projected Cash Flows are carried out both at Head Office level (including Hong Kong branch positions, on a weekly basis) and locally, with quarterly frequency. Stress scenarios include and institution-specific shock, a market-wide shock and a combination of both.

The bank is subject to the Liquidity Maintenance Ratio. The bank monitors daily its LMR vs regulatory as well as internal targets. The LMR is calculated in accordance with the requirements set out in the "Supervisory Policy Manual (LM1)" issued by the HKMA, as well as the Fourth Schedule of the Hong Kong Banking Ordinance.

Other daily reports for supporting Liquidity Risk monitoring activities include analyses on the source, mix, concentration and maturity profile of funding sources of Hong Kong branch.

Note 1: A loan to customer is impaired if it is not probable to have a full repayment of principal.

Note 2: For contingent liabilities and commitments, the contract amount represents the amount at risk should the contract be fully drawn upon and the client defaults. The total of the contract amount is not representative of future liquidity requirements.

Note 3: For derivatives, the notional amounts indicate the nominal value of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

Note 4: No bilateral netting arrangements has been taken into account in deriving the fair value.

Note 5: The country or geographical classification has been taken into account of transfer of risk.

Note 6: Upon the repossession of the assets, the related loans and advances will continue to be recorded in the account.

Note 7: The above analysis has been classified according to categories and definitions used by the Hong Kong Monetary Authority.

Note 8: The net options position is calculated by using our internal reporting method.

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Section B. Consolidated Group Information

I. Capital and capital adequacy	30 June 2018	31 December 2017
Capital adequacy ratio	20.7%	21.1%
	EUR Billion	EUR Billion
Shareholders' equity	17.8	18.9

The capital adequacy ratio is computed in accordance with the Basel III and calculated on the basis of risk-weighted assets, including equivalents for market risk and operational risk.

II. Other financial information	30 June 2018	31 December 2017
	EUR Billion	EUR Billion
Total assets	294.4	299.1
Total liabilities	276.6	280.2
Total advances (Note 1)	168.4	151.5
Total customer deposits	120.2	124.3
 Note (1) :		
Advances to Bank	37.9	30.3
Advances to Customers	<u>130.5</u>	<u>121.2</u>
Total	<u><u>168.4</u></u>	<u><u>151.5</u></u>

	30 June 2018	30 June 2017
	EUR Billion	EUR Billion
Pre-tax profit / (loss) for the financial period	0.60	0.93

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