

UniCredit Bank AG
Hong Kong Branch
Disclosure Statement for the Financial Period Ended 31 December 2017

For and on behalf of
UniCredit Bank AG
Hong Kong Branch

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Authorized Signature(s)

UniCredit Bank AG

Financial Disclosure for Hong Kong Branch for the financial period ended 31 December 2017

Section A. Hong Kong Branch Information

I. Income statement information

Description	31 December 2017	31 December 2016
	HK\$ million	HK\$ million
Interest income	275	217
Interest expense	(109)	(178)
Other operating income	95	305
- Gains less losses arising from trading in foreign currencies	28	249
- Gains less losses on securities held for trading purposes	-	-
- Gains less losses from other trading activities	(25)	(58)
- Net fees and commission income	53	42
- Fees and commission income	62	54
- Fees and commission expenses	(9)	(12)
- Others	39	72
Operating expenses	(315)	(293)
- Staff expenses	(128)	(106)
- Rental expenses	(23)	(22)
- Other expenses less fee and commission expenses	(164)	(165)
Impairment losses and provision for impaired loans and receivables	-	7
Net charge for other provision	23	-
Gains less losses from the disposal of property, plant and equipment and investment properties	-	-
Profit before taxation	(31)	58
Taxation expenses or tax income	-	-
Profit after taxation	(31)	58

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II. Balance sheet information

Description	<u>31 December 2017</u> HK\$ million	<u>30 June 2017</u> HK\$ million
Assets		
Cash and balances with banks (excluding overseas offices)	477	1,813
Placements with banks maturing between one and twelve months	5,278	6,192
Amounts due from overseas offices of the institution	28,441	35,924
Trade bills	1,408	1,054
Certificates of deposit held	-	-
Securities held for trading purposes	-	-
Loans and receivables	7,228	7,441
- Loans and advances to customers	2,820	3,307
- Loans and advances to banks	1,048	946
- Other accounts	3,360	3,210
- Provisions for impaired loans and receivables	-	(22)
- Collective provision	-	(22)
- Individual provision	-	-
Available-for-sale financial assets	7,937	7,681
Investment Securities	-	-
Other investments	-	-
Property, plant and equipment and investment properties	4	4
Total assets	50,773	60,109
Liabilities		
Deposits and balances from banks (excluding overseas offices)	2,559	677
Deposits from customers	1,189	1,211
- Demand deposits and current accounts	751	670
- Savings deposits	-	-
- Time, call and notice deposits	438	541
Amounts due to overseas offices of the institution	36,679	37,620
Certificates of deposit issued	-	-
Issued debt securities	-	-
Other liabilities	10,346	20,601
Provisions	-	-
Total liabilities	50,773	60,109

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Additional balance sheet information

(a) Impaired loans and advances (Note 1)	31 December 2017		30 June 2017	
	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	31 December 2017		30 June 2017	
	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	620	627
Transaction-related contingencies	112	131
Trade-related contingencies	719	919
Note issuance and revolving underwriting facilities	-	-
Other commitments	1,281	903
Others	2,980	1,268
Total	5,712	3,848

Derivatives (Note 3)

Exchange rate-related derivative contracts	201,695	308,430
Interest rate derivative contracts	10,203	16,721
Others	-	-
Total	211,898	325,151

(c) The fair value of derivatives outstanding (Note 4):	31 December 2017		30 June 2017	
	HK\$ million		HK\$ million	
Exchange rate-related derivative contracts	1,977	1,701		
Interest rate derivative contracts	8	12		
Others	-	-		
Total	1,985	1,713		

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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 31 December 2017						
1. Developed countries	29,140	6,357	1,421	611	-	37,529
of which Germany	28,455	4,236	414	402	-	33,507
2. Offshore centres	81	-	-	-	1	82
3. Developing Europe	288	-	-	-	-	288
4. Developing Latin America and Caribbean	-	-	-	-	-	-
5. Developing Africa and Middle East	-	-	-	-	-	-
6. Developing Asia-Pacific	7,184	120	-	2,068	-	9,372
of which China	6,630	120	-	1,824	-	8,574
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 2017						
1. Developed countries	38,298	6,263	1,368	801	-	46,730
of which Germany	37,271	4,028	394	395	-	42,088
2. Offshore centres	141	-	-	1	-	142
3. Developing Europe	232	-	-	-	-	232
4. Developing Latin America and Caribbean	-	-	-	-	-	-
5. Developing Africa and Middle East	4	-	-	-	-	4
6. Developing Asia-Pacific	9,024	-	-	2,515	-	11,539
of which China	8,622	-	-	2,263	-	10,885
7. International organisations	-	-	-	-	-	-
8. Unallocated by country	-	-	-	-	-	-
Impairments loans and advances to customers	-	-	-	-	-	-
Overdue loans and advances to customers	-	-	-	-	-	-

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IV. Sector information

(expressed in HK\$ million)

Sector classification	31 December 2017		30 June 2017	
	Collateral Coverage	Gross amount of loans and advances	Collateral Coverage	Gross amount of loans and advances
Gross loans and advances to customers by major sectors				
<i>Loans and Advances for use in Hong Kong</i>				
Industrial, commercial and financial :				
- Property development	-	-	-	-
- Property investment	-	-	-	-
- Financial concerns	-	235	-	234
- Stockbrokers	-	-	-	-
- Wholesale and retail trade	-	325	-	329
- Manufacturing	-	1,600	-	2,039
- Transport and transport equipment	-	2	-	5
- Recreational activities	-	-	-	-
- Information technology	-	-	-	-
- Others	-	-	-	33
Total industrial, commercial and financial	-	2,162	-	2,640
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		2,162		2,640
<i>Trade finance</i>		49		58
<i>Loans and Advances for use outside Hong Kong</i>		609		609
<i>Advances to customers (Note 6)</i>		2,820		3,307
Geographic Breakdown :				
China		1,819		2,258
Germany		402		391
Italy		355		407

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V. Overdue and rescheduled assets

(expressed in HK\$ million)

Description	31 December 2017			30 June 2017		
	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 7)		-	0.00%		-	0.00%

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VI. Mainland Activities (Note 6)

(expressed in HK\$ million)

Types of Counterparties	On-balance sheet exposures	Off-balance sheet exposures	Total
As at 31 December 2017			
1. Central government, central government-owned entities and their subsidiaries and JVs	120	-	120
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	46	-	46
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	160	27	187
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	326	27	353
Total Assets after provisions	50,773		
On-balance sheet exposure as percentage of total assets	0.64%		

Types of Counterparties	On-balance sheet exposures	Off-balance sheet exposures	Total
As at 30 June 2017			
1. Central government, central government-owned entities and their subsidiaries and 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	44	-	44
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	142	111	253
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	186	111	297
Total Assets after provisions	60,109		
On-balance sheet exposure as percentage of total assets	0.31%		

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VII. Currency Risk (Note 8)

Equivalent in millions of HK\$	<u>USD</u>	<u>EUR</u>	<u>CNY</u>	<u>Total</u>
<u>As at 31 December 2017</u>				
Spot assets	8,052	27,284	2,968	38,304
Spot liabilities	(21,196)	(26,973)	(47)	(48,216)
Forward purchases	96,676	41,173	18,665	156,514
Forward sales	(83,106)	(41,572)	(21,535)	(146,213)
Net option position	-	-	-	-
Net long (short) position	426	(88)	51	389
Net structural position	4	-	-	4
<u>As at 30 June 2017</u>				
Spot assets	8,732	19,790	3,697	32,219
Spot liabilities	(17,717)	(26,089)	(635)	(44,441)
Forward purchases	150,094	49,610	33,005	232,709
Forward sales	(140,659)	(43,281)	(36,115)	(220,055)
Net option position	-	-	-	-
Net long (short) position	450	30	(48)	432
Net structural position	4	-	-	4

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VIII. Liquidity Information	<u>31 December 2017</u>	<u>31 December 2016</u>
(i) The average liquidity maintenance ratio for the financial period	383.04%	284.25%

(ii) Liquidity Risk Management Policy

To meet the statutory liquidity ratio, UCB HK maintains a secured 3 month positive funding gap by implementing match-funded policy on medium-long term and short term assets; and HQLA investment with central bank eligible securities.

IX. Disclosure on Remuneration System

Pursuant to section 3 of the Hong Kong Monetary Authority's Supervisory Policy Manual (CG-5) Guidelines on a sound remuneration system, UCB Hong Kong Branch has adopted the remuneration system of UCB, Head Office with reference to page 195 of the Group Annual Report 2017.

The link to Group Annual Report 2017 :

<https://investors.hypovereinsbank.de/cms/english/investorrelations/index.html>

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

Note 7. Upon the repossession of the assets, the related loans and advances will continue to be recorded in the account.

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	<u>31 December 2017</u>	<u>30 June 2017</u>
Capital adequacy ratio	21.1%	21.2%
	EUR Billion	EUR Billion
Shareholders' equity	18.9	18.3

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	<u>31 December 2017</u> EUR Billion	<u>30 June 2017</u> EUR Billion
Total assets	299.1	294.6
Total liabilities	280.2	276.3
Total advances (Note 1)	151.5	153.2
Total customer deposits	124.3	117.1
Note (1) :		
Advances to Bank	30.3	30.8
Advances to Customers	<u>121.2</u>	<u>122.4</u>
Total	<u><u>151.5</u></u>	<u><u>153.2</u></u>

	<u>31 December 2017</u> EUR Billion	<u>31 December 2016</u> EUR Billion
Pre-tax profit / (loss) for the financial period	1.60	0.30

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