

UniCredit Bank AG
Hong Kong Branch
Disclosure Statement for the Financial Period Ended 31 Dec 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 31 December 2018

Section A. Hong Kong Branch Information

I. Income statement information

Description	31 December 2018	31 December 2017
	HK\$ million	HK\$ million
Interest income	728	275
Interest expense	(206)	(109)
Other operating income	(147)	95
- Gains less losses arising from trading in foreign currencies	(269)	28
- Gains less losses on securities held for trading purposes	-	-
- Gains less losses from other trading activities	(66)	(25)
- Net fees and commission income	108	53
- Fees and commission income	115	62
- Fees and commission expenses	(7)	(9)
- Others	80	39
Operating expenses	(325)	(315)
- Staff expenses	(131)	(128)
- Rental expenses	(24)	(23)
- Other expenses less fee and commission expenses	(170)	(164)
Impairment losses and provision for impaired loans and receivables	1	-
Net charge for other provision	-	23
Gains less losses from the disposal of property, plant and equipment and investment properties	-	-
Profit before taxation	51	(31)
Taxation expenses or tax income	-	-
Profit after taxation	51	(31)

II. Balance sheet information

Description	<u>31 December 2018</u> HK\$ million	<u>30 September 2018</u> HK\$ million
Assets		
Cash and balances with banks (excluding overseas offices)	1,446	1,397
Placements with banks maturing between one and twelve months	6,332	3,230
Amounts due from overseas offices of the institution	26,854	48,764
Trade bills	1,446	1,391
Certificates of deposit held	-	-
Securities held for trading purposes	-	-
Loans and receivables	5,423	7,237
- Loans and advances to customers	4,065	4,184
- Loans and advances to banks	158	98
- Other accounts	1,200	2,955
- Provisions for impaired loans and receivables	-	-
- Collective provision	-	-
- Individual provision	-	-
Investment Securities	31,219	30,478
Other investments	-	-
Property, plant and equipment and investment properties	3	3
Total assets	<u>72,723</u>	<u>92,500</u>
Liabilities		
Deposits and balances from banks (excluding overseas offices)	10,990	6,855
Deposits from customers	1,208	1,412
- Demand deposits and current accounts	717	743
- Savings deposits	-	-
- Time, call and notice deposits	491	669
Amounts due to overseas offices of the institution	46,880	74,483
Certificates of deposit issued	-	-
Issued debt securities	-	-
Other liabilities	13,645	9,750
Provisions	-	-
Total liabilities	<u>72,723</u>	<u>92,500</u>

Additional balance sheet information

(a) Impaired loans and advances (Note 1)	<u>31 December 2018</u>		<u>30 September 2018</u>	
	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	<u>31 December 2018</u>		<u>30 September 2018</u>	
	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		1,454		1,507
Transaction-related contingencies		69		87
Trade-related contingencies		920		1,187
Note issuance and revolving underwriting facilities		-		-
Other commitments		1,068		1,079
Others		511		46,807
Total		4,022		50,667
Derivatives (Note 3)				
Exchange rate-related derivative contracts		174,057		216,601
Interest rate derivative contracts		35,480		36,105
Others		-		-
Total		209,537		252,706
(c) The fair value of derivatives outstanding (Note 4):	<u>31 December 2018</u>		<u>30 September 2018</u>	
	HK\$ million		HK\$ million	
Exchange rate-related derivative contracts		736		1,651
Interest rate derivative contracts		7		6
Others		-		-
Total		743		1,657

III. International claims (Note 5)

Geographical segment	(expressed in HK\$ million)					Total
	Banks	Official Sector	Non-bank private sector		Others	
			Non-bank financial institutions	Non-financial private sector		
As at 31 December 2018						
1. Developed countries	27,640	29,746	947	567	-	58,900
of which Germany	26,870	3,142	276	353	-	30,641
of which Japan	68	26,604	-	-	-	26,672
2. Offshore centres	47	-	-	1	-	48
3. Developing Europe	537	-	-	-	-	537
4. Developing Latin America and Caribbean	-	-	-	-	-	-
5. Developing Africa and Middle East	-	-	-	-	-	-
6. Developing Asia-Pacific	8,211	330	-	3,481	-	12,022
of which China	7,860	330	-	2,368	-	10,558
7. International organisations	-	-	-	-	-	-
8. Unallocated by country	-	-	-	-	-	-
Impairments loans and advances to customers	-	-	-	-	-	-
Overdue loans and advances to customers	-	-	-	-	-	-

(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	-	-	-	-	-	-

IV. Sector information

(expressed in HK\$ million)

Sector classification	31 December 2018		30 September 2018	
	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				
Loans and Advances for use in Hong Kong				
Industrial, commercial and financial :				
- Property development	-	-	-	-
- Property investment	-	-	-	-
- Financial concerns	-	235	-	235
- Stockbrokers	-	-	-	-
- Wholesale and retail trade	-	163	-	213
- Manufacturing	-	2,077	-	2,078
- Transport and transport equipment	-	3	-	6
- Recreational activities	-	-	-	-
- Information technology	-	-	-	-
- Others	-	-	-	1
Total industrial, commercial and financial	-	2,478	-	2,533
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		2,478		2,533
Trade finance		122		168
Loans and Advances for use outside Hong Kong		1,465		1,483
Advances to customers (Note 6)		4,065		4,184
Geographic Breakdown :				
China		2,366		2,364
South Korea		897		906
Germany		355		324
Italy		230		365

V. Overdue and rescheduled assets

(expressed in HK\$ million)

Description	31 December 2018			30 September 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 31 December 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	136	160	296
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	318	160	478
Total Assets after provisions	72,723		
On-balance sheet exposure as percentage of total assets	0.44%		

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%		

VII. Currency Risk (Note 8)

Equivalent in millions of HK\$	<u>USD</u>	<u>CNY</u>	<u>Total</u>
<u>As at 31 December 2018</u>			
Spot assets	7,093	2,519	9,612
Spot liabilities	(20,346)	(286)	(20,632)
Forward purchases	90,084	10,052	100,136
Forward sales	(77,518)	(12,375)	(89,893)
Net option position	-	-	-
Net long (short) position	(687)	(90)	(777)
Net structural position	3	-	3
<u>As at 30 September 2018</u>			
Spot assets	7,124	1,648	8,772
Spot liabilities	(28,546)	(124)	(28,670)
Forward purchases	114,029	10,614	124,643
Forward sales	(91,937)	(12,204)	(104,141)
Net option position	-	-	-
Net long (short) position	670	(66)	604
Net structural position	3	-	3

VIII. Liquidity Information

31 December 2018

31 December 2017

(i) The average liquidity maintenance ratio for the financial period 488.39% 383.04%

(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.

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 244 of the Group Annual Report 2018.

The link to Group Annual Report 2018 :

https://www.hypovereinsbank.de/content/dam/hypovereinsbank/ueber-uns/pdf/investor-relations/Berichte/EN/2019/190322_Konzernbericht_2018_E.pdf

Section B. Consolidated Group Information

I. Capital and capital adequacy	<u>31 December 2018</u>	<u>30 June 2018</u>
Capital adequacy ratio	19.9%	20.7%
	EUR Billion	EUR Billion
Shareholders' equity	17.8	17.8

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 2018</u> EUR Billion	<u>30 June 2018</u> EUR Billion
Total assets	286.7	294.4
Total liabilities	268.9	276.6
Total advances (Note 1)	167.3	168.4
Total customer deposits	121.0	120.2
Note (1) :		
Advances to Bank	33.6	37.9
Advances to Customers	<u>133.7</u>	<u>130.5</u>
Total	<u><u>167.3</u></u>	<u><u>168.4</u></u>

	<u>31 December 2018</u> EUR Billion	<u>31 December 2017</u> EUR Billion
Pre-tax profit / (loss) for the financial period	0.39	1.60

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