

Annual Financial Disclosure Statement 31 December 2022

UniCredit Bank AG

Hong Kong Branch

Incorporated in Germany with limited liability

Banking that matters.



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1 HONG KONG BRANCH INFORMATION

1.1 Income Statement Information

Description	31 December 2022	31 December 2021
	HK\$ million	HK\$ million
Interest income	666	82
Interest expense	(286)	261
Other operating income	(224)	61
- Gains less losses arising from trading in foreign currencies	(361)	(249)
- Gains less losses on securities held for trading purposes	(1)	1
- Gains less losses from other trading activities	-	(1)
- Net fees and commission income	209	158
- Fees and commission income	217	167
- Fees and commission expenses	(8)	(9)
- Others	(71)	152
Operating expenses	(289)	(291)
- Staff expenses	(110)	(133)
- Rental expenses	(30)	(29)
- Other expenses less fee and commission expenses	(149)	(129)
Impairment losses and provision for impaired loans and receivables	66	(66)
Net charge for other provision	-	-
Gains less losses from the disposal of property, plant and equipment and investment properties	-	-
Profit before taxation	(67)	47
Taxation expenses or tax income	-	-
PROFIT AFTER TAXATION	(67)	47

1.2 Balance Sheet Information

Description	31 December 2022	30 June 2022
	HK\$ million	HK\$ million
ASSETS		
Cash and balances with banks (excluding overseas offices)	349	1,062
Placements with banks maturing between one and twelve months	6,115	3,472
Amounts due from overseas offices of the institution	1,211	17,369
Trade bills	-	585
Certificates of deposit held	-	-
Securities held for trading purposes	-	-
Loans and receivables	5,794	8,785
- Loans and advances to customers	-	544
- Loans and advances to banks	-	-
- Other accounts	5,794	8,241
- Provisions for impaired loans and receivables	-	-
- Collective provision	-	-
- Individual provision	-	-
Investment Securities	21,294	33,259
Other investments	-	-
Property, plant and equipment and investment properties	6	3
TOTAL ASSETS	34,769	64,535
LIABILITIES		
Deposits and balances from banks (excluding overseas offices)	1,910	13,102
Deposits from customers	17	680
- Demand deposits and current accounts	17	560
- Savings deposits	-	-
- Time, call and notice deposits	-	120
Amounts due to overseas offices of the institution	31,658	42,233
Certificates of deposit issued	-	-
Issued debt securities	-	-
Other liabilities	1,184	8,354
Provisions	-	166
TOTAL LIABILITIES	34,769	64,535

1.3 Additional balance sheet information

	31 December 2022		30 June 2022	
	HK\$ million		HK\$ million	
(a) Impaired loans and advances (Note 1)				
	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 2022		30 June 2022	
	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	-	-	-	-
Transaction-related contingencies	-	-	115	115
Trade-related contingencies	-	-	130	130
Note issuance and revolving underwriting facilities	-	-	-	-
Other commitments	-	-	544	544
Others	590	590	8,832	8,832
Total	590	590	9,621	9,621
Derivatives (Note 3)				
Exchange rate-related derivative contracts	131,899	131,899	188,840	188,840
Interest rate derivative contracts	21,983	21,983	32,575	32,575
Others	-	-	-	-
Total	153,882	153,882	221,415	221,415
(c) The fair value of derivatives outstanding (Note 4)	31 December 2022		30 June 2022	
	HK\$ million		HK\$ million	
Exchange rate-related derivative contracts	1,860	1,860	1,373	1,373
Interest rate derivative contracts	1	1	270	270
Others	-	-	-	-
Total	1,861	1,861	1,643	1,643

1.4 International Claims (Note 5)

HK\$ million

Geographical segment	<u>Non-bank private sector</u>					Total
	Banks	Official Sector	Non-bank financial institutions	Non-financial private sector	Others	
<u>As at 31 December 2022</u>						
1. Developed countries	2,651	21,300	-	-	-	23,951
of which Germany	1,211	-	-	-	-	1,211
of which Luxembourg	1,385	-	-	-	-	1,385
of which Japan	5	21,300	-	-	-	21,305
2. Offshore centres	48	-	-	-	-	48
3. Developing Europe	-	-	-	-	-	-
4. Developing Latin America and Caribbean	-	-	-	-	-	-
5. Developing Africa and Middle East	-	-	-	-	-	-
6. Developing Asia-Pacific	4,998	-	-	-	-	4,998
of which China	4,998	-	-	-	-	4,998
7. International organisations	-	-	-	-	-	-
8. Unallocated by country	-	-	-	-	-	-
Impairments loans and advances to customers	-	-	-	-	-	-
Overdue loans and advances to customers	-	-	-	-	-	-
<u>As at 30 June 2022</u>						
1. Developed countries	17,562	27,913	-	73	-	45,548
of which Germany	17,372	-	-	29	-	17,401
of which Japan	87	27,913	-	-	-	28,000
2. Offshore centres	31	-	-	471	-	502
3. Developing Europe	191	-	-	-	-	191
4. Developing Latin America and Caribbean	-	-	-	-	-	-
5. Developing Africa and Middle East	-	-	-	-	-	-
6. Developing Asia-Pacific	9,152	916	-	-	-	10,068
of which China	6,114	916	-	-	-	7,030
7. International organisations	-	-	-	-	-	-
8. Unallocated by country	-	-	-	-	-	-
Impairments loans and advances to customers	-	-	-	-	-	-
Overdue loans and advances to customers	-	-	-	-	-	-

1.5 Sector information

HK\$ million

Sector classification	31 December 2022		30 June 2022	
	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	-	-	-	-
- Stockbrokers	-	-	-	-
- Wholesale and retail trade	-	-	-	3
- Manufacturing	-	-	-	5
- Transport and transport equipment	-	-	-	-
- Recreational activities	-	-	-	-
- Information technology	-	-	-	-
- Others	-	-	-	471
Total industrial, commercial and financial	-	-	-	479
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		-		479
Trade finance		-		65
Loans and Advances for use outside Hong Kong		-		-
Advances to customers (Note 7)		-		544
Geographic Breakdown :				
Germany		-		28
Italy		-		45
Hong Kong		-		471

1.6 Overdue and rescheduled assets

HK\$ Million

Description	31 December 2022			30 June 2022		
	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:						
- Over 3 months and up to 6 months	-	-	0.00%	-	-	0.00%
- Over 6 months and up to 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:						
- Over 3 months and up to 6 months	-	-	0.00%	-	-	0.00%
- Over 6 months and up to 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:						
- Over 3 months and up to 6 months	-	-	0.00%	-	-	0.00%
- Over 6 months and up to 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%

1.7 Mainland Activities (Note 7)

HK\$ Million

Types of Counterparties	On-balance sheet ex- posures	Off-balance sheet exposures	Total
<u>As at 31 December 2022</u>			
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	-	-	-
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	-	-	-
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	-	-	-
Total Assets after provisions	34,769		
On-balance sheet exposure as percentage of total assets	0.00%		
<u>As at 30 June 2022</u>			
1. Central government, central government-owned entities and their subsidiaries and JVs	915	-	915
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	2	-	2
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	17	11	28
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	934	11	945
Total Assets after provisions	64,369		
On-balance sheet exposure as percentage of total assets	1.45%		

1.8 Currency Risk (Note 8)

Equivalent in HK\$ million	<u>USD</u>	<u>EUR</u>	<u>JPY</u>	<u>Total</u>
<u>As at 31 December 2022</u>				
Spot assets	3,640	5,094	21,305	30,039
Spot liabilities	(3,185)	(31,700)	(17)	(34,902)
Forward purchases	75,267	48,067	9,677	133,011
Forward sales	(75,378)	(21,229)	(31,022)	(127,629)
Net option position	-	-	-	-
Net long (short) position	344	232	(57)	519
Net structural position	6	-	-	6
<u>As at 30 June 2022</u>				
Spot assets	8,113	20,914	28,000	57,027
Spot liabilities	(21,145)	(42,469)	(849)	(64,463)
Forward purchases	100,684	62,125	6,652	169,461
Forward sales	(89,242)	(40,661)	(33,813)	(163,716)
Net option position	-	-	-	-
Net long (short) position	(1,590)	(91)	(10)	(1,691)
Net structural position	3	-	-	3

1.9 Liquidity information

	<u>Quarter ended 31 December 2022</u>	<u>Quarter ended 31 December 2021</u>
(i) The average liquidity maintenance ratio for the financial period	268.72%	915.93%
(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 Department, 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.

1.10 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 243 of the Group Annual Report 2022.

2 CONSOLIDATED UNICREDIT BANK AG GROUP INFORMATION

2.1 Capital and capital adequacy information

	<u>31 December 2022</u>	<u>30 June 2022</u>
Capital adequacy ratio	21.6%	21.5%
	EUR Billion	EUR Billion
Shareholders' equity	19.7	19.2

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.

2.2 Other financial information

	<u>31 December 2022</u> EUR Billion	<u>30 June 2022</u> EUR Billion
Total assets	318.0	342.0
Total liabilities	298.3	322.8
Total advances (Note 1)	178.1	183.0
Total customer deposits	147.2	150.1
Note (1):		
Advances to Bank	23.3	30.7
Advances to Customers	154.8	152.3
Total	178.1	183.0
	<u>31 December 2022</u> EUR Billion	<u>31 December 2021</u> EUR Billion
Pre-tax profit / (loss) for the financial period	1.77	0.63

The link to Group Annual Financial Report as of 31 December 2022 :

<https://www.hypovereinsbank.de/content/dam/hypovereinsbank/ueber-uns/pdf/investor-relations/Berichte/EN/2022/20230313-Geschaeftsbericht-HVB-Group-2022-ENGLISCH.pdf>

UniCredit Bank AG Hong Kong Branch
Chief executive's declaration of compliance

We enclose herewith the Financial Information Disclosure Statement for the financial period ended 31-December-2022. We confirm that the information contained therein is not false or misleading. It complies in all material respects, with the Banking (Disclosure) Rules and the Supervisory Policy Manual CA-D-1 "Guideline on the Application of the Banking (Disclosure) Rules" issued by the Hong Kong Monetary Authority.



Michele Amadei
Chief Executive
Hong Kong Branch

4 April 2023

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