

One Bank,
One UniCredit.

2019

UniCredit Bank AG Hong Kong Branch
Incorporated in Germany with limited liability
Disclosure Statement
For the quarter ended 30 Sep 2019

Banking that matters.



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HONG KONG BRANCH INFORMATION

I. Income Statement information

Description	30 September 2019	30 June 2019
	HK\$ million	HK\$ million
Interest income	716	486
Interest expense	(224)	(159)
Other operating income	(224)	(121)
- Gains less losses arising from trading in foreign currencies	(296)	(185)
- Gains less losses on securities held for trading purposes	(2)	(2)
- Gains less losses from other trading activities	(34)	(25)
- Net fees and commission income	68	45
- Fees and commission income	74	49
- Fees and commission expenses	(6)	(4)
- Others	40	46
Operating expenses	(225)	(154)
- Staff expenses	(96)	(63)
- Rental expenses	(18)	(12)
- Other expenses less fee and commission expenses	(111)	(79)
Impairment losses and provision for impaired loans and receivables	-	-
Net charge for other provision	-	-
Gains less losses from the disposal of property, plant and equipment and investment properties	-	-
Profit before taxation	43	52
Taxation expenses or tax income	-	-
PROFIT AFTER TAXATION	43	52

II. Balance Sheet information

Description	30 September 2019	30 June 2019
	HK\$ million	HK\$ million
ASSETS		
Cash and balances with banks (excluding overseas offices)	680	1,762
Placements with banks maturing between one and twelve months	5,753	5,085
Amounts due from overseas offices of the institution	34,777	41,777
Trade bills	604	975
Certificates of deposit held	784	781
Securities held for trading purposes	-	-
Loans and receivables	4,989	4,830
- Loans and advances to customers	3,973	3,752
- Loans and advances to banks	202	160
- Other accounts	814	918
- Provisions for impaired loans and receivables	-	-
- Collective provision	-	-
- Individual provision	-	-
Investment Securities	28,924	28,640
Other investments	-	-
Property, plant and equipment and investment properties	3	3
TOTAL ASSETS	<u>76,514</u>	<u>83,853</u>
LIABILITIES		
Deposits and balances from banks (excluding overseas offices)	9,968	5,512
Deposits from customers	1,103	1,159
- Demand deposits and current accounts	886	806
- Savings deposits	-	-
- Time, call and notice deposits	217	353
Amounts due to overseas offices of the institution	61,208	71,278
Certificates of deposit issued	-	-
Issued debt securities	-	-
Other liabilities	4,235	5,904
Provisions	-	-
TOTAL LIABILITIES	<u>76,514</u>	<u>83,853</u>

Additional balance sheet information

(a) Impaired loans and advances (Note 1)	30 September 2019		30 June 2019	
	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 2019		30 June 2019	
	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	1,204		1,253	
Transaction-related contingencies	77		84	
Trade-related contingencies	918		768	
Note issuance and revolving underwriting facilities	-		-	
Other commitments	914		964	
Others	34,711		41,445	
Total	37,824		44,514	
Derivatives (Note 3)				
Exchange rate-related derivative contracts	179,264		212,362	
Interest rate derivative contracts	33,871		42,564	
Others	-		-	
Total	213,135		254,926	
(c) The fair value of derivatives outstanding (Note 4)	30 September 2019		30 June 2019	
	HK\$ million		HK\$ million	
Exchange rate-related derivative contracts	683		800	
Interest rate derivative contracts	5		4	
Others	-		-	
Total	688		804	

III. International Claims (Note 5)

Geographical segment						HK\$ million	
	Banks	Official Sector	Non-bank financial institutions	Non-bank private sector financial private sector	Others	Total	
<u>As at 30 September 2019</u>							
1. Developed countries	35,220	27,057	898	720	-	63,895	
of which Germany	34,778	-	262	130	-	35,170	
of which Japan	79	27,057	-	-	-	27,136	
2. Offshore centres	39	-	-	689	-	728	
3. Developing Europe	218	-	-	-	-	218	
4. Developing Latin America and Caribbean	-	-	-	-	-	-	
5. Developing Africa and Middle East	-	-	-	-	-	-	
6. Developing Asia-Pacific	7,863	432	-	2,430	-	10,725	
of which China	7,546	432	-	1,377	-	9,355	
7. International organisations	-	-	-	-	-	-	
8. Unallocated by country	-	-	-	-	-	-	
Impairments loans and advances to customers	-	-	-	-	-	-	
Overdue loans and advances to customers	-	-	-	-	-	-	
<u>As at 30 June 2019</u>							
1. Developed countries	42,345	27,035	936	525	-	70,841	
of which Germany	41,790	-	273	318	-	42,381	
of which Japan	151	27,035	-	-	-	27,186	
2. Offshore centres	24	-	-	-	-	24	
3. Developing Europe	277	-	-	-	-	277	
4. Developing Latin America and Caribbean	-	-	-	-	-	-	
5. Developing Africa and Middle East	-	-	-	-	-	-	
6. Developing Asia-Pacific	8,098	443	-	3,212	-	11,753	
of which China	7,710	443	-	2,126	-	10,279	
7. International organisations	-	-	-	-	-	-	
8. Unallocated by country	-	-	-	-	-	-	
Impairments loans and advances to customers	-	-	-	-	-	-	
Overdue loans and advances to customers	-	-	-	-	-	-	

IV. Sector Information

Sector classification	30 September 2019		30 June 2019	
	Collateral coverage	Gross amount of loans and advances	Collateral coverage	Gross amount of loans and advances
HK\$ million				
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	-	193	-	133
- Manufacturing	-	2,079	-	2,073
- Transport and transport equipment	-	3	-	3
- Recreational activities	-	-	-	-
- Information technology	-	-	-	-
- Others	-	-	-	-
Total industrial, commercial and financial	-	2,275	-	2,209
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		2,275		2,209
Trade finance		333		122
Loans and Advances for use outside Hong Kong		1,365		1,421
Advances to customers (Note 7)		3,973		3,752
Geographic Breakdown :				
China		1,377		2,125
South Korea		854		889
Hong Kong		714		-
Italy		455		218

V. Overdue and rescheduled assets

Description	HK\$ million					
	30 September 2019			30 June 2019		
	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%

VI. Mainland Activities (Note 7)

Types of Counterparties	HK\$ million		
	<u>On-balance sheet exposures</u>	<u>Off-balance sheet exposures</u>	<u>Total</u>
<u>As at 30 September 2019</u>			
1. Central government, central government-owned entities and their subsidiaries and JVs	220	-	220
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	66	-	66
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	296	186	482
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	582	186	768
Total Assets after provisions	76,514		
On-balance sheet exposure as percentage of total assets	0.76%		
<u>As at 30 June 2019</u>			
1. Central government, central government-owned entities and their subsidiaries and JVs	227	-	227
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	110	243	353
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	405	243	648
Total Assets after provisions	83,853		
On-balance sheet exposure as percentage of total assets	0.48%		

VII. Currency Risk (Note 8)

Equivalent in HK\$ million	<u>USD</u>	<u>EUR</u>	<u>CNY</u>	<u>Total</u>
<u>As at 30 September 2019</u>				
Spot assets	8,067	5,699	1,984	15,750
Spot liabilities	(13,414)	(61,792)	(238)	(75,444)
Forward purchases	88,971	63,494	5,746	158,211
Forward sales	(84,535)	(7,477)	(7,481)	(99,493)
Net option position	-	-	-	-
Net long (short) position	(911)	(76)	11	(976)
Net structural position	3	-	-	3
<u>As at 30 June 2019</u>				
Spot assets	8,180	5,837	1,346	15,363
Spot liabilities	(21,178)	(61,623)	(114)	(82,915)
Forward purchases	110,783	74,315	9,970	195,068
Forward sales	(97,930)	(18,610)	(11,170)	(127,710)
Net option position	-	-	-	-
Net long (short) position	(145)	(81)	32	(194)
Net structural position	3	-	-	3

VIII. Liquidity Information

	<u>Quarter ended 30 September 2019</u>	<u>Quarter ended 30 June 2019</u>
(i) The average liquidity maintenance ratio for the financial period	629.32%	345.46%

(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.

CONSOLIDATED UNICREDIT BANK AG GROUP INFORMATION

I. Capital and capital adequacy

	<u>30 June 2019</u>	<u>31 December 2018</u>
Capital adequacy ratio	19.4%	19.9%
	EUR Billion	EUR Billion
Shareholders' equity	17.6	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>30 June 2019</u> EUR Billion	<u>31 December 2018</u> EUR Billion
Total assets	294.6	286.7
Total liabilities	277.0	268.9
Total advances (Note 1)	172.5	167.3
Total customer deposits	119.8	121.0
Note (1):		
Advances to Bank	33.3	33.6
Advances to Customers	139.2	133.7
Total	<u>172.5</u>	<u>167.3</u>
	<u>30 June 2019</u> EUR Billion	<u>30 June 2018</u> EUR Billion
Pre-tax profit / (loss) for the financial period	0.97	0.60

The link to Group Half-yearly Financial Report as of 30 June 2019 :

<https://www.hypovereinsbank.de/content/dam/hypovereinsbank/ueber-uns/pdf/investor-relations/Berichte/EN/2019/Half-year-report-at-June-30-2019.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 30-September-2019. 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

21 November 2019

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