

Annual Financial Disclosure Statement 31 December 2021

UniCredit Bank AG

Hong Kong Branch

Incorporated in Germany with limited liability

Banking that matters.



CONTENTS

1	HONG KONG BRANCH INFORMATION	
1.1	Income statement information	2
1.2	Balance sheet information	3
1.3	Additional balance sheet information	4
1.4	International claims	5
1.5	Sector information	6
1.6	Overdue and rescheduled assets	7
1.7	Mainland activities	8
1.8	Currency Risk	9
1.9	Liquidity Information	10
1.10	Disclosure on remuneration system	11
2	CONSOLIDATED UNICREDIT BANK AG GROUP INFORMATION	
2.1	Capital and capital adequacy	11
2.2	Other financial information	11
3	CHIEF EXECUTIVE'S DECLARATION OF COMPLIANCE	12

1 HONG KONG BRANCH INFORMATION

1.1 Income Statement Information

Description	31 December 2020	31 December 2019
	HK\$ million	HK\$ million
Interest income	357	917
Interest expense	172	(221)
Other operating income	(64)	(321)
- Gains less losses arising from trading in foreign currencies	(199)	(418)
- Gains less losses on securities held for trading purposes	-	(3)
- Gains less losses from other trading activities	(28)	(47)
- Net fees and commission income	83	93
- Fees and commission income	92	100
- Fees and commission expenses	(9)	(7)
- Others	80	54
Operating expenses	(286)	(298)
- Staff expenses	(137)	(134)
- Rental expenses	(27)	(24)
- Other expenses less fee and commission expenses	(122)	(140)
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	179	77
Taxation expenses or tax income	-	-
PROFIT AFTER TAXATION	179	77

1.2 Balance Sheet Information

Description	31 December 2020	30 June 2020
	HK\$ million	HK\$ million
ASSETS		
Cash and balances with banks (excluding overseas offices)	500	936
Placements with banks maturing between one and twelve months	7,244	5,946
Amounts due from overseas offices of the institution	46,116	38,054
Trade bills	734	681
Certificates of deposit held	-	-
Securities held for trading purposes	-	-
Loans and receivables	5,542	3,940
- Loans and advances to customers	2,879	2,918
- Loans and advances to banks	27	120
- Other accounts	2,636	902
- Provisions for impaired loans and receivables	-	-
- Collective provision	-	-
- Individual provision	-	-
Investment Securities	31,413	30,049
Other investments	-	-
Property, plant and equipment and investment properties	4	4
TOTAL ASSETS	91,553	79,610
LIABILITIES		
Deposits and balances from banks (excluding overseas offices)	13,632	6,145
Deposits from customers	2,085	1,437
- Demand deposits and current accounts	1,121	1,172
- Savings deposits	-	-
- Time, call and notice deposits	964	265
Amounts due to overseas offices of the institution	70,206	70,717
Certificates of deposit issued	-	-
Issued debt securities	-	-
Other liabilities	5,630	1,311
Provisions	-	-
TOTAL LIABILITIES	91,553	79,610

1.3 Additional balance sheet information

(a) Impaired loans and advances (Note 1)	31 December 2020		30 June 2020	
	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 2020		30 June 2020	
	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	140		135	
Trade-related contingencies	747		631	
Note issuance and revolving underwriting facilities	-		-	
Other commitments	1,023		949	
Others	-		37,618	
Total	1,910		39,333	
Derivatives (Note 3)				
Exchange rate-related derivative contracts	192,530		172,794	
Interest rate derivative contracts	28,879		31,256	
Others	-		-	
Total	221,409		204,050	
(c) The fair value of derivatives outstanding (Note 4)	31 December 2020		30 June 2020	
	HK\$ million		HK\$ million	
Exchange rate-related derivative contracts	2,512		747	
Interest rate derivative contracts	2		1	
Others	-		-	
Total	2,514		748	

1.4 International Claims (Note 5)

Geographical segment	Non-bank private sector					Others	Total
	Banks	Official Sector	Non-bank financial institutions	Non-financial private sector			
<u>As at 31 December 2020</u>							
1. Developed countries	46,440	27,967	-	496	-	74,903	
of which Germany	46,116	-	-	206	-	46,322	
of which Japan	77	27,967	-	-	-	28,044	
2. Offshore centres	32	-	-	-	-	32	
3. Developing Europe	268	-	-	-	-	268	
4. Developing Latin America and Caribbean	-	-	-	-	-	-	
5. Developing Africa and Middle East	-	-	-	-	-	-	
6. Developing Asia-Pacific	10,696	623	-	2,367	-	13,686	
of which China	10,357	623	-	1,267	-	12,247	
7. International organisations	-	-	-	-	-	-	
8. Unallocated by country	-	-	-	-	-	-	
Impairments loans and advances to customers	-	-	-	-	-	-	
Overdue loans and advances to customers	-	-	-	-	-	-	
<u>As at 30 June 2020</u>							
1. Developed countries	38,428	26,771	-	542	-	65,741	
of which Germany	38,057	-	-	260	-	38,317	
of which Japan	109	26,771	-	-	-	26,880	
2. Offshore centres	19	-	-	-	-	19	
3. Developing Europe	239	-	-	-	-	239	
4. Developing Latin America and Caribbean	-	-	-	-	-	-	
5. Developing Africa and Middle East	-	-	-	-	-	-	
6. Developing Asia-Pacific	9,706	614	-	2,291	-	12,611	
of which China	9,323	614	-	1,267	-	11,204	
7. International organisations	-	-	-	-	-	-	
8. Unallocated by country	-	-	-	-	-	-	
Impairments loans and advances to customers	-	-	-	-	-	-	
Overdue loans and advances to customers	-	-	-	-	-	-	

1.5 Sector information

Sector classification	31 December 2020		30 June 2020	
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
Loans and Advances for use in Hong Kong				
Industrial, commercial and financial :				
- Property development	-	-	-	-
- Property investment	-	-	-	-
- Financial concerns	-	-	-	-
- Stockbrokers	-	-	-	-
- Wholesale and retail trade	-	126	-	259
- Manufacturing	-	9	-	13
- Transport and transport equipment	-	-	-	-
- Recreational activities	-	-	-	-
- Information technology	-	-	-	-
- Others	-	-	-	-
	-	<u> </u>	-	<u> </u>
Total industrial, commercial and financial	-	135	-	272
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	-	-	-	-
	-	<u> </u>	-	<u> </u>
Total individual	-	<u> </u>	-	<u> </u>
Loans and Advances for use in Hong Kong		135		272
Trade finance		68		53
Loans and Advances for use outside Hong Kong		2,676		2,593
Advances to customers (Note 7)		<u>2,879</u>		<u>2,918</u>
Geographic Breakdown :				
China		1,267		1,267
South Korea		951		868
Germany		208		266
Italy		192		252

1.6 Overdue and rescheduled assets

Description	31 December 2020			30 June 2020		
	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)

Types of Counterparties	On-balance sheet ex- posures	Off-balance sheet exposures	Total
<u>As at 31 December 2020</u>			
1. Central government, central government-owned entities and their subsidiaries and JVs	623	-	623
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	71	-	71
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	8	65	73
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	702	65	767
Total Assets after provisions	91,553		
On-balance sheet exposure as percentage of total assets	0.77%		
<u>As at 30 June 2020</u>			
1. Central government, central government-owned entities and their subsidiaries and JVs	613	-	613
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	20	144	164
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	699	144	843
Total Assets after provisions	79,610		
On-balance sheet exposure as percentage of total assets	0.88%		

1.8 Currency Risk (Note 8)

Equivalent in HK\$ million	USD	EUR	CNY	Total
<u>As at 31 December 2020</u>				
Spot assets	8,001	29,216	2,217	39,434
Spot liabilities	(17,373)	(70,837)	(109)	(88,319)
Forward purchases	93,763	77,428	2,658	173,849
Forward sales	(81,000)	(37,576)	(4,736)	(123,312)
Net option position	-	-	-	-
Net long (short) position	3,391	(1,769)	30	1,652
Net structural position	4	-	-	4
<u>As at 30 June 2020</u>				
Spot assets	7,785	8,415	1,230	17,430
Spot liabilities	(5,806)	(72,133)	(96)	(78,035)
Forward purchases	79,652	82,113	2,583	164,348
Forward sales	(81,464)	(18,469)	(3,704)	(103,637)
Net option position	-	-	-	-
Net long (short) position	167	(74)	13	106
Net structural position	4	-	-	4

1.9 Liquidity information

	<u>Quarter ended 31 December 2020</u>	<u>Quarter ended 31 December 2019</u>
(i) The average liquidity maintenance ratio for the financial period	745.29%	441.24%

(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 218 of the Group Annual Report 2020

2 CONSOLIDATED UNICREDIT BANK AG GROUP INFORMATION

2.1 Capital and capital adequacy information

	<u>31 December 2020</u>	<u>30 June 2020</u>
Capital adequacy ratio	20.9%	16.3%
	EUR Billion	EUR Billion
Shareholders' equity	17.9	16.0

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 2020</u>	<u>30 June 2020</u>
	EUR Billion	EUR Billion
Total assets	338.1	318.0
Total liabilities	320.2	302.0
Total advances (Note 1)	178.2	186.0
Total customer deposits	143.8	131.2
Note (1):		
Advances to Bank	34.0	35.6
Advances to Customers	144.2	150.4
Total	178.2	186.0
	<u>31 December 2020</u>	<u>31 December 2019</u>
	EUR Billion	EUR Billion
Pre-tax profit / (loss) for the financial period	1.07	1.36

The link to Group Annual Financial Report as of 31 December 2020 :

<https://www.hypovereinsbank.de/content/dam/hypovereinsbank/ueber-uns/pdf/investor-relations/Berichte/EN/2020/Annual-Report-HVB-Group-2020.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-2020. 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

27 April 2021

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