

## **Disclosure Package for Overseas Incorporated Authorised Institutions**

(information disclosed complies with the requirements as stated in the Banking  
(Disclosure) Rules issued by the Hong Kong Monetary Authority)

(If there is any conflict between the English and Chinese version, the former shall prevail.)

## Financial Information Disclosure Statement

Jun 2019

### Section A - Branch Information

#### I. Profit and Loss Information

	Jun 2019 HK\$'000	Jun 2018 HK\$'000
(i) Interest income	316,802	206,558
(ii) Interest expense	(228,940)	(130,164)
(iii) Other operating income	-	-
- Gain less losses arising from dealing in foreign currencies	59	320
- Gain less losses on securities held for dealing purposes	75,841	(45,727)
- Gains less losses from other dealing activities	(59,946)	14,456
- Fee commission income	5,225	4,916
- Fee commission expenses	(2,717)	(1,896)
- Others	383	-
(iv) Operating expenses	(33,078)	(28,339)
- Staff	(21,201)	(17,956)
- Premises	(3,996)	(4,611)
- Others	(7,881)	(5,772)
(v) Impairment losses and impairment allowances	(27)	(2,640)
(vi) Gains less losses from disposal of tangible fixed assets	-	-
(vii) Profit before taxation	<u>73,602</u>	<u>17,484</u>
(viii) Taxation charge	<u>(11,853)</u>	<u>(5,648)</u>
(ix) Profit after taxation	<u><u>61,749</u></u>	<u><u>11,836</u></u>

## II. Balance sheet data

	Jun 2019 HK\$'000	Dec 2018 HK\$'000
<b>Assets</b>		
(i) Cash and short term funds	6,218	9,200
(ii) Placements with banks and other financial institutions maturing between one and twelve months	4,924,092	5,475,496
(iii) Amounts due from overseas offices of the institution	3,958,469	13,311,286
(iv) Trade bills	-	-
(v) Certificate of deposit held	2,573,913	2,235,901
(vi) Securities measured at fair value through profit & loss	5,624,936	4,617,898
- Held for trading	1,139,168	318,616
(vii) Advances and other accounts	523,776	642,914
(viii) Held to Maturity Securities	5,362,161	3,618,307
(ix) Other investments	-	-
(x) Fixed assets	108,497	20,766
(xi) Total assets	<u>23,082,064</u>	<u>29,931,768</u>
<b>Liabilities</b>		
(i) Deposits and balances of banks and other financial institutions	12,663,450	20,549,444
(ii) Customer deposits	-	-
- demand deposits and current accounts	-	-
- savings deposits	-	-
- time, call and notice deposits	-	-
(iii) Amount due to overseas offices of the institution	9,968,184	9,152,770
(iv) Certificate of deposit issued	-	-
(v) Issued debt securities	-	-
(vi) Other accounts	432,720	218,503
(vii) Provisions	17,709	11,051
(viii) Total liabilities	<u>23,082,064</u>	<u>29,931,768</u>

### III. Additional balance sheet information

	Jun 2019 HK\$'000	Dec 2018 HK\$'000
(i) Advances and other accounts		
- Advances to customers	-	63,268
- Advances to banks and other financial institutions	356,791	428,477
- Accrued interest and other accounts	170,905	155,078
Total advances and other accounts	527,695	646,824
- Impairment allowances for impaired assets	-	-
- collective impairment allowances	3,919	3,910
- individual impairment allowances	-	-
(ii) Impaired loans		
The amount of advances to customers on which interest is being placed in suspense or on which interest accrual has ceased	-	-
Amount of individual impairment allowances in respect of such advances	-	-
% of such advances to total advances to customers	#DIV/0!	0.0%
(iii) The breakdown of the gross amount of advances to customers by industry sectors which are considered to be significant to the institution	-	-
<u>Loans for use in Hong Kong</u>		
Industrial, commercial and financial		
- property development	-	-
- property investment	-	-
- financial concerns	-	-
- wholesale and retail trade	-	-
- manufacturing	-	-
- transport and transport equipment	-	-
- electricity, gas and telecommunications	-	-
- others	-	-
- individuals	-	-
<u>Trade finance</u>		
<u>Loans for use outside Hong Kong</u>		
Industrial, commercial and financial		
- property development	-	-
- property investment	-	-
- financial concerns	-	-
- wholesale and retail trade	-	-
- manufacturing	-	63,268
- transport and transport equipment	-	-
- electricity, gas and telecommunications	-	-
- others	-	-
- individuals	-	-

(iv) The breakdown of the gross amount of advances to customers by countries to the institution according to the location of the counterparties.

- Australia	-	-
of which the gross amount of impaired or overdue loans	-	-
- Brunei	-	-
of which the gross amount of impaired or overdue loans	-	-
- China	-	-
of which the gross amount of impaired or overdue loans	-	-
- Hong Kong	-	-
of which the gross amount of impaired or overdue loans	-	-
- India	-	63,268
of which the gross amount of impaired or overdue loans	-	-
- Indonesia	-	-
of which the gross amount of impaired or overdue loans	-	-
- Mauritius	-	-
of which the gross amount of impaired or overdue loans	-	-
- Philippines	-	-
of which the gross amount of impaired or overdue loans	-	-
- Thailand	-	-
of which the gross amount of impaired or overdue loans	-	-

(v) Loans and advances covered by collateral or other securities	-	-
(vi) Debt Securities		
- Certificate of deposits held	2,573,913	2,235,901
- Securities measured at fair value through profit & loss	5,626,432	4,618,532
- Held to Maturity Securities	5,362,161	3,618,307
Total	13,562,506	10,472,740
- Impairment allowances for impaired assets	-	-
- collective impairment allowances	-	-
- individual impairment allowances	-	-
(vii) Impaired debt securities		
The amount of debt securities on which interest is being placed in suspense or on which interest accrual has ceased	-	-
Amount of individual impairment allowances in respect of such securities	-	-
% of such debt securities to total debt securities	0.0%	0.0%
(viii) The breakdown of the gross amount of debt securities by industry sectors which are considered to be significant to the institution		
<u>Debt Securities for use in Hong Kong</u>		
Industrial, commercial and financial		
- property development	-	-
- property investment	-	-
- financial concerns	3,906,111	3,131,176
- wholesale and retail trade	-	-
- manufacturing	-	-
- transport and transport equipment	-	-
- electricity, gas and telecommunications	-	-
- others	-	-
- individuals	-	-
<u>Debt securities for use outside Hong Kong</u>		
Industrial, commercial and financial		
- property development	-	-
- property investment	-	-
- financial concerns	9,005,799	6,553,759
- wholesale and retail trade	-	-
- manufacturing	-	-
- transport and transport equipment	-	-

- electricity, gas and telecommunications	-	-
- others	649,848	787,806
- individuals	-	-
(ix) The breakdown of the gross amount of debt securities by countries to the institution according to the location of the counterparties.		
- Australia	1,896,601	1,662,658
of which the gross amount of overdue debt securities	-	-
- British Virgin Islands	-	-
of which the gross amount of overdue debt securities	-	-
- Cayman Islands	234,255	373,660
of which the gross amount of overdue debt securities	-	-
- China	228,029	223,864
of which the gross amount of overdue debt securities	-	-
- Germany	-	-
of which the gross amount of overdue debt securities	-	-
- Hong Kong	3,906,111	3,131,176
of which the gross amount of overdue debt securities	-	-
- India	117,127	117,498
of which the gross amount of overdue debt securities	-	-
- Indonesia	409,083	546,228
of which the gross amount of overdue debt securities	-	-
- Japan	58,576	-
of which the gross amount of overdue debt securities	-	-
- Malaysia	1,118,465	664,005
of which the gross amount of overdue debt securities	-	-
- Mauritius	-	-
of which the gross amount of overdue debt securities	-	-
- New Zealand	437,603	118,030
of which the gross amount of overdue debt securities	-	-
- Philippines	277,202	250,663
of which the gross amount of overdue debt securities	-	-
- Republic of Ireland	-	-
of which the gross amount of overdue debt securities	-	-
- Singapore	430,652	27,776
of which the gross amount of overdue debt securities	-	-
- South Korea	1,907,003	1,643,526
of which the gross amount of overdue debt securities	-	-
- Thailand	430,603	216,127
of which the gross amount of overdue debt securities	-	-
- United Kingdom	643,133	375,261
of which the gross amount of overdue debt securities	-	-
- United States of America	140,623	101,922

of which the gross amount of overdue debt securities	-	-
- United Arab Emirates	425,245	560,939
of which the gross amount of overdue debt securities	-	-
- Vietnam	234,255	234,997
of which the gross amount of overdue debt securities	-	-



## (x) Currency risk including exposures arising from structural positions

	Jun 2019						
	USD	AUD	CNY	EUR	NZD	CAD	
Equivalent in millions of HK\$							
Spot assets	16,598	1,415	4	9,100	532	1,166	
Spot liabilities	(16,675)	(1,414)	(3)	(9,131)	(532)	(1,164)	
Forward purchases	18,290	2,628	4	8,832	532	1,163	
Forward sales	(18,282)	(2,627)	(3)	(8,830)	(532)	(1,165)	
Net options position	-	-	-	-	-	-	-
Net long (short) position	(69)	2	2	(29)	(1)	-	-
Net structural position	3	-	-	-	3	-	-

## Dec 2018

	Dec 2018						
	USD	AUD	CNY	EUR	NZD	CAD	
Equivalent in millions of HK\$							
Spot assets	17,229	1,486	6	12,878	-	2,586	
Spot liabilities	(17,239)	(1,485)	(5)	(12,902)	-	(2,581)	
Forward purchases	11,802	284	5	5,967	-	2,578	
Forward sales	(11,792)	(284)	(5)	(5,967)	-	(2,582)	
Net options position	-	-	-	-	-	-	-
Net long (short) position	-	1	1	(24)	-	1	
Net structural position	-	-	-	-	-	-	-

	Jun 2019	Dec 2018
HK\$'000	HK\$'000	HK\$'000

(xi) Amount of repossessed assets

-	-
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(xii) Cross border claims by type of counterparty and by countries or geographical area are classified by the location of the counterparties after taking into account the transfer of risk. In general, risk transfer applies when cross-border claims are guaranteed by a party in an area which is different from that of the counterparty

	Banks & other financial inst.	Public sector entities	Others
Jun 2019			
1. Asia Pacific (excluding Hong Kong)	16,583	657	256
of which AUSTRALIA	1,518	-	7
of which CHINA	5,808	-	-
of which INDIA	1,742	-	-
of which INDONESIA	123	416	-
of which JAPAN	814	-	-
of which MALAYSIA	923	-	250
of which NEW ZEALAND	836	-	-
of which PHILIPPINES	375	-	-
of which SINGAPORE	212	-	-
of which SOUTH KOREA	2,082	-	-
of which TAIWAN	760	-	-
of which THAILAND	1,294	-	-
of which VIETNAM	95	241	-
of which Others	-	-	-
2. North & South America	55	-	-
3. Middle East & Africa	26	-	-
4. Europe	486	-	-
5. Caribbean	-	-	-
	Banks & other financial inst.	Public sector entities	Others
As at Dec 2018			
1. Asia Pacific (excluding Hong Kong)	13,788	796	322
of which AUSTRALIA	1,243	-	7
of which CHINA	3,932	-	-
of which INDIA	1,879	-	64
of which INDONESIA	95	554	-
of which JAPAN	1,230	-	-
of which MALAYSIA	682	-	252
of which NEW ZEALAND	300	-	-
of which PHILIPPINES	416	-	-
of which SINGAPORE	88	-	-
of which SOUTH KOREA	1,921	-	-
of which TAIWAN	760	-	-
of which THAILAND	1,096	-	-
of which VIETNAM	146	242	-
of which Others	-	-	-

2. North & South America	80	-	-
3. Middle East & Africa	107	-	-
4. Europe	471	-	-
5. Caribbean	1	-	-

#### IV. Off-balance sheet exposures

Jun 2019  
HK\$'000

Dec 2018  
HK\$'000

(i)	<u>Contingent liabilities and commitments</u>		
	- Direct credit substitutes	-	-
	- Transaction-related contingencies	-	-
	- Trade-related contingencies	56,601	-
	- Note issuance and revolving underwriting facilities	-	-
	- Other commitments	-	52,169
	- Others (including forward asset purchases, amounts owing on partly paid shares and securities, forward deposits placed, asset sales or other transactions with recourse.)	24,556,712	2,344,620
(ii)	<u>Derivatives</u>		
	- Exchange rate contracts	15,890,644	8,027,190
	(excluding forward foreign exchange contracts arising from swap deposit arrangements)		
	of which the aggregate replacement costs:	72,004	65,503
	with bilateral netting arrangements	-	-
	without bilateral netting arrangements	72,004	65,503
	- Interest rate contracts	4,910,479	4,693,888
	of which the aggregate replacement costs:	74,672	44,500
	with bilateral netting arrangements	-	-
	without bilateral netting arrangements	74,672	44,500
	- Others	-	-
	of which the aggregate replacement costs:	-	-
	with bilateral netting arrangements	-	-
	without bilateral netting arrangements	-	-

#### V. Liquidity

(i)	Average liquidity maintenance ratio (LMR)	Jun 2019	Dec 2018	Jun 2018
	Half Year	61.4%	56.7%	60.9%
		Apr - Jun 2019	Oct - Dec 2018	Jul - Sep 2018
	Quarter	65.0%	57.7%	55.3%
				58.2%

The liquidity risk management of Erste Group Bank AG Hong Kong Branch is aligned to the Group's liquidity risk management approach and policies. The goal of the Liquidity Management Process is to ensure the fulfillment of all ongoing obligations in business environments that range from normal course of business to stressed conditions. Erste Group has a three tiered structure for managing liquidity.

#### Group ALCO

The Group ALCO, whose members comprise all Holding board members, has primary responsibility for (1) the liquidity risk management framework defined in the rulebook and (2) yearly approval of the Group Liquidity Risk Management Rulebook (LRMR), the Holding Liquidity Risk Manual (HLRM) as well as the Holding's Contingency Funding Plan and the Group Liquidity Strategy Paper. Group ALCO is the highest decision making committee for all aspects of Group Liquidity Risk Management and meets at least monthly. During periods of market disruption and crisis determination, the Group ALCO is also responsible for approving liquidity enhancing actions as proposed by Group ALM or the Group OLC in order to improve the group's liquidity situation.

#### Group - OLC

Group OLC meets on a bi-weekly basis to discuss and deal with liquidity related topics. It analyses the Group's liquidity situation in the context of the current and future market outlook, decides on liquidity issues and reports directly to the Group ALCO. The Chairman of the Group OLC is the primary contact person for Group entities in respect to liquidity related issues. In a severe crisis situation, Group OLC shall meet at least on a weekly basis.

#### Local Liquidity Committee - LLC

Each local entity that has a liquidity management process has a LLC. All concepts and strategies concerning the Group wide liquidity risk management process remain valid at a local level. However, the LLC has responsibility for setting any additional local liquidity limits and for supervising the adherence of the group wide liquidity policy and limits. Any actions done locally shall be reported to the Group OLC (e.g. via the minutes of the LLC). The Hong Kong Branch LLC ["HKLLC"] is comprised of senior Branch Management and meets at least monthly [or more often as liquidity conditions dictate] with minutes of meetings being distributed to Group-OLC.

#### Hong Kong Branch

Hong Kong Branch's funding requirements are satisfied by inter-bank borrowings and currency swap transactions within a strategy that complements Group objectives. The strategy is focused on developing stable sources of lowest cost liquidity from Asia Pacific counterparties sufficient to satisfy the Branch's ongoing funding needs plus a prudential buffer and to supplement overall Group funding.

## **VI. Remuneration**

Hong Kong branch adopts remuneration policy and practices in line with Erste Group AG's policies. Please refer to the Group's annual report for details of the Board Compensation, Remuneration and People Performance Management and key characteristics of the Remuneration System.

**VII. International Claims**

Country / Jurisdiction			Non-bank private sector		Others	Total
	Banks	Official Sector	Non-bank financial institutions	Non -Financial private sector		
<b>Total liabilities and claims as at 28 Jun 2019</b>						
Country/Jurisdiction						
Developed countries	9,729,870	0	0	6,513		9,736,383
of which AUSTRIA	3,978,768	0	0	0		3,978,768
of which Australia	1,900,552	0	0	6,513		1,907,065
of which LUXEMBOURG	1,205,785	0	0	0		1,205,785
Offshore centres	6,143,884	215	0	0		6,144,098
of which Hong Kong SAR	5,296,840	215	0	0		5,297,055
of which SINGAPORE	436,950	0	0	0		436,950
of which CAYMAN ISLANDS	237,645	0	0	0		237,645
Developing Europe	20,107	0	0	0		20,107
of which Croatia	16,316	0	0	0		16,316
of which POLAND	2,060	0	0	0		2,060
of which CZECH REPUBLIC	1,730	0	0	0		1,730
Developing Latin America and Caribbean	44,378	0	0	0		44,378
of which CHILE	37,251	0	0	0		37,251
of which MEXICO	7,127	0	0	0		7,127
Developing Africa and Middle East	770,605	0	0	0		770,605
of which UNITED ARAB EMIRATES	668,460	0	0	0		668,460
of which ISRAEL	93,079	0	0	0		93,079
of which SOUTH AFRICA	9,066	0	0	0		9,066
Developing Asia and Pacific	5,318,645	656,753	0	249,670		6,225,067
of which SOUTH KOREA	2,259,827	0	0	0		2,259,827
of which Malaysia	923,419	0	0	249,670		1,173,089
of which CHINA	611,981	0	0	0		611,981
International Organisations	0	0	0	0		0
of which						
Unallocated by country	0	0	0	0		0
of which						

Country / Jurisdiction			Non-bank private sector		Others	Total
	Banks	Official Sector	Non-bank financial institutions	Non -Financial private sector		
<b>Total liabilities and claims as at 31 Dec 2018</b>						
Country/Jurisdiction						
Developed countries	17,737,475	0	0	6,585		17,744,060
of which AUSTRIA	13,343,695	0	0	0		13,343,695
of which Australia	1,668,698	0	0	6,585		1,675,283
of which JAPAN	1,119,384	0	0	0		1,119,384
Offshore centres	5,212,199	235	0	0		5,212,434
of which Hong Kong SAR	4,804,235	235	0	0		4,804,470
of which CAYMAN ISLANDS	378,034	0	0	0		378,034
of which SINGAPORE	29,930	0	0	0		29,930
Developing Europe	54,908	0	0	0		54,908
of which Croatia	23,073	0	0	0		23,073
of which Romania	20,739	0	0	0		20,739
of which Bulgaria	6,667	0	0	0		6,667
Developing Latin America and Caribbean	37,196	0	0	0		37,196
of which MEXICO	37,196	0	0	0		37,196
Developing Africa and Middle East	1,142,842	0	0	0		1,142,842
of which UNITED ARAB EMIRATES	1,045,452	0	0	0		1,045,452
of which ISRAEL	62,427	0	0	0		62,427
of which SOUTH AFRICA	29,113	0	0	0		29,113
Developing Asia and Pacific	4,612,990	795,640	0	315,627		5,724,258
of which SOUTH KOREA	1,920,972	0	0	0		1,920,972
of which CHINA	830,127	0	0	0		830,127
of which Malaysia	422,269	0	0	252,118		674,387
International Organisations	0	0	0	0		0
of which						
Unallocated by country	0	0	0	0		0
of which						

## Section B - Bank Information (consolidated basis)

### I. Group structure

Founded in 1819 as the first Austrian savings bank, Erste Group went public in 1997 with a strategy to expand its retail business into Central and Eastern Europe (CEE). Since then Erste Group has grown through numerous acquisitions and organic growth to one of the largest financial services providers in the Eastern part of EU in terms of clients and total assets.

- The number of customers has increased to approx. 16 million in Austria, Czech Republic, Slovakia, Romania, Hungary, Croatia and Serbia.
- Erste Group's key business is the retail business, covering the entire spectrum from lending, deposit and investment products to current accounts and credit cards.
- Besides the traditional strength in serving private individuals, Erste Group's core activities include advisory services and support for corporate clients in financing, investment and access to international capital markets, public sector funding and interbank market operations.

#### Erste Bank - lead bank of the Austrian savings bank sector

As the oldest Austrian savings bank, Erste Bank has taken a leadership role in unifying the Austrian savings bank sector and has developed a pioneering partnership with over 61 savings bank partners. Nearly all of the savings banks now offer the same products to their customers, with Erste Bank playing a key role in product origination. They also co-operate in their marketing and Erste Bank acts as their consultant in asset/liability management and provides back-office services.

#### Strong position in Central and Eastern Europe

- > Ceska Sporitelna has 4.6m customers, 25.6% of retail deposits and 487 branches making it the number 1 retail bank in the Czech Republic.
- > Slovenska Sporitelna has 2.2m customers, 28.1% of retail deposits and 241 branches making it the number 1 retail bank in Slovakia.
- > Erste Bank - Hungary has 0.9m customers, 9.3% of retail deposits and 111 branches making it the number 2 retail bank in Hungary.
- > Erste Bank - Croatia has 1.2m customers, 14.3% of retail deposits and 149 branches making it the number 3 retail bank in Croatia.
- > Banca Comerciala Romana S.A. has approx 3.4m customers, 15.2% of retail deposits and 482 branches. It is Romania's leading retail bank.

### II. Notes to the consolidated data from the Erste Bank Group

All financial data presented below is extracted from the Group's published Results as at December 2018. The accounts are prepared in accordance with International Financial Reporting Standards. All figures are in HKD millions.

Due to different accounting terminologies and classifications used in Austria and Hong Kong, some of the disclosure of financial information recommended by the Hong Kong Monetary Authority cannot be fully matched or achieved.

The base currency used in the Group consolidated accounts is in Euros (EUR). The exchange conversion rates from EUR to HKD equivalent as at 28 June 2019, 31 December 2018 and 29 June 2018 are EUR1 = HKD8.8931, EUR1 = HKD8.95455 and EUR1 = HKD9.1288.

### III. Capital and capital adequacy

#### Own Funds according to Basel 3

Erste Group as a group of credit institutions is subject to the EU directive 575/2013 (CRR) and must comply with the capital requirements set out therein.

The items of own funds as disclosed below are also used for internal capital management purposes. Erste Group fulfilled the capital requirements.

#### Capital structure according to the EU regulation 575/2013 (CRR)

in HKD million	Article pursuant to CRR	Jun-18 Phased-in	Dec-18 Phased-in	Jun-19 Phased-in
<b>Common equity tier 1 capital (CET1)</b>	<b>50</b>	134,027	138,950	143,037
<b>Additional tier 1 capital (AT1)</b>		9,048	8,942	13,311

