

UNION BANK OF INDIA, HONG KONG
INTERIM DISCLOSURE STATEMENT
SECTION A - BRANCH INFORMATION (HONG KONG ONLY)

I. Profit and Loss Account

For the the six months ended 30th September 2018

	<u>30.9.2018</u> (HK\$'000)	<u>30.9.2017</u> (HK\$'000)
<u>INCOME</u>		
Interest income	408,647	468,570
Interest expenses	(377,117)	(388,771)
Net interest income	<u>31,530</u>	<u>79,799</u>
 <u>Other Operating Income</u>		
Gains less losses from trading in foreign currencies	1,195	2,976
Gains less losses on securities held for trading	371	1,454
Gains less losses from non-trading Investments		
Gross fees and commission income(Expenses-Nil)	2,622	4,233
Others	4,108	3,712
Total Income	<u>39,826</u>	<u>92,174</u>
 <u>EXPENDITURE</u>		
<u>Operating Expenses</u>		
Staff and rental expenses	7,659	7,546
Other expenses	15,470	6,178
Net charge for other provisions	(25,570)	(1)
 Operating Profit before Impairment Losses	 42,267	 78,451
 Impairment losses and provisions for impaired loans and receivables		
- Collective Provision	(60,566)	34,804
- Specific Provision	(114)	359,220
 Profit (Loss) before Taxation	 102,947	 (315,573)
 Taxation Expense	 -	 -
 Profit (Loss) after Taxation	 <u>102,947</u>	 <u>(315,573)</u>



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II. Balance Sheet

As at 30th September 2018

	<u>30.09.2018</u> (HK\$'000)	<u>31.03.2018</u> (HK\$'000)
<u>ASSETS</u>		
1. Cash and balances with banks (except those included in amount due from overseas offices)	1,405,317	1,540,510
2. Placement with banks which have a residual contractual maturity of more than one month but not more than 12 months (except those included in amount due from overseas offices)	704,250	4,316,895
3. Amount due from overseas offices	2,820,342	4,020,532
4. Trade Bills	2,187,638	6,903,224
5. Loans and Receivables		
Advances to customers	9,196,680	13,012,994
Advances to banks		
Other Accounts (Accrued interest and others)	360,771	354,863
Provision for impaired loans and receivables - collective	(105,751)	(166,317)
Provision for impaired loans and receivables - specific	(391,575)	(1,376,825)
6. Investment Securities	1,412,804	1,435,667
7. Property, plant and equipment and investment properties	1,739	1,726
Total Assets	17,592,215	30,043,269
<u>LIABILITIES</u>		
1. Deposits and balances of banks (except those included in amount due from overseas offices)	4,984,578	14,084,611
2. Deposits from customers		
i) Demand deposits and current accounts	50,425	56,338
ii) Savings deposits	16,112	16,808
iii) Time, call and notice deposits	793,461	1,278,912
3. Amount due to overseas offices	6,049,105	8,809,754
4. Certificates of Deposit issued		
5. Issued Debt Securities	5,477,500	5,494,230
6. Other liabilities (Accrued interest and others)	221,034	302,616
7. Other Provisions	-	-
Total Liabilities	17,592,215	30,043,269



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III. Additional Information

1. Impaired Loans and Advances

There were no impaired loans and advances to banks as at 30th September 2018 and 31st March 2018 .

There were impaired loans and advances to other customers to the extent of \$ 845,355 (HK\$'000) as at 30th September 2018 and \$ 3,231,737 (HK\$'000) as at 31st March 2018 .

2. Derivatives

	<u>30.9.2018</u> (HK\$'000)	<u>31.3.2018</u> (HK\$'000)
a) Notional Amount		
i) Exchange rate contracts	462,962	624,584
ii) Interest rate contracts	5,477,500	5,494,230
TOTAL	<u>5,940,462</u>	<u>6,118,814</u>
b) Fair Value of Derivative contracts (Gross)		
i) Exchange rate contracts	3,345	(3,667)
ii) Interest rate contracts	(49,667)	(43,383)
TOTAL	<u>(46,322)</u>	<u>(47,050)</u>

There are no bilateral netting arrangements and hence there is no effect on the fair value of the derivatives.

3. Off Balance Sheet Exposure other than Derivative Transactions

	<u>30.9.2018</u> (HK\$'000)	<u>31.3.2018</u> (HK\$'000)
Notional Amount		
i) Direct credit substitutes	16,315	17,355
ii) Trade related contingent items	2,238,831	2,794,495
iii) Other commitments	-	-
TOTAL	<u>2,255,146</u>	<u>2,811,850</u>



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III. Additional Information - continued

4 INTERNATIONAL CLAIMS

	Banks	Official	30th September 2018		Others	Total
			Non-Bank	Private Sector		
			Non-Bank	Non-Financial		
			HK \$ Million			
1 Developed Countries	302			799	-	1,101
Of which United States	2			710		712
Of which United Kingdom	300			84		384
2 Offshore Centres	-			474	-	474
Of which Singapore				474		474
3 Developing Europe	-	-	-	-	-	-
Developing Latin America &						
Carribbean	-	-	-	1	-	1
5 Developing Africa & Middle East	425	-	-	458	-	883
Of which UAE	310	-	-	230	-	540
Of which Qatar	115	-	-		-	115
6 Developing Asia-Pacific	5,548	-	-	6,335	-	11,883
Of which India	5,548	-	-	5,876	-	11,424
7 International Organisations	-	-	-	-	-	-
8 Unallocated by Country	-	-	-	-	-	-
	6,275	-	-	8,067	-	14,342

	Banks	Official	31st March 2018		Others	Total
			Non-Bank	Private Sector		
			Financial	Non-Financial		
			HK \$ Million			
1 Developed Countries	-			707	-	707
Of which United States	-			669		669
2 Offshore Centres	760			386	-	1,146
Of which Singapore	760			-		760
Of which Mauritius				384		384
3 Developing Europe	-	-	-	-	-	-
Developing Latin America &						
Carribbean	-	-	-	-	-	-
5 Developing Africa & Middle East	207	-	-	380	-	587
Of which UAE	92	-	-	348	-	440
6 Developing Asia-Pacific	12,545	-	-	10,408	-	22,953
Of which India	12,545	-	-	10,023	-	22,568
7 International Organisations	-	-	-	-	-	-
8 Unallocated by Country	-	-	-	-	-	-
	13,512	-	-	11,881	-	25,393

International claims are derived according to the location of counter parties on which the ultimate risk lies after taking into account any transfer of risk.



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III. Additional Information - continued

5. Advances to Customers

	<u>30.9.2018</u> (HK\$'000)	<u>31.3.2018</u> (HK\$'000)
a) <u>By Sectors</u>		
<u>Loans for use in Hong Kong</u>		
i) Industrial, commercial & financial wholesale and retail trade	797,367	936,538
ii) Individuals		
For other* business purposes		
For other* private purposes	37,419	9,308
b) Trade Financing	738,991	849,218
<u>Loans for use outside Hong Kong</u>	7,622,903	11,217,930
TOTAL **	<u>9,196,680</u>	<u>13,012,994</u>

* Other than for purchase of residential properties or credit card advances

** The total loans are covered by collateral or other security to the extent of \$ 6,342,024 (HK\$'000) as at 30th September 2018 and \$ 7,999,908 (HK\$'000) as at 31st March 2018 .

b) By Geographical Areas

Hong Kong	1,370,614 *	1,837,158 *
India	5,557,413 **	8,989,594 **
Others	2,268,653 ***	2,186,242
TOTAL	<u>9,196,680</u>	<u>13,012,994</u>

Out of the loans to Hong Kong \$ 146,782 (HK\$'000) as at 30th September 2018 and \$ 309,819

* (HK\$'000) as at 31st March 2018 are impaired.

Out of the loans to India \$ 247,342 (HK\$'000) as at 30th September 2018 and \$ 2,745,796

** (HK\$'000) as at 31st March 2018 are impaired.

*** Out of the loans to others \$ 451,231 as at 30th September 2018 and \$ 176,122 (HK\$'000) as at 31st March 2018 are impaired.

Geographical locations are based on the physical location of the borrower. Risk transfer is only made if the claim is guaranteed by a party in a country which is different from the counterparty.



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III. Additional Information - continued

6. Overdue and Rescheduled Assets

Overdue Loans and Advance to customers

	30.9.2018				31.3.2018			
	(HK\$'000)				(HK\$'000)			
	Amount	% of total loans & advances to customer	Collateral held	Specific provision made	Amount	% of total loans & advances to customer	Collateral held	Specific provision made
More than 3 months but not more than 6 months	-	0.00%			279,434	2.15%		
More than 6 months but not more than one year	320,630	3.49%	716,743	311,425	312,557	2.40%	3,814,537	1,245,648
More than one year	524,725	5.71%			2,509,763	19.29%		

There were no overdue of loans and advance to banks as at 30th September 2018 and 31st March 2018 .

There were no rescheduled loans and advance to customers as at 30th September 2018 and 31st March 2018 .

There were no rescheduled loans and advance to banks as at 30th September 2018 and 31st March 2018 .

There were no repossessed assets held as at 30th September 2018 and 31st March 2018 .

There were other assets overdue for more than 3 months to the extent of \$ 147,684 ('000s) as at 30th September 2018 and \$ 289,210 ('000s) as at 31st March 2018.



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III. Additional Information - continued

7 Non-bank Mainland Activities

<u>Type of counterparties</u>	<u>30.9.2018</u> (HK\$'000)			<u>31.3.2018</u> (HK\$'000)		
	<u>On-balance sheet exposure</u>	<u>Off-balance sheet exposure</u>	<u>Total</u>	<u>On-balance sheet exposure</u>	<u>Off-balance sheet exposure</u>	<u>Total</u>
1 Central government, central government-owned entities and their subsidiaries and joint ventures (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 local governments not reported in item 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	0	0	0	0	0	0
Total assets after provision	17,592,215			30,043,269		
On-balance sheet exposures as percentage of total assets	0.00			0.00		



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III. Additional Information - continued

8 Foreign Currency Exposure

The position in a particular currency will be reported if the net position (in absolute terms) constitutes 10% or more of the total net position in all foreign currencies.

	<u>30.9.2018</u> (HK\$ Million)		
	US\$	Euro	Total
Spot assets	17,789	209	17,998
Spot liabilities	(18,001)	(69)	(18,070)
Forward purchases	229	-	229
Forward sales	(5)	(143)	(148)
Net options	-	-	-
Net long (short) position	<u>12</u>	<u>(3)</u>	<u>9</u>

	<u>31.3.2018</u> (HK\$ Million)		
	US\$	Euro	Total
Spot assets	30,884	260	31,144
Spot liabilities	(31,000)	(251)	(31,251)
Forward purchases	232	62	294
Forward sales	(79)	(65)	(144)
Net options	-	-	-
Net long (short) position	<u>37</u>	<u>6</u>	<u>43</u>

There is no net structural position constituting 10% or more of the total net structural position in all foreign currencies as at 30th September 2018 and 31st March 2018 .



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III. Additional Information - continued

10. Liquidity

	<u>Six Months</u> <u>ended 30.9.2018</u>	<u>Six Months</u> <u>ended 30.9.2017</u>
Average Liquidity Maintenance Ratio	<u>102.40%</u>	<u>45.63%</u>

Average Liquidity Maintenance Ratio is calculated as the simple average of each month's average liquidity ratio for the first six months of the financial year computed in accordance with Banking Liquidity Rules.

	<u>Three Months</u> <u>ended 30.9.2018</u>	<u>Three Months</u> <u>ended 30.6.2018</u>
Average Liquidity Maintenance Ratio	<u>134.52%</u>	<u>70.28%</u>

Average Liquidity Maintenance Ratio is calculated as the simple average of each month's average liquidity ratio for the three months of the quarter computed in accordance with Banking Liquidity Rules.

LIQUIDITY RISK MANAGEMENT

Bank has established in all material respects, the Internal Control system and Procedures in accordance with the requirements set-out in the "Supervisory Policy Manual (LM2- Sound Systems and Controls for Liquidity Risk Management) issued by HKMA. The Risk Management Committee, comprising of the Senior Executives of the Hong kong Branch is responsible for implementing the Liquidity Risk Management Strategy. Guidelines are issued by this Committee periodically for funding and contingency Planning. The bank uses the Cash Flow projections / Liquidity Planning schedules, prepared on a daily basis for Liquidity Management. The risk is tracked through maturity and cash flow mis-matches. Surplus or deficit at selected maturity dates, known as "Time buckets" is adopted as the standard tool for measuring Liquidity Risk. Limits on tolerance level of mis-matches have been set by the Bank and monitored regularly. Wholesale deposits and borrowings are also monitored on a daily basis.

The Bank calculates periodically various ratios with reference to the borrowings, wholesale deposits, commitments and derivative positions and these ratios are also used for monitoring the liquidity management. In addition, the Bank has committed lines of credit available to it, which can be utilised at any time, without any notice. Overall, the Bank has established sound Liquidity Policies and Procedures for Liquidity Management and they are being adhered to strictly.



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III. Additional Information - continued

11. REMUNERATION POLICY OF THE BRANCH

1) Decision making process

a) Fixed Remuneration: Senior Management and the key personnel of the Branch are all Bank's Officers from India deputed to the Branch (known as India Based Officers) for a specified term. The Remuneration to them is a fixed amount in cash. The amount of Remuneration to them is decided by an independent committee named 'Standing Committee on Uniform Guidelines on Salary & Service Conditions of Officers of Public Sector Banks posted abroad' constituted by the Ministry of Finance, Department of Financial Services, Government of India. The members of this Working Group are representatives of six Indian Public Sector banks. The Working Group of this Committee reviews the remuneration amount at periodical intervals and sends its recommendations to all public sector banks. Board of Directors of respective bank deliberates and approves the recommended remuneration structure.

b) Variable Remuneration: Board of Directors have approved Performance Linked Comprehensive Cash Incentive Scheme, based on the guidelines laid down by Government of India. In case of Hong Kong Branch, Branch Head of rank of Deputy General Manager and above is eligible to get performance-linked remuneration as per existing scheme.

2) Design Characteristics of Remuneration System

a) Fixed Remuneration: As per the Board Approval, the remuneration of India Based Officers (IBO) to Hong Kong Branch, fixed remuneration is paid, which is based on the recommendations of the Standing Committee constituted by Ministry of Finance, Government of India.

b) Variable Remuneration: The incentive scheme for the Branch Head of Deputy General Manager's rank comprises of following two components:

i) Incentive of up to 4% of the gross annual salary based on the performance of their respective General Manager

ii) Incentive of up to 16% of the gross annual salary based on the individual performance. Fixed Remuneration and Variable Remuneration are paid in cash.

3) Aggregate Quantitative Information on remuneration for the Senior Management and Key Personnel

a) Details of Fixed and Variable Remuneration

Fixed		Variable		Total amount paid during the six months ended 30th September 2018 (HKD 000)
No. Of Persons	Amount (HKD 000)	No. Of Persons	Amount (HKD 000)	
2	407	-	-	407

b) Entire variable remuneration, wherever applicable, are paid in Cash. During the six months ended 30th September 2018 no variable remuneration was paid.

c) There was no vested or unvested deferred remuneration during the six months ended 30th September 2018

d) There was no deferred remuneration paid out and reduced through performance adjustment during the six months ended 30th September 2018

4). Details of New sign-on and severance payments during the six months ended 30th September 2018

New sign-on and severance awarded and number of beneficiaries of such payments	NIL
Amounts of severance actually made, number of beneficiaries and highest such award to A single person	NIL



UNION BANK OF INDIA, HONG KONG
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SECTION B - BANK INFORMATION CONSOLIDATED BASIS

AVAILABLE FROM THE BANK'S WEBSITE

1. Capital and Capital Adequacy

	<u>31.3.2018</u> (HK\$'000)	<u>31.3.2017</u> (HK\$'000)
a) Capital		
Shareholders' Funds	<u>30,405,549*</u>	<u>28,127,792**</u>

b) Capital Adequacy Ratio***

	<u>31.3.2018</u> (HK\$'000)	<u>31.3.2017</u> (HK\$'000)
Basel III	<u>11.56%</u>	<u>11.84%</u>

***Capital Adequacy Ratio is calculated in accordance with the requirements of Reserve Bank of India.

2. Other Financial Information

	<u>31.3.2018</u> (HK\$'000)	<u>31.3.2017</u> (HK\$'000)
Total Assets	591,386,399*	543,757,425**
Total Liabilities	560,980,850*	515,629,633**
Total Advances	349,875,387*	343,615,547**
Total Customer Deposits	<u>485,551,955*</u>	<u>443,237,494**</u>

	<u>Year</u> <u>ended 31.3.2018</u> (HK\$'000)	<u>Year</u> <u>ended 31.3.2017</u> (HK\$'000)
Pre-tax Profit	<u>(7,945,093)*</u>	<u>435,148**</u>

* Indian Rupee converted to HK\$ @ 8.305 (31st March 2018)

** Indian Rupee converted to HK\$ @ 8.38 (31st March 2017)

Declaration of Chief Executive Officer

We have prepared the financial disclosure statement of Union Bank of India, Hong Kong Branch for the six months ended 30th September 2018 . The information disclosed complies fully with the Banking (Disclosure) Rules made by the Hong Kong Monetary Authority under Section 60A of the Banking Ordinance (Cap.155). To the best of my knowledge, the Disclosure Statement is not false or misleading.


Chief Executive Officer
Union Bank of India, Hong Kong

