

Barclays Bank PLC
Hong Kong Branch

Key Financial Information Disclosure Statement

As at 31 Dec 2018



Barclays Bank PLC

Hong Kong Branch

SECTION A - Branch Information (Hong Kong office only)

Income statement

For the year ended 31 Dec 2018

	Notes	31 Dec 2018 HKD million	31 Dec 2017 HKD million
Interest Income		318	199
Interest expense		<u>(197)</u>	<u>(71)</u>
Net Interest income		121	128
Other operating income	1	280	302
Net fees and commission income	2	1,305	1,289
Operating expenses	3	(1,790)	(1,686)
Credit impairment charges and other provisions		<u>1</u>	<u>-</u>
(Loss)/profit before taxation		(83)	33
Tax credit/(expense)		<u>16</u>	<u>(7)</u>
(Loss)/profit after taxation for the period		<u><u>(67)</u></u>	<u><u>26</u></u>

Balance sheet

As at 31 Dec 2018

		31 Dec 2018 HKD million	30 Jun 2018 HKD million
Assets			
Cash and balances with banks		364	108
Amount due from Exchange Fund		1	344
Amount due from overseas offices		6,993	4,723
Investment securities	4	5,469	3,699
Loans and receivables	5	214	331
Other accounts		238	158
Deferred tax assets		439	419
Property, plant and equipment and investment properties		<u>47</u>	<u>60</u>
Total Assets		<u><u>13,765</u></u>	<u><u>9,842</u></u>
Liabilities			
Deposits from customers	6	992	1,110
Amount due to Exchange Fund		6,000	-
Amount due to overseas offices		3,980	8,575
Amount payable under repos	4	2,010	-
Other liabilities	7	<u>783</u>	<u>157</u>
Total Liabilities		<u><u>13,765</u></u>	<u><u>9,842</u></u>

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Off-balance sheet and liquidity information As at 31 Dec 2018

	31 Dec 2018 HKD million	30 Jun 2018 HKD million
Contingent liabilities and commitments		
Trade-related contingencies	389	431
Other commitments	64	162

Derivatives instruments

	31 Dec 2018 HKD million		
	<u>Fair Value</u> <u>Assets</u>	<u>Fair Value</u> <u>Liabilities</u>	<u>Total Notional</u> <u>Amount</u>
Exchange rate-related derivative contracts	88	74	32,922
	<u>88</u>	<u>74</u>	<u>32,922</u>
	30 Jun 2018 HKD million		
	<u>Fair Value</u> <u>Assets</u>	<u>Fair Value</u> <u>Liabilities</u>	<u>Total Notional</u> <u>Amount</u>
Exchange rate-related derivative contracts	32	14	13,345
	<u>32</u>	<u>14</u>	<u>13,345</u>

The notional amounts of the above instruments indicate the volume of transactions outstanding as of the balance sheet date. They do not represent amounts at risk.

Liquidity Information Disclosure

	For the quarter ended 31 Dec 2018	For the year ended 31 Dec 2017
Average Liquidity Maintenance Ratio for the financial reporting period	194.02%	217.5%

The liquidity maintenance ratio ("LMR") is prepared in accordance with the Banking (Liquidity) Rules ("BLR") issued by the Hong Kong Monetary Authority ("HKMA"). The average LMR is calculated based on the arithmetic mean of the average value of the Hong Kong Branch's ("the Branch") LMR for each calendar month as reported in the liquidity position return submitted to the HKMA for the abovementioned financial reporting periods.

The average LMR disclosed for the reporting period in 2018 is calculated based on three months' average while the average LMR for the financial reporting period in 2017 is calculated based on twelve months' average.

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Liquidity Information Disclosure (continued)

Liquidity framework

Barclays PLC ("the Group") has a comprehensive Key Risk Control Framework for managing the Group's liquidity risk. The Liquidity Framework meets the Prudential Regulation Authority's (PRA) standards and is designed to maintain that the Group has liquidity resources that are sufficient in amount and quality, and a funding profile that is appropriate to meet the liquidity risk appetite (LRA).

The Liquidity Framework is delivered via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring.

Structure and responsibilities of liquidity risk management

The Hong Kong Asset and Liabilities Management Committee reviews and approves the Branch's liquidity risk appetite, liquidity and funding risk management strategies, key metrics and limits structure, and the assets and liabilities maturity profile. The Hong Kong and the Regional Treasury Departments are responsible for day-to-day monitoring of the liquidity stress test, the liquid maintenance ratio report and other liquidity risk management reports produced by various financial and risk reporting functions and exercise relevant controls to ensure compliance with the internal and regulatory requirements. The Regional Funding and Liquidity Risk Department is responsible for setting the quantitative and qualitative liquidity risk management measures, limits and constraints. The Internal Audit Department conducts regular audits to provide assurance on the effectiveness of the liquidity risk management governance and the related risk management controls.

Liquidity risk appetite

Under the Liquidity Framework, the Group has established the Liquidity Risk Appetite (LRA) together with the appropriate limits for the management of the liquidity risk. The Branch adopts this framework and defines its risk appetite and tolerance based on the amount of liquidity resources to meet modelled and prescribed liquidity stress outflows over a period of time. This is the level of liquidity risk the Branch chooses to take and tolerate in pursuit of its business objectives and in meeting its regulatory obligations. A set of liquidity risk limits and control framework are developed under the LRA which define the constraints within which the business lines must operate.

Stress testing and internal liquidity reporting

The Branch runs three short term liquidity stress test scenarios, aligned to the Group and the PRA's prescribed stresses:

- 90-day market-wide stress event
- 30-day Barclays specific stress event
- combined 30-day market-wide and Barclays specific stress event.

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Liquidity Information Disclosure (continued)

Stress testing and internal liquidity reporting (continued)

The Branch identifies its liquidity exposures based on the anticipated net stressed outflows under each of these stress scenarios and manages its eligible liquid asset pool to be at least 100% of the anticipated net stressed outflows.

In addition, the Branch also establishes internal limits and monitoring procedures to ensure compliance with the Liquidity Maintenance Ratio (LMR) required under the Banking (Liquidity) Rules. A daily report on the LMR is produced with results communicated to the abovementioned departments for monitoring and risk management purposes.

The stress test report is also produced on a daily basis with the results communicated to the abovementioned departments for funding and liquidity risk management purposes.

Liquidity risk management and funding strategies

The key objective of the Branch's liquidity risk management and funding strategies is to maintain liquidity surplus over the designated horizon under each stress scenario in order to mitigate the liquidity risk. If there is any funding gap in a particular currency revealed by the stress test, the Treasury Department will arrange for the required financing from its Head Office or other branches of Barclays which run the centralised funding pools with diversified funding sources for relevant currencies.

As at 31 Dec 2018 and 31 Dec 2017, the Branch held eligible liquid assets well in excess of 100% of net stress outflows for the 30-day Barclays specific and the combined market-wide and Barclays specific scenarios as well as the 90-day market wide stress scenario.

	30-day Barclays specific stress requirements HKD million	90-day Market- wide stress requirements HKD million
As at 31 Dec 2018		
Eligible liquid assets	2,862	2,862
Net stress inflows/(outflows)	405	(779)
Surplus	3,267	2,083
Liquidity pool as a percentage of anticipated net stress outflows as at 31 Dec 2018	-	367%

	30-day Barclays specific stress requirements HKD million	90-day Market- wide stress requirements HKD million
As at 31 Dec 2017		
Eligible liquid assets	2,464	2,464
Net stress outflows	(727)	(529)
Surplus	1,737	1,935
Liquidity pool as a percentage of anticipated net stress outflows as at 31 Dec 2017	339%	466%

The contractual maturity profile of the Branch's on and off-balance items is reviewed regularly by the Hong Kong Asset and Liabilities Committee ("ALCO") in order to align the maturity profile of the sources and uses of funding, provided that sufficient liquidity surplus is maintained over the designated horizon under each stress test.

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Liquidity Information Disclosure (continued)

Liquidity risk management and funding strategies (continued)

The contractual maturity profile and related surplus/gaps as at 31 Dec 2018 and 31 Dec 2017 extracted from the Return of Liquidity Monitoring Tools submitted by the Branch to the HKMA are set out in the table below:

As at 31 Dec 2018 HKD million	Total	Within 1 month	> 1	>3	>6	> 1 year	Over 5 years	Balancing amount
			month up to 3 months	months up to 6 months	months to 1 year	up to 5 years		
On-balance sheet liabilities								
Demand and saving deposits from non-bank customers	42	42	-	-	-	-	-	-
Term, call and notice deposits from non-bank customers	951	586	355	-	10	-	-	-
Derivative instruments	74	13,363	1,485	6,024	14,564	-	-	-
Due to HKMA for account of Exchange Fund	6,001	6,001	-	-	-	-	-	-
Due to banks	3,993	430	1,007	2,506	-	-	50	-
Other liabilities	701	680	-	-	-	-	-	21
Reserves	(7)	-	(7)	-	-	-	-	-
Total	11,755	21,102	2,840	8,530	14,574	-	50	21
Off-balance sheet obligations								
Irrevocable loan commitments	64	64	-	-	-	-	-	-
Contractual obligations arising from securities financing transactions	2,010	2,010	-	-	-	-	-	-
Other off-balance sheet obligations								
- with dates and amounts of payment ascertained	92	65	26	1	-	-	-	-
- Others	297	297	-	-	-	-	-	-
Total	2,463	2,436	26	1	-	-	-	-
On-balance sheet assets								
Derivative instruments	88	13,423	1,487	6,045	14,497	-	-	-
Due from HKMA for account of Exchange Fund	1	1	-	-	-	-	-	-
Due from banks	7,358	7,358	-	-	-	-	-	-
Debt securities (Exchange Fund Bills)	3,453	3,453	-	-	-	-	-	-
Loan and advances to customers	114	-	-	-	-	114	-	-
Other assets	735	150	21	-	-	-	-	564
Total	11,749	24,385	1,508	6,045	14,497	114	-	564
Off-balance sheet claims								
	2,017	2,017	-	-	-	-	-	-
Contractual maturity mismatch								
	2,864	(1,358)	(2,486)	(77)	114	(50)		
Cumulative contractual maturity mismatch								
	2,864	1,506	(980)	(1,057)	(943)	(993)		

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Liquidity Information Disclosure (continued)

Liquidity risk management and funding strategies (continued)

As at 31 Dec 2017 HKD million	Total	> 1		>3		>6 months to 1 year	> 1 year up to 5 years	Over 5 years	Balancing amount
		Within 1 month	up to 3 months	up to 3 months	up to 6 months				
On-balance sheet liabilities									
Demand and saving deposits from non-bank customers	43	43	-	-	-	-	-	-	-
Term, call and notice deposits from non-bank customers	1,178	684	256	228	10	-	-	-	-
Derivative instruments	15	1,200	613	660	2,547	-	-	-	-
Due to HKMA for account of Exchange Fund	-	-	-	-	-	-	-	-	-
Due to banks	4,532	1,476	1,003	2,003	-	-	-	50	-
Other liabilities	120	96	1	-	-	-	1	-	22
Reserves	42	-	42	-	-	-	-	-	-
Total	5,930	3,499	1,915	2,891	2,557	1	50	22	
Off-balance sheet obligations									
Irrevocable loan commitments	180	180	-	-	-	-	-	-	-
Contractual obligations arising from securities financing transactions	-	-	-	-	-	-	-	-	-
Other off-balance sheet obligations									
- with dates and amounts of payment ascertained	74	42	30	2	-	-	-	-	-
- Others	346	346	-	-	-	-	-	-	-
Total	600	568	30	2	-	-	-	-	-
On-balance sheet assets									
Derivative instruments	17	1,200	613	660	2,553	-	-	-	-
Due from HKMA for account of Exchange Fund	80	80	-	-	-	-	-	-	-
Due from banks	2,385	1,385	-	1,000	-	-	-	-	-
Debt securities (Exchange Fund Bills)	2,411	2,411	-	-	-	-	-	-	-
Loan and advances to customers	242	1	-	-	-	-	241	-	-
Other assets	795	186	14	-	-	-	-	-	595
Total	5,930	5,263	627	1,660	2,553	241	-	595	
Off-balance sheet claims									
	-	-	-	-	-	-	-	-	-
Contractual maturity mismatch	1,196	(1,318)	(1,233)	(4)	240	(50)			
Cumulative contractual maturity mismatch	1,196	(122)	(1,355)	(1,359)	(1,119)	(1,169)			

Remarks:

(1) The Branch only holds highly liquid assets in its liquidity pool, which mainly comprises balances with the central bank, exchange fund bills and notes as shown in the above maturity profile analysis. As these assets are all eligible to meet the local and the Group's liquidity requirements, there is no concentration limit set on individual type of assets in the local liquidity pool.

(2) The funding source diversification is achieved at the level of the Head Office or other branches of Barclays Bank Plc which run the centralised funding pool for the designated currencies. The Branch obtains fundings in various currencies mainly from its Head office or other branches of Barclays Bank Plc.

Contingency funding plan

The Branch adopts and conforms to the Group's Asia Contingent Funding Plan, which outlines the liquidity early warning indicators, the escalation and invocation process, and the sources of emergency funding applicable to each branch of Barclays in Asia. The Branch also establishes its own recovery plan which covers the contingency funding options for managing local liquidity stresses. These plans are reviewed regularly by the Hong Kong Treasurer, the relevant Asia Treasury and Risk Departments, and the Hong Kong ALCO.

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Notes to the Financial Statements

1 Other operating income	Notes	31 Dec 2018 HKD million	31 Dec 2017 HKD million
Income from foreign currency related activities			
- Transfer pricing income		173	60
- Trading gains less losses from foreign currency trading		(23)	13
Income from securities-related activities			
- Transfer pricing income		131	242
Loss from derivatives-related activities			
- Transfer pricing expense		(1)	(13)
		<u>280</u>	<u>302</u>
2 Net fees and commission income		31 Dec 2018 HKD million	31 Dec 2017 HKD million
Gross fees and commission income		1,429	1,375
Gross fees and commission expenses		(124)	(86)
		<u>1,305</u>	<u>1,289</u>
3 Operating expenses		31 Dec 2018 HKD million	31 Dec 2017 HKD million
Management fee recharged from related companies		(1,753)	(1,644)
Depreciation		(29)	(45)
Others		(8)	3
		<u>(1,790)</u>	<u>(1,686)</u>
4 Investment securities		31 Dec 2018 HKD million	30 Jun 2018 HKD million
Financial Assets at fair value through other comprehensive income		<u>5,469</u>	<u>3,699</u>

Exchange fund bills held by the Branch during the financial period ended 31 Dec 2018 are classified as fair value through other comprehensive income.

As at 31 Dec 2018, the Branch has sold investment securities of HKD 2,017 million (30 Jun 2018: Nil) subject to a commitment to repurchase them. The considerations received are accounted for as financial liabilities at amortised cost and disclosed as "Amount payable under repos". The securities sold are encumbered assets and are retained on the balance sheet as the Branch retains substantially all the risks and rewards of ownership.

5 Loans and receivables		31 Dec 2018 HKD million	30 Jun 2018 HKD million
Loans and advances to customers	8, 9, 10, 11	114	16
Other receivables			
- Accrued interest		1	2
- Other receivables		100	314
Credit impairment charges and other provisions		(1)	(1)
		<u>214</u>	<u>331</u>

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Notes to the Financial Statements (continued)

5 Loans and receivables (continued)

Barclays Group has adopted IFRS 9 Financial Instruments (IFRS 9) effective from 1 January 2018. This has resulted in key changes to the quantification of impairment allowances based on the expected credit losses (ECLs) methodology.

The calculation of impairment under ECL is based on unbiased forward-looking information for all financial assets at amortised cost and takes into account the drawn and undrawn counterparty exposures. At the reporting date, an allowance (or provision for loan commitments) is required for the 12 month ECLs. If the credit risk has significantly increased since initial recognition (Stage 2), or if the financial instrument is credit impaired (Stage 3), an allowance (or provision) should be recognised for the lifetime ECLs.

The measurement of the ECL is calculated using three main components.

- (i) probability of default (PD)
- (ii) loss given default (LGD)
- (iii) exposure at default (EAD)

The credit impairment charges and other provisions made as at 31 Dec 2018 and 30 Jun 2018 represent the Stage 1 ECL provision on loans and advances to customers and loan commitments. Prior to the adoption of IFRS 9, an impairment loss of HK\$1 million assessed collectively for portfolio level risks was recognised at Head Office as at 31 December 2017.

The key impacts to Barclays Group on the transition to IFRS 9, can be found in the "Barclays PLC IFRS 9 Transition Note" which can be obtained at www.barclays.com.

6 Deposits from customers	31 Dec 2018	30 Jun 2018
	HKD million	HKD million
Demand deposits and current accounts	42	42
Time, call and notice deposits	950	1,068
	<u>992</u>	<u>1,110</u>
7 Other liabilities	31 Dec 2018	30 Jun 2018
	HKD million	HKD million
Accrued interest	15	12
Other liabilities	768	145
	<u>783</u>	<u>157</u>
8 Analysis of advances to customers by industry sector		
	31 Dec 2018	
	HKD million	
	<u>Secured</u>	<u>Unsecured</u>
	<u>Total</u>	
Loans and advances for use outside Hong Kong	-	114
	<u>-</u>	<u>114</u>
Total loans and advances to customers	<u>-</u>	<u>114</u>
	30 Jun 2018	
	HKD million	
	<u>Secured</u>	<u>Unsecured</u>
	<u>Total</u>	
Loans and advances for use outside Hong Kong	-	16
	<u>-</u>	<u>16</u>
Total loans and advances to customers	<u>-</u>	<u>16</u>

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Notes to the Financial Statements (continued)

9 Overdue loans and advances to customers and banks

The Branch did not have any overdue or rescheduled loans and advances to customers and banks as at 31 Dec 2018 and 30 June 2018.

The Branch did not have any impaired loans and advances to customers and banks as at 31 Dec 2018 and 30 Jun 2018.

10 Repossessed assets

The Branch did not have any repossessed assets as at 31 December 2018 and 30 June 2018.

11 Loans and advances to customers by country

	31 Dec 2018 HKD million	30 Jun 2018 HKD million
Macau	114	16
	<u>114</u>	<u>16</u>

Loans and advances to customer by country are classified according to the location of the counterparties after taking into account the transfer of risk.

Countries constituting 10% or more of the aggregate amount of loans and advances to customers are disclosed.

12 International claims

	31 Dec 2018 HKD million		
	Non-bank private sector		
	<u>Banks</u>	<u>Non-financial private sector</u>	<u>Total</u>
Developed countries	7,160	21	7,181
<i>of which</i> United Kingdom (excludes Guernsey, Isle of Man and Jersey)	7,160	21	7,181
Offshore centres	363	114	477

	30 Jun 2018 HKD million		
	Non-bank private sector		
	<u>Banks</u>	<u>Non-financial private sector</u>	<u>Total</u>
Developed countries	5,101	-	5,101
<i>of which</i> United Kingdom (excludes Guernsey, Isle of Man and Jersey)	5,101	-	5,101
Offshore centres	107	16	123

International claims information discloses exposures in relation to all cross-border claims and local claims in foreign currencies after taking into account the transfer of risk. The above information is prepared in accordance with the HKMA Return of International Banking Statistics MA(BS)21 completion instructions. Countries constituting 10% or more of total international claims are disclosed.

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Notes to the Financial Statements (continued)

13 Non-bank Mainland exposures

The Branch did not have any Mainland exposures to non-bank counterparties as of 31 Dec 2018 and 30 Jun 2018.

14 Currency Risk

	31 Dec 2018			
	HKD million			
	<u>USD</u>	<u>RMB</u>	<u>Others</u>	<u>Total</u>
Spot assets	2,344	257	21	2,622
Spot liabilities	(415)	(25)	(21)	(461)
Forward purchases	16,765	9,850	-	26,615
Forward sales	(18,655)	(10,104)	-	(28,759)
Net options position	-	-	-	-
Net long/(short) position	<u>39</u>	<u>(22)</u>	<u>-</u>	<u>17</u>

	30 Jun 2018			
	HKD million			
	<u>USD</u>	<u>RMB</u>	<u>Others</u>	<u>Total</u>
Spot assets	181	243	20	444
Spot liabilities	(5,104)	(24)	(20)	(5,148)
Forward purchases	11,499	793	-	12,292
Forward sales	(6,568)	(1,019)	-	(7,587)
Net options position	-	-	-	-
Net long/(short) position	<u>8</u>	<u>(7)</u>	<u>-</u>	<u>1</u>

The Branch has no structural positions in any particular foreign currency as at 31 Dec 2018 and 30 Jun 2018.

Barclays Bank PLC

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SECTION B - Barclays PLC Consolidated Financial Information As at 31 Dec 2018

Capital ratio (Note 1)	31 Dec 2018	30 Jun 2018
Total Regulatory Capital	20.7%	20.5%
Common Equity Tier 1 (CET1)	13.2%	13.0%
Total Shareholders' equity (excluding non-controlling interests)	31 Dec 2018	30 Jun 2018
	GBP million	GBP million
	62,556	61,055
Other financial information	31 Dec 2018	30 Jun 2018
	GBP million	GBP million
Balance sheet		
Total assets	1,133,283	1,149,572
Total liabilities	1,069,504	1,086,404
Total loans and advance at amortised cost	326,406	320,967
Total deposits at amortised cost (Note 2)	394,838	386,451
	31 Dec 2018	31 Dec 2017
	GBP million	GBP million
Profit and Loss		
Pre-tax profit for the financial period	3,494	3,541

Notes

(1) Total Regulatory Capital ratio is calculated as total regulatory capital divided by risk weighted assets.

The Common Equity Tier 1 ratio is a risk based ratio calculated as CRD IV Common Equity Tier 1 capital divided by CRD IV risk weighted assets, before the interpretive guidance published by the PRA.

The capital ratios are calculated by applying the transitional arrangements of the Capital Requirements Regulation (CRR) issued by the European Union. The regulation includes IFRS 9 transitional arrangements and the grandfathering of CRR non-compliant capital instruments. The rules are supplemented by Regulatory Technical Standards (RTS) and in the United Kingdom by the Prudential Regulation Authority's (PRA) rulebook, including the implementation of transitional rules.

(2) Total customer deposits are not separately disclosed in the Consolidated Financial Statements of Barclays PLC, hence total deposits including both deposits taken from banks and customers are disclosed.

(3) Comparative figures have been restated where necessary to conform with the current year's presentation. The information disclosed in this statement is not audited.

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SECTION B - Barclays PLC
Consolidated Financial Information (continued)
As at 31 Dec 2018

Notes (continued)

(4) Further details regarding Barclays PLC can be obtained from the 2018 Barclays PLC Annual Report at www.barclays.com.

Chief Executive's Declaration of Compliance

I certify that the information disclosed above is in compliance with the Banking Ordinance Chapter 155M Banking (Disclosure) Rules and "Guideline on the Application of the Banking (Disclosure) Rules" issued by the HKMA is not false or misleading.



Anthony Miles Davies, Chief Executive
Barclays Bank PLC, Hong Kong Branch

This disclosure statement can be found in the Barclays Bank PLC's website at www.investmentbank.barclays.com/disclosures.html.