



## BNP Paribas Hong Kong Branch

(Incorporated in France with Limited Liability)

### FINANCIAL DISCLOSURE STATEMENT

As at 31 December 2022

#### SECTION A – HONG KONG BRANCH INFORMATION

| <b>I. Income Statement Information</b>  | <b>31 Dec 2022</b> | <b>31 Dec 2021</b> |
|---|--------------------|--------------------|
|   | <i>HKD'000s</i>    | <i>HKD'000s</i>    |
| Interest income   | 7,303,033          | 3,979,766          |
| Interest expense  | (4,422,700)        | (1,069,673)        |
| Other operating income  |                    |                    |
| - Gains less losses arising from trading in foreign currencies  | (110,860)          | (224,639)          |
| - Gains less losses on securities held for trading purposes   | (88,882)           | (6,799)            |
| - Gains less losses from other trading activities   | 245,107            | 89,253             |
| - Net fees and commission income  |                    |                    |
| - Fees and commission income  | 4,131,109          | 4,712,711          |
| - Fees and commission expenses  | (880,266)          | (950,839)          |
| - Others  | 663,853            | (84,421)           |
| Operating expenses  |                    |                    |
| - Staff and rental expenses   | (3,563,568)        | (3,287,841)        |
| - Other expenses  | (1,472,532)        | (1,210,454)        |
| - Net write back for other provisions   | -                  | 7                  |
| Net charge for impaired loans and receivables   | (594,603)          | (79,429)           |
| Gains less losses from the disposal of property, plant and equipment and investment properties  | (1,180)            | (86)               |
| Profit before taxation  | 1,208,511          | 1,867,556          |
| Tax expense   | (119,293)          | (342,128)          |
| <b>Profit after taxation</b>  | <b>1,089,218</b>   | <b>1,525,428</b>   |
|   | <b>31 Dec 2022</b> | <b>30 Jun 2022</b> |
|   | <i>HKD'000s</i>    | <i>HKD'000s</i>    |
| <b>II Balance Sheet Information</b>   |                    |                    |
| <b>Assets</b>   |                    |                    |
| (i) Cash and balances with banks (except those included in amount due from overseas offices of BNP Paribas)   | 4,083,988          | 3,698,163          |
| (ii) Placements 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 of BNP Paribas) | 275,140            | -                  |
| (iii) Amount due from overseas offices of BNP Paribas   | 109,617,872        | 126,612,627        |
| (iv) Trade bills  | 3,798,194          | 7,917,830          |
| (v) Certificates of deposit held  | -                  | -                  |
| (vi) Securities held for trading purposes   | 3,294,868          | 6,714,565          |
| (vii) Loans and receivables   |                    |                    |
| - Loans and advances to customers   | 129,228,150        | 139,657,280        |
| - Loans and advances to banks   | -                  | -                  |
| - Other accounts  | 38,472,131         | 40,058,315         |
| - Provisions for impaired loans and receivables   |                    |                    |
| Specific provisions   | (985,126)          | (1,108,525)        |
| Collective provisions   | (437,587)          | (375,937)          |
| (viii) Investment securities  | 26,394,791         | 22,665,322         |
| Specific provisions   | -                  | (335)              |
| (ix) Other investments  | 42,565             | 10,748             |
| (x) Property, plant and equipment and investment properties   | 166,393            | 175,647            |
| (xi) Amount receivable under reverse repos  | 276,984            | 273,316            |
| (xii) Goodwill  | 786,594            | 917,693            |
| (xiii) <b>Total assets</b>  | <b>315,014,957</b> | <b>347,216,709</b> |
| <b>Liabilities</b>  |                    |                    |
| (i) Deposits and balances from banks (except those included in amount due to overseas offices of BNP Paribas)   | 9,102,876          | 14,836,152         |
| (ii) Deposits from customers  |                    |                    |
| - Demand deposits and current accounts  | 23,957,586         | 27,483,459         |
| - Time, call and notice deposits  | 174,737,519        | 158,710,698        |
| (iii) Amount due to overseas offices of BNP Paribas   | 59,500,151         | 92,974,383         |
| (iv) Certificates of deposit issued   | 2,533,511          | 1,068,693          |
| (v) Issued debt securities  | 16,450,649         | 20,359,069         |
| (vi) Amount payable under repos   | 313,325            | 3,391,135          |
| (vii) Other liabilities   | 28,419,340         | 28,393,120         |
| (viii) <b>Total liabilities</b>   | <b>315,014,957</b> | <b>347,216,709</b> |

### III Additional Balance Sheet Information

|   | 31 Dec 2022 |  | 30 Jun 2022 |  |
|---|-------------|--|-------------|--|
|   | HKD'000s    | % to total loans and advances to customers | HKD'000s    | % to total loans and advances to customers |
| <b>(i) Loans and Advances to Customers</b>            |             |  |             |  |
| 1. Impaired loans and advances* to customers          |             |  |             |  |
| - The amount of impaired loans and advances           | 1,434,644   | 1.11%                                      | 1,520,147   | 1.09%                                      |
| - The amount of specific provisions                   | 842,368     | 0.65%                                      | 958,556     | 0.69%                                      |
| - The amount of collective provisions                 | 3,453       | 0.00%                                      | 12,930      | 0.01%                                      |
| - Market value of collateral                          | 140,850     |  | 240,022     |  |
| Covered portion of total overdue loans and advances   | 73          |  | -           |  |
| Uncovered portion of total overdue loans and advances | 332,411     |  | 490,519     |  |
| 2. Impaired loans and advances to banks               | 83          |  | -           |  |

\* Impaired loans are advances to customers which have been classified as “substandard”, “doubtful” and “loss” in accordance with the HKMA Return of Loans and Advances and Provisions (Form MA(BS)2A) completion instructions.

#### (ii) Sector Information

|  | 31 Dec 2022        |                      | 30 Jun 2022        |                      |
|--|--------------------|----------------------|--------------------|----------------------|
|  | HKD'000s           | % collateral covered | HKD'000s           | % collateral covered |
| 1. Loans and advances for use in Hong Kong               |                    |                      |                    |                      |
| Industrial, commercial and financial                     |                    |                      |                    |                      |
| - Property development                                   | 6,675,610          | 48%                  | 6,842,493          | 49%                  |
| - Property investment                                    | 4,653,787          | 70%                  | 4,686,167          | 69%                  |
| - Financial concerns                                     | 10,833,902         | 36%                  | 12,867,948         | 35%                  |
| - Stockbrokers   | 8,039              | 0%                   | -                  | 0%                   |
| - Wholesale and retail trade                             | 6,097,235          | 31%                  | 6,749,504          | 31%                  |
| - Manufacturing  | 11,644,687         | 5%                   | 10,246,888         | 4%                   |
| - Transport and transport equipment                      | 16,650,004         | 95%                  | 19,284,737         | 92%                  |
| - Recreational activities                                | 764,397            | 23%                  | 701,950            | 0%                   |
| - Information technology                                 | 1,387,902          | 11%                  | 1,333,803          | 12%                  |
| - Others   | 12,329,190         | 31%                  | 9,781,135          | 35%                  |
| Individuals  |                    |                      |                    |                      |
| - Loans for the purchase of other residential properties | -                  | 0%                   | -                  | 0%                   |
| - Others   | 8,818,243          | 100%                 | 10,339,463         | 99%                  |
| 2. Trade finance   | 13,523,507         | 5%                   | 15,149,710         | 7%                   |
| 3. Loans and advances for use outside Hong Kong          | 35,841,647         | 56%                  | 41,673,482         | 56%                  |
| Total loans and advances to customers                    | <b>129,228,150</b> |                      | <b>139,657,280</b> |                      |

#### (iii) Non-Bank Mainland China Exposures

| Equivalent in HKD Millions<br>Type of counterparties   | 31 Dec 2022               |                            |               |
|--|---------------------------|----------------------------|---------------|
|  | On-balance sheet exposure | Off-balance sheet exposure | Total         |
| 1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)   | 11,559                    | 2,005                      | 13,564        |
| 2. Local governments, local government-owned entities and their subsidiaries and JVs   | 5,123                     | 1,732                      | 6,855         |
| 3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs                            | 16,157                    | 10,401                     | 26,558        |
| 4. Other entities of central government not reported in item 1 above   | 1,166                     | 6                          | 1,172         |
| 5. Other entities of local governments not reported in item 2 above  | 141                       | -                          | 141           |
| 6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China | 5,028                     | 6,094                      | 11,122        |
| 7. Other counterparties where the exposures are considered by BNP Paribas to be non-bank Mainland China exposures                                      | 4,827                     | 182                        | 5,009         |
| Total  | <b>44,001</b>             | <b>20,420</b>              | <b>64,421</b> |
| Total assets after provision   | <b>315,015</b>            |                            |               |
| On-balance sheet exposures as percentage of total assets   | <b>13.97%</b>             |                            |               |
| Equivalent in HKD Millions<br>Type of counterparties   | 30 Jun 2022               |                            |               |
|  | On-balance sheet exposure | Off-balance sheet exposure | Total         |
| 1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)   | 14,858                    | 3,595                      | 18,453        |
| 2. Local governments, local government-owned entities and their subsidiaries and JVs   | 6,130                     | 2,935                      | 9,065         |
| 3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs                            | 18,207                    | 12,258                     | 30,465        |
| 4. Other entities of central government not reported in item 1 above   | 1,867                     | 43                         | 1,910         |
| 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 | 6,061                     | 8,778                      | 14,839        |
| 7. Other counterparties where the exposures are considered by BNP Paribas to be non-bank Mainland China exposures                                      | 5,383                     | 522                        | 5,905         |
| Total  | <b>52,506</b>             | <b>28,131</b>              | <b>80,637</b> |
| Total assets after provision   | <b>347,217</b>            |                            |               |
| On-balance sheet exposures as percentage of total assets   | <b>15.12%</b>             |                            |               |

(iv) International Claims by Major Countries or Geographical Segments

International claims are exposures of counterparties based on the location of the counterparties after taking into account any recognized risk transfer. International claims on individual geographical areas amounting to 10% or more of the total international claims are as follows :

| <i>Equivalent in HKD Millions</i> | 31 Dec 2022 |                 |                                 |                              |        | Total   |
|-----------------------------------|-------------|-----------------|---------------------------------|------------------------------|--------|---------|
|                                   | Banks       | Official Sector | Non-bank private sector         |                              | Others |         |
|                                   |             |                 | Non-bank financial institutions | Non-financial private sector |        |         |
| 1. Developed countries            | 112,925     | 4,277           | 18,938                          | 14,916                       | -      | 151,056 |
| <i>of which France</i>            | 111,834     | -               | 17,497                          | 3,160                        | -      | 132,491 |
| 2. Developing Asia Pacific        | 3,267       | 2,479           | 708                             | 14,687                       | -      | 21,141  |
| 3. Offshore centres               | 44          | -               | 5,709                           | 75,617                       | -      | 81,370  |
| <i>of which Hong Kong</i>         | 29          | -               | 2,376                           | 32,033                       | -      | 34,438  |
| <i>Equivalent in HKD Millions</i> | 30 Jun 2022 |                 |                                 |                              |        | Total   |
|                                   | Banks       | Official Sector | Non-bank private sector         |                              | Others |         |
|                                   |             |                 | Non-bank financial institutions | Non-financial private sector |        |         |
| 1. Developed countries            | 131,374     | 4,728           | 22,389                          | 13,908                       | -      | 172,399 |
| <i>of which France</i>            | 129,833     | -               | 20,990                          | 3,102                        | -      | 153,925 |
| 2. Developing Asia Pacific        | 5,591       | 5,025           | 2,855                           | 16,458                       | -      | 29,929  |
| 3. Offshore centres               | 310         | -               | 4,758                           | 83,023                       | -      | 88,091  |
| <i>of which Hong Kong</i>         | 55          | -               | 1,387                           | 35,846                       | -      | 37,288  |

(v) Loans and Advances to Customers by Geographical Segments

The analysis of loans and advances to customers by geographical segments, which is significant according to location of the counterparties after taking into account any recognized risk transfer (constitute 10% or more of the total loans and advances to customers), are as follows :

| <i>Equivalent in HKD Millions</i> | 31 Dec 2022                           |  |  | 30 Jun 2022                           |  |  |
|-----------------------------------|---------------------------------------|--|--|---------------------------------------|--|--|
|                                   | Total loans and advances to customers | Loans and advances overdue over 3 months | Impaired loans and advances to customers | Total loans and advances to customers | Loans and advances overdue over 3 months | Impaired loans and advances to customers |
| Hong Kong                         | 51,732                                | 106                                      | 386                                      | 57,043                                | 131                                      | 312                                      |
| British Virgin Islands            | 21,809                                | -  | -  | 23,332                                | 176                                      | 176                                      |
| Cayman Islands                    | 13,420                                | -  | 68                                       | 14,423                                | -  | 68                                       |
| Others                            | 42,267                                | 226                                      | 981                                      | 44,859                                | 184                                      | 964                                      |
| <b>Total</b>                      | <b>129,228</b>                        | <b>332</b>                               | <b>1,435</b>                             | <b>139,657</b>                        | <b>491</b>                               | <b>1,520</b>                             |

(vi) Currency Risk

| <i>Equivalent in HKD Millions</i> | 31 Dec 2022 |          |           |           |
|-----------------------------------|-------------|----------|-----------|-----------|
|                                   | USD         | EUR      | CNY       | Total     |
| Spot assets                       | 148,373     | 52,687   | 23,233    | 224,293   |
| Spot liabilities                  | (142,198)   | (36,314) | (21,491)  | (200,003) |
| Forward purchases                 | 190,307     | 35,824   | 89,092    | 315,223   |
| Forward sales                     | (197,008)   | (54,361) | (91,234)  | (342,603) |
| Net options position              | 2,349       | -        | (2,535)   | (186)     |
| Net long(short)position           | 1,823       | (2,164)  | (2,935)   | (3,276)   |
| Net structural position           | -           | -        | -         | -         |
| <i>Equivalent in HKD Millions</i> | 30 Jun 2022 |          |           |           |
|                                   | USD         | EUR      | CNY       | Total     |
| Spot assets                       | 184,341     | 54,684   | 23,217    | 262,242   |
| Spot liabilities                  | (181,328)   | (41,053) | (21,243)  | (243,624) |
| Forward purchases                 | 252,476     | 64,987   | 116,602   | 434,065   |
| Forward sales                     | (255,677)   | (80,874) | (119,273) | (455,824) |
| Net options position              | -           | (87)     | 1         | (86)      |
| Net long(short)position           | (188)       | (2,343)  | (696)     | (3,227)   |
| Net structural position           | -           | -        | -         | -         |

Net position (in absolute terms) in a particular foreign currency constitute not less than 10% of the institution's total net position in all foreign currencies. The net option position is calculated using the delta equivalent approach.

**(vii) Overdue or Rescheduled Assets**

|  | <b>31 Dec 2022</b> |   | <b>30 Jun 2022</b> |   |
|--|--------------------|---|--------------------|---|
|  | <i>HKD'000s</i>    | <i>% to total loans and advances to customers</i> | <i>HKD'000s</i>    | <i>% to total loans and advances to customers</i> |
| 1. Loans and advances to customers which have been overdue for                                     |                    |   |                    |   |
| - more than 3 months but not more than 6 months  | 15,566             | 0.01%   | -                  | 0.00%   |
| - more than 6 months but not more than one year  | 32,030             | 0.02%   | -                  | 0.00%   |
| - more than one year   | 284,888            | 0.22%   | 490,519            | 0.35%   |
| - The amount of specific provisions  | 281,947            |   | 478,706            |   |
| - Market value of collateral   | 73                 |   | -                  |   |
| The collateral held in respect of the overdue loans and advances to customers is deposit.          |                    |   |                    |   |
| 2. Other assets to customers which have been overdue for   |                    |   |                    |   |
| - more than 3 months but not more than 6 months  | -                  |   | -                  |   |
| - more than 6 months but not more than one year  | -                  |   | -                  |   |
| - more than one year   | -                  |   | 335                |   |
| 3. Rescheduled assets to customers, excluding those which have been overdue for more than 3 months | 801,640            | 0.62%   | 774,151            | 0.55%   |
| 4. Loans and advances to banks which have been overdue for   |                    |   |                    |   |
| - more than 3 months but not more than 6 months  | -                  | 0.00%   | -                  | 0.00%   |
| 5. No rescheduled assets to banks as at 31 Dec 2022 and 30 Jun 2022.                               |                    |   |                    |   |
| 6. No repossessed assets as at 31 Dec 2022 and 30 Jun 2022.  |                    |   |                    |   |

**IV. Off Balance Sheet Exposures**

|  | <b>31 Dec 2022</b> | <b>30 Jun 2022</b> |
|--|--------------------|--------------------|
|  | <i>HKD'000s</i>    | <i>HKD'000s</i>    |
| <b>1. Contingent liabilities and commitments</b> |                    |                    |
| - Direct credit substitutes                      | 4,871,365          | 6,540,406          |
| - Transaction-related contingencies              | 10,991,975         | 9,884,061          |
| - Trade-related contingencies                    | 12,816,011         | 19,778,669         |
| - Other commitments                              | 193,044,929        | 184,032,698        |
| - Others   | 18,694,669         | 42,599,281         |
| <b>2. Derivatives (Notional amounts)</b>         |                    |                    |
| - Exchange rate contracts**                      | 513,491,127        | 622,288,393        |
| - Interest rate contracts                        | 132,412,624        | 151,874,364        |
| - Others   | 25,467,687         | 24,330,689         |
| <b>3. Total fair value of derivatives</b>        |                    |                    |
| - Exchange rate contracts**                      | (1,145,487)        | (386,438)          |
| - Interest rate contracts                        | 187,408            | (80,285)           |
| - Others   | (1,343,932)        | (1,891,412)        |

\*\* Excluding forward foreign exchange contracts arising from swap deposit arrangements.

**V. Liquidity Information Disclosure****(i) Liquidity Maintenance Ratio (LMR)**

|                                 | <b>31 Dec 2022</b> | <b>31 Dec 2021</b> |
|---------------------------------|--------------------|--------------------|
| Average LMR for 3 months period | 49.19%             | 46.57%             |

The average liquidity maintenance ratio is the arithmetic mean of each months' average LMR calculated in accordance with the Banking (Liquidity) Rules.

**(ii) Core Funding Ratio (CFR)**

|                                 | <b>31 Dec 2022</b> | <b>31 Dec 2021</b> |
|---------------------------------|--------------------|--------------------|
| Average CFR for 3 months period | 125.02%            | 113.03%            |

The average core funding ratio is the arithmetic mean of each months' average CFR calculated in accordance with the Banking (Liquidity) Rules.

Details of liquidity information can be found in the News & Press section of our website [www.bnpparibas.com.hk](http://www.bnpparibas.com.hk).

**(iii) BNPP HK Branch on and off balance sheet\*\***

| <i>Equivalent in HKD Billions</i>    | 31 Dec 2022 |  |             | 31 Dec 2021 |  |             |
|--------------------------------------|-------------|--|-------------|-------------|--|-------------|
|                                      | Total *     | Contractual maturity of cash flows and securities flows arising from the relevant bank |             | Total *     | Contractual maturity of cash flows and securities flows arising from the relevant bank |             |
|                                      |             | Up to 1 year   | Over 1 year |             | Up to 1 year   | Over 1 year |
| On balance sheet liabilities         |             |  |             |             |  |             |
| Total On balance sheet liabilities * | 313.0       | 445.1  | 50.2        | 357.7       | 550.4  | 46.7        |
| Total Off balance sheet obligations  | 78.3        | 78.3   | -           | 91.0        | 91.0   | -           |

\* Total column represents PV of amount payable arising from derivative contracts and balancing amount not the cash flow as shown in each time buckets.

| <i>Equivalent in HKD Billions</i> | 31 Dec 2022 |  |             | 31 Dec 2021 |  |             |
|-----------------------------------|-------------|--|-------------|-------------|--|-------------|
|                                   | Total *     | Contractual maturity of cash flows and securities flows arising from the relevant bank |             | Total *     | Contractual maturity of cash flows and securities flows arising from the relevant bank |             |
|                                   |             | Up to 1 year   | Over 1 year |             | Up to 1 year   | Over 1 year |
| On balance sheet assets           |             |  |             |             |  |             |
| Total On balance sheet assets *   | 314.9       | 379.1  | 119.0       | 360.4       | 488.3  | 108.7       |
| Total Off balance sheet claims *  | 21.4        | 19.1   | 1.0         | 10.2        | 8.1  | -           |

\* Total column represents PV of amount receivable arising from derivative contracts and balancing amount not the cash flow as shown in each time buckets.

|  |         |        |         |        |
|--|---------|--------|---------|--------|
| Contractual Maturity Mismatch            | (125.2) | 69.8   | (145.0) | 62.0   |
| Cumulative Contractual Maturity Mismatch |         | (55.4) |         | (83.0) |

**(iv) Liquidity exposures and funding needs \*\***

| <i>Equivalent in HKD Billions</i>  | 31 Dec 2022   |              |             | 31 Dec 2021   |              |             |
|--|---|--------------|-------------|---|--------------|-------------|
|  | Estimated cash flows arising from selected assets, liabilities and off balance sheet items (based on behavioural assumptions) |              |             | Estimated cash flows arising from selected assets, liabilities and off balance sheet items (based on behavioural assumptions) |              |             |
|  | Total   | Up to 1 year | Over 1 year | Total   | Up to 1 year | Over 1 year |
| Irrevocable loan commitments or facilities granted according to estimated dates and amounts of drawdown by customers | 29.6  | 29.6         | -           | 45.1  | 45.1         | -           |
| Off balance sheet obligations according to estimated dates and amounts of payment to customers                       | 17.1  | 16.5         | 0.6         | 18.9  | 18.1         | 0.8         |
| Loans and advances to non-bank customers according to estimated dates and amounts of repayment by customers          | 129.8   | 58.6         | 71.2        | 150.3   | 83.9         | 66.4        |

This table collects information on the BNPP HK Branch's cash-flow estimations arising from certain assets, liabilities, and off-balance sheet items, taking into account behavioural assumptions relevant to such items. The assumptions are consistent with the assumptions used for LMR calculation.

**(v) Concentration limits on collateral pools and sources of funding (both products and counterparties)\*\***

| <i>Equivalent in HKD Billions</i> | 31 Dec 2022  |                           | 31 Dec 2021  |                           |
|-----------------------------------|--------------|---------------------------|--------------|---------------------------|
|                                   | Total amount | As % of total liabilities | Total amount | As % of total liabilities |
| Significant funding instruments   |              |                           |              |                           |
| Deposits from customers           | 201.0        | 63.80%                    | 200.9        | 55.78%                    |
| Funding raised from Connected AI  | 59.5         | 18.89%                    | 111.6        | 30.98%                    |
| Funding raised from banks         | 8.5          | 2.68%                     | 2.6          | 0.73%                     |
| Certificates of deposits          | 2.5          | 0.80%                     | -            | 0.00%                     |
| Convertible securities            | 16.5         | 5.22%                     | 23.6         | 6.56%                     |

No concentration limits on collateral pools, therefore, no disclosure.

\*\*Extraction from the HKMA Return on Liquidity Monitoring Tools (Form MA(BS)23).

### **Liquidity Risk Management**

The liquidity risk is the risk of the entity being unable to fulfil its cash or collateral requirements, current or future, foreseen or unforeseen.

Liquidity risk is managed through the Liquidity Risk Framework which is designed to maintain liquidity resources that are sufficient in amount and quality, as well as an adequate and diversified funding profile. This is achieved via a combination of policies (Local & Group), including amongst others regular review, proper governance framework, analysis, stress testing, limit setting and monitoring.

BNP Paribas SA Hong Kong branch Asset and Liability Committee (“BNPP HK ALCO”) is responsible for the oversight of liquidity risk, including:

- Defining the liquidity risk profile and related quantitative guidelines
- Monitoring compliance with regulations
- Steering businesses so that they operate within the funding capacity
- Supervising the liquidity risk monitoring indicators
- Deciding upon and monitoring the execution of the liquidity risk mitigating strategies (funding and liquidity reserves) in business as usual conditions

BNPP HK ALCO frequency is quarterly and it is chaired by BNPP HK Chief Executive Officer (CEO) with the compulsory participation of representatives from ALM Treasury, Finance, RISK and Chief Operating Officer (COO).

ALM Treasury is a transversal activity and is responsible for the operational liquidity risk management for all maturities, including intraday, in both business-as-usual conditions and in crisis situation. ALM Treasury activity is governed by ALCO and dedicated policies and procedures, ensuring sound and prudent liquidity management. This activity is under the independent assessment, monitoring and control of RISK.

### **An outline of Liquidity Contingency Plan (LCP)**

Liquidity Contingency Plans (LCPs) are designed to provide a framework to handle a liquidity crisis. The governance of the LCP is based on the ALCO which becomes a Liquidity Crisis Committee (LCC) to monitor the situations, make crisis management decisions and monitor the execution of those decisions.

The LCP Policy describes the circumstances in which the LCP is activated as a result of actual or potential adverse events. Those events are identified by quantitative Early Warning Indicators (EWIs) or a qualitative assessment of the liquidity situation.

Once the LCP is activated, the Liquidity Crisis Committee (LCC) is responsible for the execution of crisis management with the determination of appropriate responses and the coordination of the involved parties. Operationally, LCC mitigation actions essentially consist of strengthening the liquidity situation, if possible, in the emergence phase of a crisis and, if necessary monetizing the Counterbalancing Capacity to offset net cash outflows in a more severe crisis. The LCP sets out a list of potential mitigating actions which the LCC may elect and execute the most appropriate ones, depending on the circumstances. There is no pre-determined program of actions since these vary depending on the type and severity of the crisis.

The list of mitigating actions is diverse to deal with a wide range of adverse circumstances, both systemic and idiosyncratic and LCC would consider the interdependencies and ramifications of its potential actions.

### **Liquidity stress-tests**

Internal Liquidity Stress testing (ILST) is part of liquidity risk management of BNPP HK Branch – being part of its overall governance as well as the monitoring indicators. The objective of stress testing is to measure the cash outflows and inflows under severe and plausible crisis scenarios, which allow us to size the Counterbalancing Capacity accordingly.

The Counterbalancing Capacity is composed of cash deposited at the Central Bank and assets that may be monetized in order to raise cash. The final output allows assessing the potential for net liquidity shortfalls under liquidity stressed circumstances for multiple horizons. The ILST assumptions are described in the ILST Policy/ALCO packs which are reviewed and endorsed by ALCO. ILST results are computed monthly on different time horizons and using three types of scenarios (idiosyncratic, systemic crisis, and combined crisis scenarios) and reviewed by ALCO who is acting as a decision-maker on appropriate responses - should the results be deemed unsatisfactory.

### **Funding Strategy**

#### **Group Overall Framework**

At Group level, internal liquidity risk management and internal monitoring are based on a range of indicators at various maturities. These indicators are measured on a regular basis by currency and maturity. The monitoring indicators relate to the funding needs of the Group’s businesses under both normal and stressed conditions. These monitoring indicators are part of the Group’s budget planning exercise with set objectives that are routinely monitored (monthly).

The funding needs associated with the activity of the Group’s businesses are managed in particular by measuring the difference between commercial funding needs (customer loans and overdrafts, trading assets) and commercial funding resources (customer deposits, sale of the Group’s debt securities to customers, etc.). This indicator makes it possible to measure the business lines’ liquidity consumption under a normal business scenario. It is supplemented by indicators to measure the funding needs of the business lines in one month and one year depending on the assumptions defined by European regulations in force (Liquidity Coverage Ratio) or anticipated in a one-year perspective (Net Stable Funding Ratio). In addition to this commercial funding need indicators, the Group closely monitors the Counterbalancing Capacity and the funding provided by ALM Treasury, as well as the Group’s structural resources (i.e. net own funds).

Business lines’ consumption of liquidity is fully factored in the Group’s budget process, wherein each business line estimates its future liquidity needs, in keeping with its profitability targets and capital consumption objectives. During the iterative budget process, liquidity consumption objectives are allotted to the business lines, taking into account the funding provided by ALM Treasury and structural resources, in line with the Group’s overall target. This process is regularly reviewed, monitored and adjusted as appropriate throughout the year by the Group ALCO.

All of the Group's assets and liabilities are subject to internal liquidity pricing, the principles of which are decided by the Group ALCO and aim to take account of trends in the cost of market liquidity and the balance between assets and liabilities within the Group's development strategy.

At BNPP HK Branch level, those principles are implemented through the below framework

- A weekly Liquidity dashboard to monitor the soundness of the balance-sheet structure
- Monthly Liquidity Stress Tests
- The set-up of Early Warning Indicators (EWIs) to help identifying potential deterioration of market circumstances or funding profile – including regulatory ratios
- A yearly Funding Plan validated by ALCO at the beginning of the year and reviewed by ALCO on a quarterly basis.

#### Wholesale funding monitoring indicators

The Group has adopted a broad definition of wholesale funding, covering all funds excluding those provided by:

- retail customers, SMEs and corporates;
- institutional clients for their operating needs (e.g. portion needed for custody management);
- monetary policy and funding secured by market assets.

This definition is broader than market funding. For example, it includes medium- to long-term debt placed in funds for individuals and, in the short-term portion, non-operating deposits in the Securities Services business.

The Group has a conservative policy for the management of its wholesale funding by ensuring that it does not depend on very short-term funding and diversifying these funding sources.

Thus at Group level, wholesale funding with an original maturity of less than one month, so-called very short-term wholesale funding, is systematically "sterilized" by being placed in immediately-available deposits in central banks so that they are not used to fund the Group's business.

The Group ensures that short-term wholesale funding (with original maturity of between 1 month and one year) is diversified in terms of counterparty, business sector and residual maturity. Any excess concentration on one of these criteria is systematically "sterilized" and placed in central bank deposits. Medium- to long-term wholesale market funding (with original maturity over 1 year) is diversified in terms of investor type, distribution network, financing programme (secured or unsecured), and by geographical area to ensure diversification. Furthermore, the Group aims to optimize the term structure of its funding operations.

At BNPP HK Branch level, the same principles apply with a main focus on Short-Term Wholesale Funding.

#### Medium- to long-term liquidity position

The medium-to long-term liquidity positions are measured regularly at Group level by entity and by currency to evaluate the medium-to long-term resources and uses. To this end, each balance sheet item is given a maturity in an economic approach using models and conventions offered by ALM Treasury and reviewed by the RISK Function, or a regulatory approach by applying standardized weightings of the Net Stable Funding Ratio as anticipated for its application in Europe.

At BNPP HK Branch level, MLT Liquidity Gap guidelines have been defined and approved by ALCO and exposures are measured and reported quarterly to ALCO.

#### Liquidity Reserve

At Group level, the liquidity reserve consists of assets held by ALM Treasury and the capital market businesses. The liquidity reserve comprises:

- deposits with central banks;
- available assets that can be immediately sold on the market or through repurchase agreements;
- available securities and receivables that can be refinanced with central banks

At BNPP HK Branch level, the liquidity reserve is monitored on a daily basis.

## **VI. Disclosure on Remuneration**

Pursuant to section 3 of Supervisory Policy Manual (CG-5) Guideline on a sound remuneration system issued by the Hong Kong Monetary Authority, BNP Paribas Hong Kong Branch complies with the requirements and has adopted the remuneration systems of BNP Paribas Head Office.

**SECTION B – BNP PARIBAS GROUP CONSOLIDATED INFORMATION (EUR Million)**

|  | <u>31 Dec 2022</u> | <u>30 Jun 2022</u> |
|--|--------------------|--------------------|
| Capital ratio                                    | 16.20%             | 15.70%             |
| Shareholders' funds                              | 121,792            | 115,945            |
| Total assets                                     | 2,666,376          | 2,891,007          |
| Total liabilities                                | 2,539,821          | 2,770,478          |
| Total loans and advances                         | 889,636            | 892,385            |
| Total customer deposits                          | 1,008,054          | 1,008,661          |
|  | <u>2022</u>        | <u>2021</u>        |
| Pre-tax profit for the 12 months end 31 December | 13,627             | 12,744             |

Declaration of Chief Executive Officer

We have prepared the financial disclosure statement of BNP Paribas, Hong Kong Branch for the year ended 31 December 2022. The information disclosed complies fully with the Banking (Disclosure) Rules made by 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.

**Hugo LEUNG**  
Chief Executive  
Hong Kong, 27 March 2023

P/O  


**Fabien Simon-Leclerc**  
Chief Operating Officer, Hong Kong