



Disclosure Statements

Intesa Sanpaolo S.p.A. - Hong Kong Branch

31 December 2020

Contents

PROFIT AND LOSS ACCOUNT.....	3
BALANCE SHEET.....	4
ADDITIONAL INFORMATION.....	5
1. NET FEES AND COMMISSION INCOME.....	5
2. LOANS AND RECEIVABLE	5
3. DEPOSITS FROM CUSTOMERS	6
4. PROVISIONS FOR IMPAIRED LOANS AND ADVANCES.....	7
5. ANALYSIS OF LOANS AND ADVANCES TO CUSTOMERS.....	8
6. ANALYSIS OF OVERDUE AND RESCHEDULED ADVANCES.....	10
7. NON-BANK MAINLAND EXPOSURES	11
8. INTERNATIONAL CLAIMS.....	13
9. FOREIGN CURRENCY EXPOSURES	14
10. OFF-BALANCE SHEET EXPOSURES	15
11. LIQUIDITY RATIOS	16
12. DISCLOSURE ON REMUNERATION	22
BANK INFORMATION (CONSOLIDATED BASIS).....	23
CHIEF EXECUTIVE'S DECLARATION	24

PROFIT AND LOSS ACCOUNT

Period ended 31 December 2020

	Note	31 December 2020 HK\$'000	31 December 2019 HK\$'000
NET INTEREST INCOME			
Interest income		896,775	1,293,614
Interest expenses		<u>(515,715)</u>	<u>(1,098,477)</u>
		381,060	195,137
OTHER OPERATING INCOME			
Gains less losses arising from trading in foreign currencies		121,835	125,745
Gains less losses on securities held for trading purposes		133,861	151,550
Gains less losses from other trading activities		(223,860)	(67,433)
Gains less losses from non-trading activities		(4,772)	-
Net fees and commission income	1	<u>91,254</u>	<u>148,781</u>
TOTAL INCOME		499,378	553,780
OPERATING EXPENSES			
Staff expenses		(97,059)	(90,866)
Rental expenses		(30,620)	(31,936)
Other expenses		<u>(22,398)</u>	<u>(26,010)</u>
		(150,077)	(148,812)
IMPAIRMENT LOSSES AND PROVISIONS FOR IMPAIRED LOANS AND RECEIVABLES		<u>(367,391)</u>	<u>(326,201)</u>
(LOSS)/PROFIT BEFORE TAXATION		(18,090)	78,767
TAX EXPENSE		(9,210)	41,246
EXTRAORDINARY PROFIT NET OF TAX		<u>1,574</u>	<u>2,564</u>
(LOSS)/PROFIT AFTER TAXATION		<u>(25,726)</u>	<u>122,577</u>

BALANCE SHEET

31 December 2020

	Notes	31 December 2020 HK\$'000	30 June 2020 HK\$'000
ASSETS			
Cash and balances with banks		120,301	212,005
Due from Exchange Fund		25,700	43,337
Amount due from overseas offices of the institution		20,443,410	17,738,906
Trade bills		18,097	-
Securities held for trading purposes		9,480,239	9,816,978
Loans and receivables	2	22,641,680	21,684,792
Property, plant and equipment and investment properties		<u>59,587</u>	<u>66,914</u>
Total assets		<u>52,789,014</u>	<u>49,562,932</u>
LIABILITIES			
Deposits and balances from banks		3,675,026	4,065,376
Deposits from customers	3	2,918,496	2,587,345
Amount due to overseas offices of the institution		43,311,214	39,966,246
Other liabilities		<u>2,884,278</u>	<u>2,943,965</u>
Total liabilities		<u>52,789,014</u>	<u>49,562,932</u>

ADDITIONAL INFORMATION

31 December 2020

1. NET FEES AND COMMISSION INCOME

	31 December 2020 HK\$'000	31 December 2019 HK\$'000
Commission income, gross	103,129	162,188
Commission expenses, gross	<u>(11,875)</u>	<u>(13,407)</u>
Net fees and commission income	<u>91,254</u>	<u>148,781</u>

2. LOANS AND RECEIVABLE

	Notes	31 December 2020 HK\$'000	30 June 2020 HK\$'000
(i) Loans and advances to customers	5	20,426,400	18,833,247
Provisions for impaired loans			
- Collective provisions	2 (iv), 4	(181,397)	(48,135)
- Specific provisions	4	<u>(917,503)</u>	<u>(781,064)</u>
		19,327,500	18,004,048
(ii) Loans and advances to banks		250,210	291,769
Provisions for impaired loans			
- Collective provisions	4	<u>(105)</u>	<u>(130)</u>
		250,105	291,639
(iii) Other accounts		3,074,212	3,398,581
Provisions for impaired loans			
- Collective provisions	4	<u>(10,137)</u>	<u>(9,476)</u>
		3,064,075	3,389,105
		<u>22,641,680</u>	<u>21,684,792</u>

ADDITIONAL INFORMATION**2. LOANS AND RECEIVABLE (continued)**

- (iv) With the implementation of IFRS9 since 1 January 2018, the collective provisions for impaired loans and advance was calculated and recorded by the Branch.
- (v) Impaired loans and advances:

	31 December 2020	30 June 2020
	HK\$'000	HK\$'000
Impaired loans and advances to customers	1,086,742	1,077,979
Specific Provisions	579,114	485,967
Percentage of such advances to total advances to customers	<u>5.32%</u>	<u>5.72%</u>

As of 31 December 2020 and 30 June 2020, there were collaterals of HK\$71,437,910 and HK\$71,409,442 for impaired loans and advances to customers respectively.

- (vi) There was no impaired loans and advances to banks as of 31 December 2020 and 30 June 2020.

3. DEPOSITS FROM CUSTOMERS

	31 December 2020	30 June 2020
	HK\$'000	HK\$'000
Demand deposits and current accounts	2,553,483	2,316,186
Time, call and notice deposits	<u>365,013</u>	<u>271,159</u>
	<u>2,918,496</u>	<u>2,587,345</u>

ADDITIONAL INFORMATION**4. PROVISIONS FOR IMPAIRED LOANS AND ADVANCES**

31 December 2020	Collective HK\$'000	Specific HK\$'000	Total HK\$'000
As of 31 December 2019	87,507	692,336	779,843
Charge for the period	148,640	289,682	438,322
Amounts recoveries	-	-	-
Amounts released	(45,668)	(25,264)	(70,932)
Amounts written-off	-	(36,324)	(36,324)
Exchange differences	1,160	(2,927)	(1,767)
As of 31 December 2020	<u>191,639</u>	<u>917,503</u>	<u>1,109,142</u>
Provisions against:			
Advances to banks	105	-	105
Advances to customers	181,397	579,114	760,511
Trade bills	32	-	32
Contingent liabilities and commitments	10,105	-	10,105
Accrued interest	-	338,389	338,389
	<u>191,639</u>	<u>917,503</u>	<u>1,109,142</u>
30 June 2020	Collective HK\$'000	Specific HK\$'000	Total HK\$'000
As of 31 December 2019	87,507	692,336	779,843
Charge for the period	23,664	91,931	115,595
Amounts recoveries	-	-	-
Amounts released	(51,491)	-	(51,491)
Amounts written-off	-	-	-
Exchange differences	(1,940)	(3,202)	(5,142)
As of 30 June 2020	<u>57,740</u>	<u>781,065</u>	<u>838,805</u>
Provisions against:			
Advances to banks	130	-	130
Advances to customers	48,135	485,967	534,102
Trade bills	-	-	-
Contingent liabilities and commitments	9,475	-	9,475
Accrued interest	-	295,098	295,098
	<u>57,740</u>	<u>781,065</u>	<u>838,805</u>

ADDITIONAL INFORMATION**5. ANALYSIS OF LOANS AND ADVANCES TO CUSTOMERS**

(i) Sectoral analysis of gross advances to customers

The information concerning gross amount of loans and advances to customers by industrial sectors has been classified according to the business activity of the borrowers or usage of the loans.

	31 December 2020		30 June 2020	
	Loan HK\$'000	Collateral HK\$'000	Loan HK\$'000	Collateral HK\$'000
Loans and advances for use in Hong Kong				
Industrial, Commercial and financial:				
Wholesale and retail trade	215,102	-	287,392	-
Manufacturing	477,177	-	630,180	-
Transport and transport equipment	1,553	-	1,549	-
Information Technology	196,366	-	201,059	-
Electricity and gas	718,233	-	-	-
Trade finance	995,972	8,307	695,504	8,265
Loans and advances for use outside Hong Kong	<u>17,821,997</u>	<u>86,463</u>	<u>17,017,563</u>	<u>162,722</u>
Total gross amount of loans and advances to customers	<u>20,426,400</u>	<u>94,770</u>	<u>18,833,247</u>	<u>170,987</u>

ADDITIONAL INFORMATION**5. ANALYSIS OF LOANS AND ADVANCES TO CUSTOMERS (continued)****(ii) Geographical analysis of loans and advances to customers**

The analysis of loans and advances to customers by geographical segment is classified according to the location of the counterparties after taking into account the transfer of risk. In general, risk transfer applies when the loans and advances are guaranteed by a party in a country which is different from that of the customers. The loans and advances to customers by major geographical segment are as follows:

31 December 2020

Countries	Gross amount of loans and advances to customers HK\$'000	Overdue loans and advances to customers HK\$'000	Impaired loans and advances to customers HK\$'000
Australia	4,596,293	-	-
Hong Kong	2,378,568	470,944	11,322
Cayman Island	1,962,746	-	-
China	1,718,032	258,437	258,437
Others	9,770,761	811,750	811,750
	<u>20,426,400</u>	<u>1,541,131</u>	<u>1,081,509</u>

30 June 2020

Countries	Gross amount of loans and advances to customers HK\$'000	Overdue loans and advances to customers HK\$'000	Impaired loans and advances to customers HK\$'000
Australia	3,215,890	-	-
Hong Kong	820,368	11,585	11,585
Cayman Island	2,178,597	-	-
China	2,367,071	258,334	258,334
Others	10,251,321	803,287	808,060
	<u>18,833,247</u>	<u>1,073,206</u>	<u>1,077,979</u>

The overdue and impaired loans and advances to customers are attributed to the exposures in Brazil, Hong Kong, China, India and Panama (30 June 2020 : Brazil, Hong Kong, China, India and Panama.)

ADDITIONAL INFORMATION**6. ANALYSIS OF OVERDUE AND RESCHEDULED ADVANCES**

(i) Overdue loans and advances to customers

	31 December 2020		30 June 2020	
	Amount HK\$'000	% of total advances to customers	Amount HK\$'000	% of total advances to customers
Gross advances overdue for:				
3 months or less but over 1 month				
6 months or less but over 3 months				
1 year or less but over 6 months	459,621	2.25%	573,144	3.04%
Over 1 year	<u>1,081,509</u>	<u>5.29%</u>	<u>500,062</u>	<u>2.66%</u>
Total overdue advances	<u>1,541,130</u>	<u>7.54%</u>	<u>1,073,206</u>	<u>5.70%</u>

- (ii) There was no rescheduled loan as of 31 December 2020 and 30 June 2020.
- (iii) There were no overdue or rescheduled advances to banks and other assets (trade bills and debt securities) as of 31 December 2020 and 30 June 2020.
- (iv) There were collaterals of HK\$71,437,910 and HK\$71,409,442 in respect of the overdue loans and advances, consisted mainly of the equity shares of the borrower as of 31 December 2020 and 30 June 2020 respectively.
- (v) There were no repossessed assets held as of 31 December 2020 and 30 June 2020.
- (vi) There were HK\$579,114,335 and HK\$485,967,156 specific provisions for overdue loans and advances as of 31 December 2020 and 30 June 2020 respectively.

ADDITIONAL INFORMATION**7. NON-BANK MAINLAND EXPOSURES**

31 December 2020

Types of Counterparties	On-balance sheet exposure HK\$m	Off-balance sheet exposure HK\$m	Total HK\$m
1. Central government, central government-owned entities and their subsidiaries and JVs	1,041	-	1,041
2. Local governments, local government-owned entities and their subsidiaries and JVs	560	-	560
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	4,217	58	4,275
4. Other entities of central government not reported in item 1 above	233	-	233
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	336	3,098	3,434
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,120	-	1,120
Total	7,507	3,156	10,663
Total assets after provision	52,789		
On-balance sheet exposures as percentage of total assets	14.22%		

ADDITIONAL INFORMATION

7. NON-BANK MAINLAND EXPOSURES (continued)

30 June 2020

Types of Counterparties	On-balance sheet exposure HK\$'m	Off-balance sheet exposure HK\$'m	Total HK\$'m
1. Central government, central government-owned entities and their subsidiaries and JVs	421	-	421
2. Local governments, local government-owned entities and their subsidiaries and JVs	548	-	548
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	4,272	-	4,272
4. Other entities of central government not reported in item 1 above	426	-	426
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	240	3,196	3,436
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,126	-	1,126
Total	7,033	3,196	10,229
Total assets after provision	49,563		
On-balance sheet exposures as percentage of total assets	14.19%		

ADDITIONAL INFORMATION

8. INTERNATIONAL CLAIMS

International claims are disclosed by country or geographical segment based on the physical location of the counterparty in which not less than 10% of total international claims (including Hong Kong) after taking into account the transfer of risks. In general, such transfer of risk takes place if the claims are guaranteed by party in a country, which is different from that of the counterparty, or if the claims are on an overseas branch of a bank whose head office is located in another country.

As at 31 December 2020	Banks	Official sector	Non-bank private sector		Total
			Non-bank financial institutions	Non-financial private sectors	
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1. Developed countries of which	23,516	1,115	2,090	8,781	35,502
- Italy	20,458	-	-	969	21,427
2. Offshore centres	3	-	-	6,686	6,689
3. Developing Asia and Pacific	291	46	237	4,803	5,377
As at 30 June 2020	Banks	Official sector	Non-bank private sector		Total
			Non-bank financial institutions	Non-financial private sectors	
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1. Developed countries of which	21,510	1,195	1,703	7,199	31,607
- Italy	18,473	-	-	1,025	19,498
2. Offshore centres	80	-	-	5,611	5,691
3. Developing Asia and Pacific	520	-	426	5,379	6,325

ADDITIONAL INFORMATION

9. FOREIGN CURRENCY EXPOSURES

The foreign currency exposures are prepared in accordance with the HKMA banking return of "Foreign Currency Position" completion instructions. Foreign currencies, which constitutes not less than 10% of the total net position in all foreign currencies of the Branch, are disclosed as follows:

31 December 2020	USD HK\$m	EUR HK\$m	JPY HK\$m	AUD HK\$m	Others HK\$m	Total HK\$m
Spot assets	26,541	7,236	7,926	7,217	3,160	52,080
Spot liabilities	(32,822)	(7,259)	(4,944)	(4,014)	(1,449)	(50,488)
Forward purchases	11,339	1,958	2,271	1,263	398	17,229
Forward sales	(5,040)	(1,942)	(5,250)	(4,461)	(2,119)	(18,812)
Net long / (short) position	<u>18</u>	<u>(7)</u>	<u>3</u>	<u>5</u>	<u>(10)</u>	<u>9</u>
Net structural position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

30 June 2020	USD HK\$m	EUR HK\$m	JPY HK\$m	AUD HK\$m	Others HK\$m	Total HK\$m
Spot assets	25,034	7,065	8,166	5,792	1,391	47,448
Spot liabilities	(29,921)	(6,658)	(5,638)	(2,889)	(1,117)	(46,223)
Forward purchases	9,816	2,172	1,275	1,297	990	15,550
Forward sales	(4,854)	(2,577)	(3,762)	(4,159)	(1,271)	(16,623)
Net long / (short) position	<u>75</u>	<u>2</u>	<u>41</u>	<u>41</u>	<u>(7)</u>	<u>152</u>
Net structural position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

ADDITIONAL INFORMATION**10. OFF-BALANCE SHEET EXPOSURES****(i) Contingent Liabilities and commitments**

The following is a summary of the contractual or notional amounts of each material class of contingent liability and commitment outstanding:

	31 December 2020	30 June 2020
	HK\$'000	HK\$'000
Direct credit substitutes	512,814	620,756
Transaction-related contingencies	-	-
Trade-related contingencies	394,793	365,275
Note issuance and revolving underwriting facilities	-	-
Other commitments	15,519,163	11,431,630
Others - Forward forward deposits placed	347,145	44,441
	<u>16,773,915</u>	<u>12,462,102</u>

(ii) Derivatives

The following is a summary of the total contractual or notional amount of derivative transactions:

	31 December 2020	30 June 2020
	HK\$'000	HK\$'000
Exchange rate-related derivative contracts excluded forward foreign exchange contracts arising from swap deposit arrangements)	19,253,104	40,198,340
Interest rate derivative contracts	105,510,429	123,979,716
Others	-	-
	<u>124,763,533</u>	<u>164,178,056</u>

ADDITIONAL INFORMATION

10. OFF-BALANCE SHEET EXPOSURES (continued)

(ii) Derivatives (continued)

The total fair value of the above off-balance sheet derivative transactions which have been taken into account the effects of bilateral netting arrangement are as follows:

	31 December 2020 HK\$'000	30 June 2020 HK\$'000
Exchange rate-related contracts	(129,837)	50,896
Valid bilateral netting agreement	<u>-</u>	<u>-</u>
	<u>(129,837)</u>	<u>50,896</u>
Interest rate derivative contracts	(82,075)	(40,163)
Valid bilateral netting agreement	<u>-</u>	<u>-</u>
	<u>(82,075)</u>	<u>(40,163)</u>
Others	<u>-</u>	<u>-</u>
	<u>(211,912)</u>	<u>10,733</u>

The notional amounts of the off-balance sheet instruments indicate the volume of transactions outstanding at the balance sheet date and do not represent amounts at risk.

11. LIQUIDITY RATIOS

	For the period From 01.10.2020 To 31.12.2020	For the period From 01.07.2020 To 30.09.2020	For the period From 01.01.2019 To 31.12.2019
Average Liquidity Maintenance Ratio ("LMR")	<u>46.03%</u>	<u>43.56%</u>	<u>44.74%</u>

The average LMR is calculated based on the arithmetic mean of each calendar month's average LMR calculated during the reporting period in accordance with the Banking (Liquidity) Rules and complies with the minimum requirement of 25% as stipulated by the Hong Kong Monetary Authority (HKMA).

ADDITIONAL INFORMATION

11. LIQUIDITY RATIOS (continued)

Liquidity risk management

Liquidity risk is defined as the risk that the Bank may not be able to meet its payment obligations due to the inability to obtain funds on the market (funding liquidity risk) or liquidate its assets (market liquidity risk).

Intesa Sanpaolo's internal control and management system for liquidity risk is implemented within the Group Risk Appetite Framework and in compliance with the tolerance thresholds for liquidity risk approved in the system, which establish that the Group must maintain an adequate liquidity position in order to cope with periods of strain, including prolonged periods, on the various funding supply markets, also by establishing adequate liquidity reserves consisting of marketable securities and refinancing at Central Banks. To this end, a balance needs to be maintained between incoming and outgoing funds, both in the short and medium-long term. This goal is implemented by the Group Liquidity Risk Management Guidelines approved by the Corporate Bodies (i.e. Board of Directors, Management Control Committee, Risk Committee, Managing Director and CEO) of Intesa Sanpaolo. These guidelines contain the latest regulatory provisions on liquidity risk and illustrate the tasks of the various corporate functions, the rules and the set of control and management processes aimed at ensuring prudent monitoring of such risk, thereby preventing the emergence of crisis situations. To this end, they include procedures for identifying risk factors, measuring risk exposure and verifying observance of limits, conducting stress tests, identifying appropriate risk mitigation initiatives, drawing up emergency plans and submitting informational reports to company bodies.

The key principles guiding the internal control and management system for liquidity risk defined by those Guidelines are as follows:

- the existence of a liquidity management policy approved by senior management and clearly disseminated throughout the Bank;
- the existence of an operating structure that works within set limits and of a control structure that is independent from the operating structure;
- the constant availability of adequate liquidity reserves in relation to the pre-determined liquidity risk tolerance threshold;
- the assessment of the impact of various scenarios, including stress testing scenarios, on the cash inflows and outflows over time and the quantitative and qualitative adequacy of liquidity reserves;
- the adoption of an internal fund transfer pricing system that accurately incorporates the cost/benefit of liquidity, on the basis of the Intesa Sanpaolo Group's funding conditions;
- the liquidity management in a crisis situation, taking into account the Guidelines for the governance of processes of crisis management under the Recovery Plan and the Resolution Plan.

In order to pursue an integrated, consistent risk management policy, strategic decisions regarding liquidity risk monitoring and management at the Group level fall to the Parent Company's Corporate Bodies. From this standpoint, the Parent Company performs its functions of monitoring and managing liquidity not only in reference to its own organization, but also by assessing the Group's overall transactions and the liquidity risk to which it is exposed.

ADDITIONAL INFORMATION

11. LIQUIDITY RATIOS (continued)

Liquidity risk management

Intesa Sanpaolo has adopted the liquidity management framework at Head Office level. Hong Kong Branch is part of the bank and follows the Group Liquidity Risk Management Guidelines. In addition, the Branch has set up the Local Implementing Procedure for the Governance of Liquidity Risk to take into account of the relevant local liquidity guidelines and requirements.

The Group Liquidity Risk Management Guidelines describes in details roles and responsibilities of the different Corporate Bodies and Functions that are in charge of ensuring prudential approaches to liquidity management and control in order to prevent crisis situation. For example, the departments of the Parent Company that are in charge of ensuring the correct application of the Guidelines are, in particular, the Treasury Head Office Department, the Active Value Management Head Office Department, responsible for liquidity management, and the Financial and Market Risks Head Office Department, directly responsible for measuring liquidity risk on a consolidated basis.

At Hong Kong Branch level, Treasury Department is responsible for the management of the liquidity risk of the Branch. Risk Management Department, in collaboration with the Accounting Department, is responsible for the monitoring of the liquidity position of the Branch. Hong Kong Branch set up an Asset & Liability Committee to monitor the branch's exposure to financial risks and liquidity risks of the Branch.

With regard to liquidity risk measurement metrics and mitigation tools, in addition to defining the methodological system for measuring short-term and structural liquidity indicators, the Group also formalizes the maximum tolerance threshold (risk appetite) for liquidity risk, the criteria for defining liquidity reserves and the rules and parameters for conducting stress tests. The Group Liquidity Risk Management Guidelines envisage the time extension of the stress scenario for the Liquidity Coverage Ratio (LCR) indicator, provided by the new regulatory framework, measuring, for up to 3 months, the effect of specific acute liquidity tensions (at bank level) combined with a widespread and general market crisis. The internal management guidelines also envisage an alert threshold (Stressed soft ratio) for the LCR indicator up to 3 months, with the purpose of establishing an overall level of reserves covering greater cash outflows during a period of time that is adequate to implement the required operating measures to restore the Group to balanced conditions. Within this framework, the Treasury Head Office Department and the Planning and Active Value Management Head Office Department were officially entrusted with drawing up the Contingency Funding Plan (CFP), which contains the various lines of actions that can be activated in order to face potential stress situations, specifying the extent of the mitigating effects attainable in the short-term. These actions must be updated periodically to verify their compatibility with the market conditions and the stress scenario adopted.

In line with the Group Guidelines, Hong Kong Branch also holds reserves of high quality liquid assets, sets up liquidity limits and indicators, liquidity reports such as maturity ladder, stress tests, etc. for the liquidity risk management. Hong Kong Branch monitors the HKMA liquidity maintenance ratio and the cumulative projected wholesale imbalances indicator. The cumulative projected wholesale imbalances indicator measures the Bank's independence from unsecured wholesale funding in the event of a freeze of the money market and aims to

ADDITIONAL INFORMATION

11. LIQUIDITY RATIOS (continued)

ensure financial autonomy, assuming the use on the market of only the highest quality liquidity reserves. Hong Kong Branch is part of the Bank and stress tests performed at Intesa Sanpaolo Group level include the Hong Kong Branch's positions. Moreover, stress tests are set up and implemented for Hong Kong Branch to cater for the specific features of Hong Kong Branch such as the local market environment, business nature, size and complexity. The stress test results are discussed in the Hong Kong local ALCO or other risk committee meetings. Hong Kong Branch will periodically review the scenarios to ensure the stress tests can effectively help in the identification of the potential liquidity risks and in the management of the liquidity positions of the Branch. In 2018, Hong Kong Branch set up the recovery plan. The recovery plan sets out the basis of the situation where the plan should be activated, the recovery governance, a menu of recovery options and a recovery (liquidity stress) scenario to validate the feasibility, suitability and adequacy of recovery options.

Funding strategy

Our Group adopts a Centralized Treasury Model. Treasury Head Office Department "ensures integrated management of the Group's liquidity, both in Euro and in other Currencies" (p.19 Group Liquidity Risk management Guidelines).

On Policy On Diversification in the sources and tenors of funding

"in its ordinary operations, the Group diversifies its funding instruments, counterparties and reference financial markets, keeping the various liquidity sources and their development over time under control, to avoid excessive concentrations or dependence on specific sources, while optimising the cost of funding" (p.7 Group Liquidity Risk management Guidelines).

Contingency funding plan

Head Office "CFO Governance Area (TD and AVMD) is in charge to draw up the Contingency Funding Plan (CFP), that itemize the list of mitigating actions to be applied in a short period (6 months) in order to preserve the Group liquidity position;....contain the different mitigating actions that can be activated, aimed to cope potential stress situations, specifying the size of mitigating effects that can be done in the above period of time." (p.52 Group Liquidity Risk management Guidelines)

Regarding **Contingency Funding Plan**, in Principle

"Action lines to generate liquidity:

- a. 'fully use (ordinary and extraordinary) refinancing tools with the Central Banks of the countries where the Intesa Sanpaolo Group operates through Branches or Companies;
- b. 'maintain a continuous exchange of information with the reference Central Banks;
- c. 'be willing to co-operate with central banks and other major European banks to make the situation more fluid;
- d. 'solicit any required measures/actions from the central banks (including the possible extension of the types of assets eligible for refinancing);
- e. 'use back-up lines;
- f. 'liquidate securities other than those eligible for refinancing with the ECB: government securities, corporate securities and shares, starting from the most liquid instruments;
- g. 'securitisations of mortgage loans and/or public assets in the framework of Covered Bonds;
- h. 'liquidate high quality loans (p.52 Group Liquidity Risk management Guidelines)."

ADDITIONAL INFORMATION

11. LIQUIDITY RATIOS (continued)

The table below analyses the Branch's on and off balance assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date with the resulted liquidity gap.

31 December 2020	1 month or less HK\$'000	Over 1 month to 3 months HK\$'000	Over 3 months to 1 year HK\$'000	Over 1 year to 5 years HK\$'000	Over 5 years HK\$'000	Undated or overdue HK\$'000	Total HK\$'000
Assets :							
Cash and balances with banks (except those included in amount due from head office and overseas offices of institution)	120,301	-	-	-	-	-	120,301
Due from Exchange Fund	25,700	-	-	-	-	-	25,700
Due from Banks	8,933	37,849	35,438	167,990	-	-	250,210
Amount due from head office and overseas offices of the institution	6,170,539	3,264,072	2,708,696	8,034,149	265,954	-	20,443,410
Trade Bills	1,940	11,075	5,082	-	-	-	18,097
Securities held for trading purposes	9,480,239	-	-	-	-	-	9,480,239
Advances to customers	1,781,468	673,511	1,204,577	13,876,051	1,964,507	926,286	20,426,400
Others	47,662	41,069	75,076	1,454,850	453,595	1,001,960	3,074,212
Impairment allowance	-	-	-	-	-	-1,109,142	-1,109,142
Fixed Assets	-	-	-	-	-	59,587	59,587
Total Assets	17,636,782	4,027,576	4,028,869	23,533,040	2,684,056	878,691	52,785,014
Liabilities :							
Deposits and balances of bank and other financial institutions (except those included in amount due to head office and overseas offices of the institution)	2,675,026	1,000,000	-	-	-	-	3,675,026
Due to Exchange Fund	-	-	-	-	-	-	-
Deposit from customers	2,830,027	32,196	51,964	4,309	-	-	2,918,496
Amount due to head office and overseas offices of the institution	17,092,501	2,012,156	2,412,948	19,921,202	1,872,407	-	43,311,214
Sale and repurchase agreement	-	-	-	-	-	-	-
Other liabilities	17,529	228	63,651	1,481,026	463,089	858,755	2,884,278
Total Liabilities	22,615,083	3,044,580	2,528,563	21,406,537	2,335,496	858,755	52,789,014
Off-balance sheet exposures - claims							
Irrevocable loan commitments or facilities	19,028,400	-	-	-	-	-	19,028,400
Forward forward deposits taken	10,961,796	-	-	46,277	-	-	11,008,074
Total Off-balance sheet exposures - claims	29,990,196	-	-	46,277	-	-	30,036,473
Off-balance sheet exposures - obligations							
Guarantees, acceptances and other financial facilities	11,236,135	165,409	166,991	-	-	-	11,568,535
Loan Commitments	4,562,641	1,316,093	-	-	-	-	5,878,734
Forward forward deposits placed	347,145	-	-	-	-	-	347,145
Total Off-balance sheet exposures - obligations	16,145,921	1,481,502	166,991	-	-	-	17,794,414
Net Liquidity Gap	8,865,974	- 498,506	1,333,315	2,172,780	348,560	19,936	12,242,060

No concentration limits on collateral pools.

ADDITIONAL INFORMATION

11. LIQUIDITY RATIOS (continued)

31 December 2019	1 month or less HK\$'000	Over 1 month to 3 months HK\$'000	Over 3 months to 1 year HK\$'000	Over 1 year to 5 years HK\$'000	Over 5 years HK\$'000	Undated or overdue HK\$'000	Total HK\$'000
Assets:							
Cash and balances with banks (except those included in amount due from head office and overseas offices of institution)	403,974	-	-	-	-	-	403,974
Due from Exchange Fund	6,605	-	-	-	-	-	6,605
Due from Banks	327	26,133	27,626	227,568	-	-	281,675
Amount due from head office and overseas offices of the institution	7,688,766	1,386,212	2,942,383	8,061,581	236,398	-	20,315,340
Trade Bills	74,056	41,282	4,242	-	-	-	119,581
Securities held for trading purposes	10,194,072	-	-	-	-	-	10,194,072
Advances to customers	660,290	1,787,185	2,846,559	12,780,016	2,710,784	836,883	21,621,716
Others	953,530	58,339	87,998	670,619	437,712	626,276	2,634,474
Impairment allowance	-	-	-	-	-	- 779,840	779,840
Fixed Assets	-	-	-	-	-	17,011	17,011
	-	-	-	-	-	-	-
Total Assets	19,981,619	3,299,151	5,908,808	21,739,805	3,384,894	700,330	55,014,806
Liabilities:							
Deposits and balances of bank and other financial institutions (except those included in amount due to head office and overseas offices of the institution)	3,929,643	-	-	-	-	-	3,929,643
Due to Exchange Fund	-	-	-	-	-	-	-
Deposit from customers	2,200,515	4,464	48,090	4,310	-	-	2,257,378
Amount due to head office and overseas offices of the institution	20,689,669	873,942	3,186,972	19,745,062	2,328,491	-	46,824,136
Sale and repurchase agreement	-	-	-	-	-	-	-
Other liabilities	583,735	162,707	73,687	693,314	411,756	78,449	2,003,648
Total Liabilities:	27,403,562	1,041,114	3,308,749	20,442,666	2,740,247	78,449	55,014,806
Off-balance sheet exposures - claims							
Irrevocable loan commitments or facilities	17,494,600	-	-	-	-	-	17,494,600
Forward forward deposits taken	17,597,361	932,548	-	-	-	-	18,529,929
Total Off-balance sheet exposures - claims	35,091,961	932,548	-	-	-	-	36,024,529
Off-balance sheet exposures - obligations							
Guarantees, acceptances and other financial facilities	18,131,001	354,895	917,384	-	-	-	19,403,280
Loan Commitments	4,885,424	1,825,510	-	-	-	-	6,710,934
Forward forward deposits placed	932,548	-	-	-	-	-	932,548
Total Off-balance sheet exposures - obligations	23,948,973	2,180,405	917,384	-	-	-	27,046,762
Net Liquidity Gap	3,721,266	1,010,180	1,682,675	1,297,119	644,647	621,881	8,977,768

No concentration limits on collateral pools.

ADDITIONAL INFORMATION

12. DISCLOSURE ON REMUNERATION

According to the Supervisory Policy Manual ("SPM") CG-5 "Guideline on a Sound Remuneration System" issued by HKMA, the Branch, as an overseas-incorporated Authorized Institution is not required to make separate disclosures in respect of the remuneration system applicable to their Hong Kong operations. The disclosures made by Head Office in the Annual Report also cover information as set out in the said Guideline, where appropriate. The relevant Annual Report can be viewed in the Investor Relations section of the Intesa Sanpaolo website: www.group.intesasanpaolo.com.

BANK INFORMATION (CONSOLIDATED BASIS)

The following information is based on the consolidated financial statements of Intesa Sanpaolo S.p.A. as of 31 December 2020, 30 June 2020 and 31 December 2019

(i) Capital adequacy ratio and shareholders' funds

	31 December 2020	30 June 2020
Capital adequacy ratio	<u>19.60%</u>	<u>19.20%</u>

The capital adequacy ratio is computed in accordance with the Basel Capital Accord taking into consideration of an allowance for market risk.

	31 December 2020	30 June 2020
	EUR'm	EUR'm
Aggregate amount of shareholders' funds	<u>65,871</u>	<u>58,582</u>

(ii) Other financial information

	31 December 2020	30 June 2020
	EUR'm	EUR'm
Total assets	1,002,614	858,648
Total liabilities	936,743	800,066
Total loans and advances	615,260	497,653
Total customer deposits	<u>700,278</u>	<u>601,709</u>

	Period ended	Period ended
	31 December 2020	31 December 2019
	EUR'm	EUR'm
Profit before taxation	<u>2,208</u>	<u>5,672</u>

The financial information of Intesa Sanpaolo S.p.A. have been prepared in accordance with International Financial Reporting Standards and the comparative information have been restated to conform with the current period's presentation.

CHIEF EXECUTIVE'S DECLARATION

This is to certify that the information disclosed above complies with the Banking (Disclosure) rules and the disclosure standards set out in the Supervisory Policy Manual - "Guideline on the Application of the Banking (Disclosure) Rules" issued by the Hong Kong Monetary Authority and is not false or misleading.



Alessandro Vitale
Chief Executive



Francesco Rinaldi
Alternate Chief Executive

30 April 2021