



Disclosure Statements

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

31 December 2021

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PROFIT AND LOSS ACCOUNT

Period ended 31 December 2021

	Note	31 December 2021 HK\$'000	31 December 2020 HK\$'000
NET INTEREST INCOME			
Interest income		720,114	896,775
Interest expenses		<u>(339,549)</u>	<u>(515,715)</u>
		380,565	381,060
OTHER OPERATING INCOME			
Gains less losses arising from trading in foreign currencies		(124,767)	121,835
Gains less losses on securities held for trading purposes		(13,332)	133,861
Gains less losses from other trading activities		154,041	(223,860)
Gains less losses from non-trading activities		(26,039)	(4,772)
Net fees and commission income	1	<u>116,824</u>	<u>91,254</u>
TOTAL INCOME		487,292	499,378
OPERATING EXPENSES			
Staff expenses		(99,343)	(97,059)
Rental expenses		(31,925)	(30,620)
Other expenses		<u>(19,071)</u>	<u>(22,398)</u>
		(150,339)	(150,077)
IMPAIRMENT LOSSES AND PROVISIONS FOR IMPAIRED LOANS AND RECEIVABLES		<u>(164,486)</u>	<u>(367,391)</u>
PROFIT/(LOSS) BEFORE TAXATION		172,467	(18,090)
TAX EXPENSE		(21,584)	(9,210)
EXTRAORDINARY PROFIT NET OF TAX		<u>548</u>	<u>1,574</u>
PROFIT/(LOSS) AFTER TAXATION		<u><u>151,431</u></u>	<u><u>(25,726)</u></u>

BALANCE SHEET

31 December 2021

	Notes	31 December 2021 HK\$'000	30 June 2021 HK\$'000
ASSETS			
Cash and balances with banks		159,153	126,359
Due from Exchange Fund		4,650	16,043
Amount due from overseas offices of the institution		30,876,145	24,661,838
Trade bills		64,211	187,688
Financial assets measured at fair value through other comprehensive income		10,279,045	11,297,283
Loans and receivables	2	18,580,475	23,673,637
Property, plant and equipment and investment properties		35,161	46,194
Total assets		59,998,840	60,009,042
LIABILITIES			
Deposits and balances from banks		8,052,682	5,230,851
Deposits from customers	3	2,745,862	3,803,137
Amount due to overseas offices of the institution		47,266,142	48,375,881
Other liabilities		1,934,154	2,599,173
Total liabilities		59,998,840	60,009,042

ADDITIONAL INFORMATION

31 December 2021

1. NET FEES AND COMMISSION INCOME

	31 December 2021 HK\$'000	30 June 2021 HK\$'000
Commission income, gross	128,989	103,129
Commission expenses, gross	<u>(12,165)</u>	<u>(11,875)</u>
Net fees and commission income	<u>116,824</u>	<u>91,254</u>

2. LOANS AND RECEIVABLE

	Notes	31 December 2021 HK\$'000	30 June 2021 HK\$'000
(i) Loans and advances to customers	5	17,456,015	21,631,046
Provisions for impaired loans			
- Collective provisions	2 (iv), 4	(115,334)	(120,525)
- Specific provisions	4	<u>(743,283)</u>	<u>(554,590)</u>
		16,597,398	20,955,931
(ii) Loans and advances to banks		275,626	408,757
Provisions for impaired loans			
- Collective provisions	2 (iv), 4	<u>(80)</u>	<u>(183)</u>
		275,546	408,574
(iii) Other accounts		2,126,086	2,694,850
Provisions for impaired loans			
- Collective provisions	2 (iv), 4	(2,771)	(10,272)
- Specific provisions	4	<u>(415,784)</u>	<u>(375,446)</u>
		1,707,531	2,309,132
		<u>18,580,475</u>	<u>23,673,637</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 advances was calculated and recorded by the Branch.
- (v) Impaired loans and advances:

	31 December 2021	30 June 2021
	HK\$'000	HK\$'000
Impaired loans and advances to customers	1,224,465	764,751
Specific Provisions	743,283	554,590
Percentage of such advances to total advances to customers	<u>7.01%</u>	<u>3.54%</u>

As of 31 December 2021 and 30 June 2021, there were collaterals of HK\$71,859,277 and HK\$71,555,421 for impaired loans and advances to customers respectively.

- (vi) There was no impaired loans and advances to banks as of 31 December 2021 and 30 June 2021.

3. DEPOSITS FROM CUSTOMERS

	31 December 2021	30 June 2021
	HK\$'000	HK\$'000
Demand deposits and current accounts	2,584,971	3,402,582
Time, call and notice deposits	<u>160,891</u>	<u>400,555</u>
	<u>2,745,862</u>	<u>3,803,137</u>

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

31 December 2021	Collective HK\$'000	Specific HK\$'000	Total HK\$'000
As of 31 December 2020	191,639	917,503	1,109,142
Charge for the period	115,623	261,783	377,406
Amounts recoveries	-	-	-
Amounts released	(187,305)	(25,615)	(212,920)
Amounts written-off	-	-	-
Exchange differences	(1,772)	5,396	3,624
As of 31 December 2021	<u>118,185</u>	<u>1,159,067</u>	<u>1,277,252</u>
Provisions against:			
Advances to banks	80	-	80
Advances to customers	115,334	743,283	858,617
Trade bills	45	-	45
Contingent liabilities and commitments	2,726	-	2,726
Accrued interest	-	415,784	415,784
	<u>118,185</u>	<u>1,159,067</u>	<u>1,277,252</u>
30 June 2021	Collective HK\$'000	Specific HK\$'000	Total HK\$'000
As of 31 December 2020	191,639	917,503	1,109,142
Charge for the period	60,280	36,566	96,846
Amounts recoveries	-	-	-
Amounts released	(119,800)	(25,538)	(145,338)
Amounts written-off	-	-	-
Exchange differences	(1,139)	1,505	366
As of 30 June 2021	<u>130,980</u>	<u>930,036</u>	<u>1,061,016</u>
Provisions against:			
Advances to banks	183	-	183
Advances to customers	120,525	554,590	675,115
Trade bills	43	-	43
Contingent liabilities and commitments	10,229	-	10,229
Accrued interest	-	375,446	375,446
	<u>130,980</u>	<u>930,036</u>	<u>1,061,016</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 2021		30 June 2021	
	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	859,269	-	1,065,290	-
Manufacturing	689,457	-	477,438	-
Transport and transport equipment	1,431	-	1,554	-
Information Technology	472,433	-	666,801	-
Electricity and gas	1,289,037	-	2,480,328	-
Trade finance	788,468	8,381	482,091	8,333
Loans and advances for use outside Hong Kong	<u>13,355,920</u>	<u>5,446</u>	<u>16,457,544</u>	<u>65,656</u>
Total gross amount of loans and advances to customers	<u>17,456,015</u>	<u>13,827</u>	<u>21,631,046</u>	<u>73,989</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 2021

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
Cayman Island	3,377,016	-	-
Australia	2,991,434	-	-
Hong Kong	2,097,700	468,091	468,091
China	2,020,638	259,961	259,961
Others	6,969,227	491,555	491,555
	<u>17,456,015</u>	<u>1,219,607</u>	<u>1,219,607</u>

30 June 2021

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
Cayman Island	3,381,955	-	-
Australia	3,912,344	-	-
Hong Kong	3,969,980	466,123	11,337
China	1,625,986	258,861	258,861
Others	8,740,781	489,476	489,476
	<u>21,631,046</u>	<u>1,214,460</u>	<u>759,674</u>

The overdue and impaired loans and advances to customers are attributed to the exposures in Brazil, China, Hong Kong and Panama (30 June 2021 : Brazil, Hong Kong, China and Panama.)

ADDITIONAL INFORMATION

6. ANALYSIS OF OVERDUE AND RESCHEDULED ADVANCES

(i) Overdue loans and advances to customers

	31 December 2021		30 June 2021	
	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				
Over 1 year	<u>1,219,607</u>	<u>6.99%</u>	<u>1,214,460</u>	<u>5.61%</u>
Total overdue advances	<u>1,219,607</u>	<u>6.99%</u>	<u>1,214,460</u>	<u>5.61%</u>

- (ii) There was no rescheduled loan as of 31 December 2021 and 30 June 2021.
- (iii) There were no overdue or rescheduled advances to banks and other assets (trade bills and debt securities) as of 31 December 2021 and 30 June 2021.
- (iv) There were collaterals of HK\$71,859,277 and HK\$71,555,421 in respect of the overdue loans and advances, consisted mainly of the equity shares of the borrower as of 31 December 2021 and 30 June 2021.
- (v) There were no repossessed assets held as of 31 December 2021 and 30 June 2021.
- (vi) There were HK\$743,282,724 and HK\$554,589,577 specific provisions for overdue loans and advances as of 31 December 2021 and 30 June 2021 respectively.

ADDITIONAL INFORMATION

7. NON-BANK MAINLAND EXPOSURES

31 December 2021

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	1,496	-	1,496
2. Local governments, local government-owned entities and their subsidiaries and JVs	541	-	541
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	4,890	3,126	8,016
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local governments not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	276	545	821
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,116	-	1,116
Total	8,319	3,671	11,990
Total assets after provision	59,999		
On-balance sheet exposures as percentage of total assets	13.87%		

ADDITIONAL INFORMATION

7. NON-BANK MAINLAND EXPOSURES (continued)

30 June 2021

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	2,766	-	2,766
2. Local governments, local government-owned entities and their subsidiaries and JVs	557	-	557
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3,784	57	3,841
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local governments not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	284	3,526	3,810
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,116	-	1,116
Total	8,507	3,583	12,090
Total assets after provision	60,009		
On-balance sheet exposures as percentage of total assets	14.18%		

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 2021	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	34,143	1,063	1,792	8,219	45,217
- Italy	30,962	77	-	916	31,955
2. Offshore centres	39	177	54	9,539	9,809
3. Developing Asia and Pacific	939	54	-	4,377	5,370
As at 30 June 2021	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	28,201	1,575	1,836	10,272	41,884
- Italy	24,955	77	-	915	25,947
2. Offshore centres	7	61	55	8,398	8,521
3. Developing Asia and Pacific	989	46	426	3,637	5,098

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 2021	USD HK\$m	EUR HK\$m	JPY HK\$m	AUD HK\$m	Others HK\$m	Total HK\$m
Spot assets	32,404	6,294	6,456	11,366	2,213	58,733
Spot liabilities	(41,968)	(8,250)	(3,216)	(4,076)	(1,748)	(59,258)
Forward purchases	18,199	5,187	2,591	612	647	27,236
Forward sales	(8,648)	(3,219)	(5,837)	(7,890)	(1,115)	(26,709)
Net long / (short) position	<u>(13)</u>	<u>12</u>	<u>(6)</u>	<u>12</u>	<u>(3)</u>	<u>2</u>
Net structural position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

30 June 2021	USD HK\$m	EUR HK\$m	JPY HK\$m	AUD HK\$m	Others HK\$m	Total HK\$m
Spot assets	30,997	6,890	7,261	10,626	2,649	58,423
Spot liabilities	(42,233)	(6,526)	(3,875)	(3,896)	(1,724)	(58,254)
Forward purchases	16,746	2,779	2,206	3,220	908	25,859
Forward sales	(5,402)	(3,130)	(5,570)	(9,933)	(1,837)	(25,872)
Net long / (short) position	<u>108</u>	<u>13</u>	<u>22</u>	<u>17</u>	<u>(4)</u>	<u>156</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 2021	30 June 2021
	HK\$'000	HK\$'000
Direct credit substitutes	1,898,934	610,607
Transaction-related contingencies	-	-
Trade-related contingencies	3,554,385	1,691,413
Note issuance and revolving underwriting facilities	-	-
Other commitments	13,873,493	13,705,271
Others - Forward forward deposits placed	416,499	1,281,416
	<u>19,743,311</u>	<u>17,288,707</u>

(ii) Derivatives

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

	31 December 2021	30 June 2021
	HK\$'000	HK\$'000
Exchange rate-related derivative contracts excluded forward foreign exchange contracts arising from swap deposit arrangements)	27,973,854	26,378,992
Interest rate derivative contracts	92,202,374	94,674,120
Others	-	-
	<u>120,176,228</u>	<u>121,053,112</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 2021 HK\$'000	30 June 2021 HK\$'000
Exchange rate-related contracts	(51,680)	93,912
Valid bilateral netting agreement	<u>-</u>	<u>-</u>
	<u>(51,680)</u>	<u>93,912</u>
Interest rate derivative contracts	309,767	78,920
Valid bilateral netting agreement	<u>-</u>	<u>-</u>
	<u>309,767</u>	<u>78,920</u>
Others	<u>-</u>	<u>-</u>
	<u>258,087</u>	<u>172,832</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 01.10.2021 to 31.12.2021	For the period from 01.07.2021 to 30.09.2021	For the period from 01.01.2020 to 31.12.2020
Average Liquidity Maintenance Ratio ("LMR")	<u>48.92%</u>	<u>50.62%</u>	<u>48.11%</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 of Intesa Sanpaolo, in implementation of the applicable regulatory provisions.

The provisions on liquidity introduced by the European Union in June 2013 and subsequently updated establish that banks are required to comply with the short-term liquidity coverage ratio (LCR), as set out in Art. 38 of Delegated Regulation (EU) 2015/61, as supplemented and amended (minimum level of 100% from 1 January 2018). The entry into force of the net stable funding ratio (100%) is, instead, planned to start in June 2021, following final approval and subsequent publication in the Official Journal in May 2019 of the package of banking reforms containing EU Directive 2019/878 (CRD V) and Regulation 2019/876 (CRR2).

The Intesa Sanpaolo Group Liquidity Risk Management Guidelines, which already referred to Bank of Italy Circulars 263 and 285, and Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR), have reflected all of the related regulatory provisions step-by-step, adjusting the composition of the liquid assets eligible for liquidity reserves and the definition of the 30-day liquidity flows valid for the calculation of the LCR. With respect to structural liquidity, the most recent regulatory provisions issued concerning the Net Stable Funding Ratio (NSFR) have been adopted, in view of the upcoming entry into force of the latest European regulations mentioned above.

The Group Liquidity Risk Management Guidelines approved by Intesa Sanpaolo's Corporate Bodies illustrate the tasks of the various corporate functions, the rules and the set of control and management processes aimed at ensuring prudent monitoring of liquidity 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.

ADDITIONAL INFORMATION

11. LIQUIDITY RATIOS (continued)

Liquidity risk management

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.

The Group Liquidity Risk Management Guidelines set out the task assigned to the Corporate Bodies and allocate several important responsibilities to senior management, including approving measurement indicators, defining the main assumptions underlying the stress scenarios and composing the early warning thresholds used to activate emergency plans.

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.

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 Group Treasury and Finance Head Office Department, the Planning and Control Department, responsible, within the Chief Financial Officer (CFO) Area, for liquidity management, and the Financial and Market Risks Head Office Department, which is directly responsible within the Chief Risk Officer (CRO) Area, for measuring liquidity risk on a consolidated basis.

ADDITIONAL INFORMATION

11. LIQUIDITY RATIOS (continued)

Liquidity risk management

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.

The liquidity risk measurement metrics and mitigation tools are formalized by the Group Liquidity Risk Management Guidelines which establish the methodology used for both the short-term and structural liquidity indicators.

The short-term liquidity is aimed at providing an adequate, balanced level of cash inflows and outflows the timing of which is certain or estimated to fall within a period of 12 months, while ensuring a sufficient liquidity buffer, available for use as the main mitigation tool for liquidity risk. To that end, and in keeping with the liquidity risk appetite, the system of limits consists of specific short-term indicators, both of a regulatory nature with a holding a period of one month (Liquidity Coverage Ratio - LCR) and internally defined (Survival Period indicators).

The LCR indicator is aimed at strengthening the short-term liquidity risk profile, ensuring that sufficient unencumbered high quality liquid assets (HQLA) are retained that can be converted easily and immediately into cash on the private markets to satisfy the short-term liquidity requirements (30 days) in an acute liquidity stress scenario. To this end, the Liquidity Coverage Ratio measures the ratio between: (i) the stock of HQLA and (ii) the total net cash outflows calculated according to the scenario parameters defined by Delegated Regulation (EU) 2015/61.

The Survival Period is an internal indicator designed to measure the first day on which the net liquidity position (calculated as the difference between available liquidity reserves and net outflows) becomes negative, i.e. when additional liquidity is no longer available to cover simulated net outflows. To this end, two different scenario hypotheses are considered, baseline and stressed, designed to measure, respectively: (i) the Group's independence from interbank funding on the financial markets and (ii) the survival period in the event of further tensions of a market and idiosyncratic nature, of medium-high severity, managed without envisaging restrictions on credit activity involving customers. For the Survival Period indicator, in stress conditions it is established that a minimum survival period must be maintained 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.

ADDITIONAL INFORMATION

11. LIQUIDITY RATIOS (continued)

Liquidity risk management

The Group Liquidity Risk Management Guidelines also establish methods for management of a potential liquidity crisis, defined as a situation of difficulty or inability of the Bank to meet its cash obligations falling due, without implementing procedures and/or employing instruments that, due to their intensity or manner of use, do not qualify as ordinary administration. By setting itself the objectives of safeguarding the Group's asset value and also guaranteeing the continuity of operations under conditions of extreme liquidity emergency, the Contingency Liquidity Plan ensures the identification of the early warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, also indicating the immediate lines of action, and the intervention measures for the resolution of emergencies. The early warning indexes, aimed at spotting the signs of a potential liquidity strain, both systematic and specific, are monitored with daily frequency by the Financial and Market Risks Head Office Department. Within this framework, the Group Treasury and Finance Department was 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.

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 survival period indicator.

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. The recovery plan of Hong Kong Branch 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).

ADDITIONAL INFORMATION

11. LIQUIDITY RATIOS (continued)

Liquidity risk management

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 2021

	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)	159,153	-	-	-	-	-	159,153
Due from Exchange Fund	4,650	-	-	-	-	-	4,650
Due from Banks	98,000	7,302	1,343	168,981	-	-	275,626
Amount due from head office and overseas offices of the institution	12,349,219	3,814,906	3,093,952	10,862,892	755,176	-	30,876,145
Trade Bills	33,972	13,974	16,265	-	-	-	64,211
Securities held for trading purposes	10,279,045	-	-	-	-	-	10,279,045
Advances to customers	843,285	1,305,050	686,703	10,681,135	2,895,716	1,044,126	17,456,015
Others	18,208	52,667	100,268	719,370	226,507	1,009,066	2,126,086
Impairment allowance	-	-	-	-	-	1,277,252	1,277,252
Fixed Assets	-	-	-	-	-	35,161	35,161
Total Assets	23,785,532	5,193,899	3,898,531	22,432,378	3,877,399	811,101	59,998,840
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)	7,584,734	467,948	-	-	-	-	8,052,682
Due to Exchange Fund	-	-	-	-	-	-	-
Deposit from customers	2,731,767	1,404	8,381	4,310	-	-	2,745,862
Amount due to head office and overseas offices of the institution	11,429,289	9,558,244	2,566,783	20,007,145	3,704,681	-	47,266,142
Sale and repurchase agreement	-	-	-	-	-	-	-
Other liabilities	15,749	181,106	92,035	675,416	216,915	752,933	1,934,154
Total Liabilities	21,761,539	10,208,702	2,667,199	20,686,871	3,921,596	752,933	59,998,840
Off-balance sheet exposures - claims							
Irrevocable loan commitments or facilities	17,666,600	-	-	-	-	-	17,666,600
Forward forward deposits taken	3,977,559	-	-	-	-	-	3,977,559
Total Off-balance sheet exposures - claims	21,644,159	-	-	-	-	-	21,644,159
Off-balance sheet exposures - obligations							
Guarantees, acceptances and other financial facilities	7,013,325	-	-	-	-	-	7,013,325
Loan Commitments	4,447,612	4,385,183	236,640	-	-	-	9,069,435
Forward forward deposits placed	777,942	-	-	-	-	-	777,942
Total Off-balance sheet exposures - obligations	12,238,879	4,385,183	236,640	-	-	-	16,860,702
Net Liquidity Gap	11,429,273	- 9,399,986	994,692	1,745,507	- 44,197	58,168	4,783,457

No concentration limits on collateral pools.

ADDITIONAL INFORMATION

11. LIQUIDITY RATIOS (continued)

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	52,789,014
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	-	-	11,008,073
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	12,242,059

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 2021, 30 June 2021 and 31 December 2020.

(i) Capital adequacy ratio and shareholders' funds

	31 December 2021	30 June 2021
Capital adequacy ratio	<u>19.10%</u>	<u>19.60%</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 2021	30 June 2021
	EUR'm	EUR'm
Aggregate amount of shareholders' funds	<u>63,775</u>	<u>66,232</u>

(ii) Other financial information

	31 December 2021	30 June 2021
	EUR'm	EUR'm
Total assets	1,069,003	1,057,595
Total liabilities	1,005,228	991,363
Total loans and advances	668,866	656,626
Total customer deposits	<u>760,044</u>	<u>735,810</u>

	Period ended	Period ended
	31 December 2021	31 December 2020
	EUR'm	EUR'm
Profit before taxation	<u>5,182</u>	<u>2,282</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

29 April 2022