



Disclosure Statements

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

31 December 2022

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PROFIT AND LOSS ACCOUNT

Period ended 31 December 2022

	Note	31 December 2022 HK\$'000	31 December 2021 HK\$'000
NET INTEREST INCOME			
Interest income		1,590,685	720,114
Interest expenses		<u>(1,028,415)</u>	<u>(339,549)</u>
		562,270	380,565
OTHER OPERATING INCOME			
Gains less losses arising from trading in foreign currencies		(210,386)	(124,767)
Gains less losses on securities held for trading purposes		128	(13,332)
Gains less losses from other trading activities		79,465	154,041
Gains less losses from non-trading activities		(7,407)	(26,039)
Net fees and commission income	1	<u>90,183</u>	<u>116,824</u>
TOTAL INCOME		514,253	487,292
OPERATING EXPENSES			
Staff expenses		(102,691)	(99,343)
Rental expenses		(31,052)	(31,925)
Other expenses		<u>(19,139)</u>	<u>(19,071)</u>
TOTAL OPERATING EXPENSES		(152,882)	(150,339)
Net charges for impairments on loans and advances		<u>(255,704)</u>	<u>(164,486)</u>
PROFIT/(LOSS) BEFORE TAXATION		105,667	172,467
Tax (Expense)/Income		237	(21,584)
Extraordinary profit / loss		<u>(81)</u>	<u>548</u>
PROFIT/(LOSS) AFTER TAXATION		<u>105,823</u>	<u>151,431</u>

BALANCE SHEET

31 December 2022

	Notes	31 December 2022 HK\$'000	30 June 2022 HK\$'000
ASSETS			
Cash and balances with banks		100,307	134,744
Due from Exchange Fund		-	23,709
Amount due from overseas offices of the institution		32,491,456	37,689,095
Trade bills		258,225	47,961
Financial assets measured at fair value through other comprehensive income		10,275,435	10,972,965
Loans and receivables	2	19,586,859	21,943,413
Property, plant and equipment and investment properties		<u>16,352</u>	<u>22,323</u>
TOTAL ASSETS		<u>62,728,634</u>	<u>70,834,210</u>
LIABILITIES			
Deposits and balances from banks		3,246,962	3,398,632
Deposits from customers	3	6,730,371	9,477,409
Due to Exchange Fund		12,772	-
Amount due to overseas offices of the institution		48,285,536	54,377,868
Other liabilities		<u>4,452,993</u>	<u>3,580,301</u>
TOTAL LIABILITIES		<u>62,728,634</u>	<u>70,834,210</u>

ADDITIONAL INFORMATION

31 December 2022

1. NET FEES AND COMMISSION INCOME

	31 December 2022 HK\$'000	31 December 2021 HK\$'000
Commission income, gross	105,318	128,989
Commission expenses, gross	<u>(15,135)</u>	<u>(12,165)</u>
Net fees and commission income	<u>90,183</u>	<u>116,824</u>

2. LOANS AND RECEIVABLE

	Notes	31 December 2022 HK\$'000	30 June 2022 HK\$'000
(i) Loans and advances to customers	5	16,005,441	18,990,703
Provisions for impaired loans			
- Collective provisions	2 (iv), 4	(63,725)	(80,251)
- Specific provisions	4	<u>(912,396)</u>	<u>(828,544)</u>
		15,029,320	18,081,908
(ii) Loans and advances to banks		499,235	531,368
Provisions for impaired loans			
- Collective provisions	2 (iv), 4	<u>(43)</u>	<u>(527)</u>
		499,192	530,841
(iii) Other accounts		4,611,994	3,797,455
Provisions for impaired loans			
- Collective provisions	2 (iv), 4	(15,909)	(1,802)
- Specific provisions	4	<u>(537,738)</u>	<u>(464,989)</u>
		4,058,347	3,330,664
		<u>19,586,859</u>	<u>21,943,413</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 2022	30 June 2022
	HK\$'000	HK\$'000
Impaired loans and advances to customers	1,222,971	1,231,351
Specific Provisions	912,396	828,544
Percentage of such advances to total advances to customers	<u>7.64%</u>	<u>6.48%</u>

As of 31 December 2022 and 30 June 2022, there were collaterals of HK\$71,839,779 and HK\$72,288,064 for impaired loans and advances to customers respectively.

- (vi) There was no impaired loans and advances to banks as of 31 December 2022 and 30 June 2022.

3. DEPOSITS FROM CUSTOMERS

	31 December 2022	30 June 2022
	HK\$'000	HK\$'000
Demand deposits and current accounts	6,342,658	9,333,354
Time, call and notice deposits	<u>387,713</u>	<u>144,055</u>
	<u>6,730,371</u>	<u>9,477,409</u>

ADDITIONAL INFORMATION

4. PROVISIONS FOR IMPAIRED LOANS AND ADVANCES

31 December 2022	Collective HK\$'000	Specific HK\$'000	Total HK\$'000
As of 31 December 2021	118,184	1,159,068	1,277,252
Charge for the period	27,783	293,853	321,636
Amounts recoveries	-	-	-
Amounts released	(65,933)	-	(65,933)
Amounts written-off	-	(2,456)	(2,456)
Exchange differences	(357)	(331)	(688)
As of 31 December 2022	<u>79,677</u>	<u>1,450,134</u>	<u>1,529,811</u>
Provisions against:			
Advances to banks	43	-	43
Advances to customers	63,725	912,396	976,121
Trade bills	66	-	66
Contingent liabilities and commitments	15,843	-	15,843
Accrued interest	-	537,738	537,738
	<u>79,677</u>	<u>1,450,134</u>	<u>1,529,811</u>
30 June 2022	Collective HK\$'000	Specific HK\$'000	Total HK\$'000
As of 31 December 2021	118,184	1,159,068	1,277,252
Charge for the period	13,214	127,565	140,779
Amounts recoveries	-	-	-
Amounts released	(49,235)	-	(49,235)
Amounts written-off	-	-	-
Exchange differences	417	6,900	7,317
As of 30 June 2022	<u>82,580</u>	<u>1,293,533</u>	<u>1,376,113</u>
Provisions against:			
Advances to banks	527	-	527
Advances to customers	80,251	828,544	908,795
Trade bills	27	-	27
Contingent liabilities and commitments	1,775	-	1,775
Accrued interest	-	464,989	464,989
	<u>82,580</u>	<u>1,293,533</u>	<u>1,376,113</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 2022		30 June 2022	
	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	1,784,927	-	1,790,344	-
Manufacturing	12,377	-	177,197	-
Transport and transport equipment	566	-	560	-
Information Technology	1,252,007	-	1,259,819	-
Electricity and gas	389,851	-	784,567	-
Trade finance	129,986	8,442	1,590,651	8,441
Loans and advances for use outside Hong Kong	<u>12,435,730</u>	<u>1,086,184</u>	<u>13,387,565</u>	<u>1,114,323</u>
Total gross amount of loans and advances to customers	<u>16,005,441</u>	<u>1,094,626</u>	<u>18,990,703</u>	<u>1,122,764</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 2022

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
Hong Kong	3,099,200	8,898	8,898
China	2,951,664	716,484	483,917
Australia	2,139,785	-	-
United States	1,288,844	-	-
Others	6,525,908	491,421	419,581
	<u>16,005,441</u>	<u>1,216,803</u>	<u>912,396</u>

30 June 2022

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
Hong Kong	4,612,027	11,426	11,426
China	2,964,148	720,955	394,918
Australia	3,028,633	-	-
United States	935,856	-	-
Others	7,450,039	494,488	422,200
	<u>18,990,703</u>	<u>1,226,869</u>	<u>828,544</u>

The overdue and impaired loans and advances to customers are attributed to the exposures in Brazil, Hong Kong, China and Panama (30 June 2022 : Brazil, Hong Kong, China and Panama.)

ADDITIONAL INFORMATION

6. ANALYSIS OF OVERDUE AND RESCHEDULED ADVANCES

(i) Overdue loans and advances to customers

	31 December 2022		30 June 2022	
	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>1,216,803</u>	<u>7.60%</u>	<u>1,226,869</u>	<u>6.46%</u>
Total overdue advances	<u>1,216,803</u>	<u>7.60%</u>	<u>1,226,869</u>	<u>6.46%</u>

- (ii) There was no rescheduled loan as of 31 December 2022 and 30 June 2022.
- (iii) There were no overdue or rescheduled advances to banks and other assets (trade bills and debt securities) as of 31 December 2022 and 30 June 2022.
- (iv) There were collaterals of HK\$71,839,779 and HK\$72,288,064 in respect of the overdue loans and advances, consisted mainly of the equity shares of the borrower as of 31 December 2022 and 30 June 2022 respectively.
- (v) There were no repossessed assets held as of 31 December 2022 and 30 June 2022.
- (vi) There were HK\$912,396,014 and HK\$828,544,204 specific provisions for overdue loans and advances as of 31 December 2022 and 30 June 2022 respectively.

ADDITIONAL INFORMATION

7. NON-BANK MAINLAND EXPOSURES

31 December 2022

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	441	-	441
2. Local governments, local government-owned entities and their subsidiaries and JVs	105	-	105
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	4,487	2,963	7,450
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	289	443	732
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	990	-	990
Total	6,312	3,406	9,718
Total assets after provision	62,729		
On-balance sheet exposures as percentage of total assets	10.06%		

ADDITIONAL INFORMATION

7. NON-BANK MAINLAND EXPOSURES (continued)

30 June 2022

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	989	-	989
2. Local governments, local government-owned entities and their subsidiaries and JVs	103	-	103
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	5,238	3,071	8,309
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	259	520	779
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,118	-	1,118
Total	7,707	3,591	11,298
Total assets after provision	70,834		
On-balance sheet exposures as percentage of total assets	10.88%		

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 2022	<u>Banks</u>	<u>Official sector</u>	<u>Non-bank private sector</u>		<u>Total</u>
			Non-bank financial institutions	Non-financial private sectors	
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1. Developed countries	35,911	2,223	2,238	6,781	47,153
of which					
- Italy	32,737	73	-	679	33,489
2. Offshore centres	489	95	49	6,109	6,742
3. Developing Asia and Pacific	921	-	-	3,638	4,559

As at 30 June 2022	<u>Banks</u>	<u>Official sector</u>	<u>Non-bank private sector</u>		<u>Total</u>
			Non-bank financial institutions	Non-financial private sectors	
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
1. Developed countries	41,116	2,364	1,913	7,521	52,914
of which					
- Italy	37,817	74	-	763	38,654
2. Offshore centres	405	159	51	7,651	8,266
3. Developing Asia and Pacific	803	52	-	4,056	4,911

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 2022	USD HK\$m	EUR HK\$m	JPY HK\$m	AUD HK\$m	Others HK\$m	Total HK\$m
Spot assets	38,194	8,788	4,044	9,016	1,134	61,176
Spot liabilities	(36,361)	(17,775)	(1,469)	(5,343)	(338)	(61,286)
Forward purchases	4,987	9,023	1,615	43	103	15,771
Forward sales	(6,798)	(37)	(4,204)	(3,720)	(897)	(15,656)
Net long / (short) position	<u>22</u>	<u>(1)</u>	<u>(14)</u>	<u>(4)</u>	<u>2</u>	<u>5</u>
Net structural position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

30 June 2022	USD HK\$m	EUR HK\$m	JPY HK\$m	AUD HK\$m	Others HK\$m	Total HK\$m
Spot assets	39,557	7,238	7,127	13,306	2,072	69,300
Spot liabilities	(38,811)	(21,477)	(2,272)	(4,987)	(861)	(68,408)
Forward purchases	12,667	20,234	2,678	2,329	411	38,319
Forward sales	(13,276)	(5,972)	(7,528)	(10,656)	(1,627)	(39,059)
Net long / (short) position	<u>137</u>	<u>23</u>	<u>5</u>	<u>(8)</u>	<u>(5)</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 2022	30 June 2022
	HK\$'000	HK\$'000
Direct credit substitutes	1,265,764	1,932,116
Transaction-related contingencies	-	-
Trade-related contingencies	2,840,685	3,568,847
Note issuance and revolving underwriting facilities	-	-
Other commitments	15,223,195	13,457,754
Others - Forward forward deposits placed	1,875	313,827
	<u>19,331,519</u>	<u>19,272,544</u>

(ii) Derivatives

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

	31 December 2022	30 June 2022
	HK\$'000	HK\$'000
Exchange rate-related derivative contracts (excluded forward foreign exchange contracts arising from swap deposit arrangements)	15,926,536	39,424,941
Interest rate derivative contracts	85,115,474	87,980,232
Others	-	-
	<u>101,042,010</u>	<u>127,405,173</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 2022 HK\$'000	30 June 2022 HK\$'000
Exchange rate-related contracts	321,519	429,286
Valid bilateral netting agreement	<u>-</u>	<u>-</u>
	<u>321,519</u>	<u>429,286</u>
Interest rate derivative contracts	836,207	647,959
Valid bilateral netting agreement	<u>-</u>	<u>-</u>
	<u>836,207</u>	<u>647,959</u>
Others	<u>-</u>	<u>-</u>
	<u>1,157,726</u>	<u>1,077,245</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 01.10.2022 to 31.12.2022	For the period from 01.07.2022 to 30.09.2022	For the period from 01.01.2021 to 31.12.2021
Average Liquidity Maintenance Ratio ("LMR")	<u>44.77%</u>	<u>45.21%</u>	<u>47.49%</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) and the net stable funding ratio (NSFR), the minimum level of which of 100% entered into effect in June 2021, following final approval and 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.

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 and the Planning and Control Department, responsible, within the Chief Financial Officer (CFO) Area, for liquidity management, and the Market and Financial Risk Management 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 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 Market and Financial Risk Management 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".

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" .

ADDITIONAL INFORMATION

11. LIQUIDITY RATIOS (continued)

Liquidity risk management

Contingency funding plan

Head Office CFO Governance Area (Group Treasury and Finance Head Office Department) is in charge to draw up the Contingency Funding Plan (CFP), that itemize the list of mitigating actions to be applied in a 1 year period 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."

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.

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 2022

	Total HK\$'000	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	Balancing amount HK\$'000
Assets :							
Currency notes and coins	71	71	-	-	-	-	-
Amount receivable arising from							
derivative contracts	2,907,228	3,511	476,587	1,551,456	3,639,692	-	-
Due from banks	33,261,730	6,947,339	5,888,782	3,472,219	16,620,395	332,995	-
Debt securities, prescribed instruments and structured financial instruments held (net of short positions)	10,302,394	10,302,394	-	-	-	-	-
Acceptances and bills of exchange held	258,414	92,236	158,134	8,044	-	-	-
Loans and advances to non-bank customers	16,616,338	380,137	253,219	1,824,352	11,188,757	1,215,609	1,754,264
Others assets	903,281	7,883	-	-	-	-	895,398
Total Assets	64,249,456	17,733,571	6,776,722	6,856,071	31,448,844	1,548,604	2,649,662
Off-balance sheet claims							
Irrevocable loan commitments or facilities received	16,632,600	16,632,600	-	-	-	-	-
Other off-balance sheet claims	2,943,452	2,943,452	-	-	-	-	-
Total Off-balance sheet claims	19,576,052	19,576,052	-	-	-	-	-
Liabilities :							
Deposits from non-bank customers	6,730,835	6,517,469	146,429	66,937	-	-	-
Amount payable arising from							
derivative contracts	1,749,503	29,377	418,601	1,441,430	3,476,135	6,090	-
Due to M/A for a/c of							
Exchange Fund	12,772	12,772	-	-	-	-	-
Due to banks	51,698,702	15,722,320	3,662,733	4,204,985	26,831,693	1,276,971	-
Other liabilities	3,882,100	1,556	-	-	-	-	3,880,544
Capital and reserves	184,378	-	-	-	-	-	184,378
Total Liabilities	64,258,290	22,283,494	4,227,763	5,713,352	30,307,828	1,283,061	4,064,922
Off-balance sheet obligations							
Irrevocable loan commitments or facilities granted	5,691,371	4,333,060	1,358,311	-	-	-	-
Other off-balance sheet obligations	7,051,777	5,805,085	939,733	306,959	-	-	-
Total Off-balance sheet obligations	12,743,148	10,138,145	2,298,044	306,959	-	-	-
Net Liquidity Gap							
Contractual maturity mismatch		4,887,984	250,915	835,760	1,141,016	265,543	
Cumulative contractual maturity mismatch		4,887,984	5,138,899	5,974,659	7,115,675	7,381,218	

No concentration limits on collateral pools.

ADDITIONAL INFORMATION

11. LIQUIDITY RATIOS (continued)

31 December 2021

	Total HK\$'000	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	Balancing amount HK\$'000
Assets :							
Currency notes and coins	126	126	-	-	-	-	-
Amount receivable arising from derivative contracts	1,484,448	167,540	241,266	1,152,859	5,043,532	5,084	-
Due from M/A for a/c of Exchange Fund	4,650	4,650	-	-	-	-	-
Due from banks	31,337,221	12,663,426	4,417,772	2,904,049	10,753,737	598,237	-
Debt securities, prescribed instruments and structured financial instruments held (net of short positions)	10,279,046	10,279,046	-	-	-	-	-
Acceptances and bills of exchange held	64,232	33,972	13,995	16,265	-	-	-
Loans and advances to non-bank customers	17,937,113	991,064	1,445,402	1,530,827	9,433,868	2,895,716	1,640,236
Others assets	529,350	651	-	-	-	-	528,699
Total Assets	61,636,186	24,140,475	6,118,435	5,604,000	25,231,137	3,499,037	2,168,935
Off-balance sheet claims							
Irrevocable loan commitments or facilities received	17,666,600	17,666,600	-	-	-	-	-
Other off-balance sheet claims	3,977,559	3,977,559	-	-	-	-	-
Total Off-balance sheet claims	21,644,159	21,644,159	-	-	-	-	-
Liabilities :							
Deposits from non-bank customers	2,745,909	2,731,773	5,751	8,385	-	-	-
Amount payable arising from derivative contracts	1,360,027	162,220	220,367	1,038,891	4,843,519	-	-
Due to banks	55,346,359	19,096,681	10,275,372	3,197,207	21,272,128	1,504,971	-
Other liabilities	1,887,984	2,073	-	-	-	-	1,885,911
Capital and reserves	230,008	-	151,431	-	-	-	78,577
Total Liabilities :	61,570,287	21,992,747	10,652,921	4,244,483	26,115,647	1,504,971	1,964,488
Off-balance sheet obligations							
Irrevocable loan commitments or facilities granted	7,013,325	7,013,325	-	-	-	-	-
Other off-balance sheet obligations	9,847,377	5,225,554	4,385,183	236,640	-	-	-
Total Off-balance sheet obligations	16,860,702	12,238,879	4,385,183	236,640	-	-	-
Net Liquidity Gap							
Contractual maturity mismatch		11,553,008	- 8,919,669	1,122,877	- 884,510	1,994,066	
Cumulative contractual maturity mismatch		11,553,008	2,633,339	3,756,216	2,871,706	4,865,772	

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 2022, 30 June 2022 and 31 December 2021.

(i) Capital adequacy ratio and shareholders' funds

	31 December 2022	30 June 2022
Capital adequacy ratio	<u>19.10%</u>	<u>17.50%</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 2022	30 June 2022
	EUR'm	EUR'm
Aggregate amount of shareholders' funds	<u>61,655</u>	<u>64,017</u>

(ii) Other financial information

	31 December 2022	30 June 2022
	EUR'm	EUR'm
Total assets	975,683	1,032,315
Total liabilities	914,028	968,298
Total loans and advances	528,078	657,716
Total customer deposits	<u>718,983</u>	<u>730,148</u>

	Period ended	Period ended
	31 December 2022	31 December 2021
	EUR'm	EUR'm
Profit before taxation	<u>6,007</u>	<u>5,182</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

28 April 2023