

NATIXIS
HONG KONG BRANCH

(Incorporated in France and the liability of its members is limited)

KEY FINANCIAL INFORMATION
DISCLOSURE STATEMENTS
AS AT 31 DEC 2020

**NATIXIS
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Section A - Branch Information

I. Unaudited Income Statement

Figures in HKD thousand	2020-12-31	2019-12-31
Net interest income		
Interest income	1,317,023	2,751,690
Interest expense	(1,167,531)	(2,548,632)
	149,492	203,058
Other operating income		
Gains less losses arising from trading in foreign currencies	153,798	304,668
Gains less losses on securities held for trading purposes	(10,411)	(630)
Gains less losses from other trading activities	48,919	(13,063)
Net fees and commission income	179,370	268,597
Others	1,288,093	1,367,989
	1,659,769	1,927,561
Operating expenses		
Staff expenses	(769,826)	(804,757)
Rental expenses	(72,949)	(71,589)
Other expenses	(583,373)	(644,823)
Other net charge on provisions	(1,502)	(1,775)
	(1,427,650)	(1,522,944)
Operating profit before provisions	381,611	607,675
Impairment losses and provisions for impaired loans and receivables	(176,144)	(16,632)
Operating profit	205,467	591,043
Gains less losses from the disposal of property, plant and equipment and investment properties	-	(187)
Profit before taxation	205,467	590,856
Tax credit / (expenses)	22,179	(79,536)
Profit after taxation	227,646	511,320

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II. Unaudited Balance Sheet

Figures in HKD thousand	2020-12-31	2020-06-30
Assets		
Cash and balances with banks	172,501	176,403
Cash and balances with central bank	4,394,885	723,419
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	232,490	2,551,850
Amount due from overseas offices	17,431,983	32,056,218
Trade bills	619,972	845,621
Certificates of deposit held	4,620,311	5,843,069
Securities held for trading purposes	-	-
Loans and receivables		
Loans and advances to customers	43,833,564	39,067,652
Loans and advances to banks	-	-
Other accounts	1,684,351	2,142,950
Provisions for impaired loans, receivables and others	(75,600)	(159,335)
	45,442,315	41,051,267
Investment securities	14,962,143	10,716,488
Other investments	59,708	95,391
Property, plant and equipment and investment properties	44,901	42,310
TOTAL ASSETS	87,981,209	94,102,036
Liabilities		
Deposits and balances from banks	9,099,173	3,640,876
Deposits from customers		
Demand deposits and current accounts	5,981,220	4,962,359
Savings deposits	-	-
Time, call and notice deposits	1,329,509	1,820,514
	7,310,729	6,782,873
Amount due to overseas offices	50,628,244	69,299,744
Certificates of deposit issued	11,583,080	10,850,140
Issued debt securities	3,876,100	-
Other liabilities	5,483,883	3,528,403
TOTAL LIABILITIES	87,981,209	94,102,036

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III. Unaudited Additional Profit and Loss Information

Figures in HKD thousand	2020-12-31	2019-12-31
Fees and commission income	229,919	281,115
Fees and commission expenses	(50,549)	(12,518)
Net fees and commission income	<u>179,370</u>	<u>268,597</u>

IV. Unaudited Additional Balance Sheet Information

Figures in HKD thousand	2020-12-31	2020-06-30
1) Provision for impaired loans, receivables and others		
- Collective provisions	34,583	23,812
- Specific provisions for loans and receivables to customers	41,017	135,523
	<u>75,600</u>	<u>159,335</u>

Specific and Collective provisions were made at the branch level.

	2020-12-31	2020-06-30
2) Impaired loans and advances to customers		
- amount of impaired loans and advances to customers which are individually determined to be impaired	119,163	271,033
- amount of specific provisions made for such loans and advances	41,017	135,518
- value of collateral which has been taken into account in respect of such loans and advances to which the specific provisions relate	-	-
- percentage of such loans and advances to total amount of loans and advances to customers	0.27%	0.69%

Specific provision were made after taking into account the value of collateral in respect of such loans and advances.

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IV. Unaudited Additional Balance Sheet Information (Continued)

Figures in HKD thousand	2020-12-31	2020-06-30
3) Overdue loans and advances to customers		
Gross amount of loans and advances to customers which have been overdue for:		
more than 3 months but not more than 6 months	-	91,990
more than 6 months but not more than one year	40,339	179,043
more than one year	78,824	-
	<u>119,163</u>	<u>271,033</u>
Percentage of total amount of loans and advances to customers which have been overdue for:		
more than 3 months but not more than 6 months	0.00%	0.23%
more than 6 months but not more than one year	0.09%	0.46%
more than one year	0.18%	0.00%
	<u>0.27%</u>	<u>0.69%</u>
Amount of specific provisions made on such overdue loans and advances for:		
more than 3 months but not more than 6 months	-	45,996
more than 6 months but not more than one year	13,885	89,522
more than one year	27,132	-
	<u>41,017</u>	<u>135,518</u>
Market value of collateral held against the covered portion of overdue loans and advances		
Covered portion of overdue loans and advances	-	-
Uncovered portion of overdue loans and advances	-	-
	<u>-</u>	<u>-</u>
4) Rescheduled loans and advances to customers, excluding those which have been overdue for more than 3 months	<u>-</u>	<u>-</u>
Percentage of such loans and advances to total amount of loans and advances to customers	<u>0.00%</u>	<u>0.00%</u>
5) Overdue other assets (including trade bills and debt securities) which have been overdue for:		
more than 3 months but not more than 6 months	-	-
more than 6 months but not more than one year	-	-
more than one year	-	-
	<u>-</u>	<u>-</u>
6) Amount of repossessed assets held	<u>-</u>	<u>-</u>

The repossessed assets are booked under the lowest cost or net realizable value.

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V. Unaudited Off-Balance Sheet Exposures

Figures in HKD thousand	2020-12-31	2020-06-30
Contingent liabilities and commitments		
Direct credit substitutes	373,653	1,329
Transaction-related contingencies	1,010,347	849,778
Trade-related contingencies	459,382	134,621
Note issuance and revolving underwriting facilities	-	-
Other commitments	30,508,108	20,526,752
Forward forward deposits placed	-	1,886,182
	<u>32,351,490</u>	<u>23,398,662</u>
Derivative transactions		
Notional amounts of derivatives transactions		
Exchange rate-related derivative contracts	27,994,063	41,149,942
Interest rate derivative contracts	24,190,338	30,337,986
Others	-	-
	<u>52,184,401</u>	<u>71,487,928</u>
Fair value of derivative transactions		
Exchange rate-related derivative contracts	(255,001)	26,491
Interest rate derivative contracts	(624,057)	(609,662)
Others	-	-
	<u>(879,058)</u>	<u>(583,171)</u>

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UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

VI. Segmental Information

	2020-12-31		2020-06-30	
1) By industry sector				
Gross loans and advances to customers by industry sector	HKD'000	% of loans and advances covered collateral by	HKD'000	% of loans and advances covered collateral by
Loans and advances for use in Hong Kong				
Industrial, commercial and financial:				
- Property development	-		-	
- Property investment	-		-	
- Financial concerns	2,963,696	0.0%	2,379,455	0.0%
- Stockbrokers	-		-	
- Wholesale and retail trade	-		209,321	0.0%
- Manufacturing	4,824,240	0.0%	2,950,564	0.0%
- Transport and transport equipment	666,759	0.0%	-	
- Recreational activities	-		-	
- Information technology	476,256	0.0%	868,786	0.0%
- Electricity and gas	2,177,373	0.0%	1,150,331	0.0%
- Others	990,015	0.0%	2,799,974	0.0%
Individuals:				
- loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor schemes;	-		-	
- loans for the purchase of other residential properties	-		-	
- credit card advances	-		-	
- others	-		-	
Trade finance	1,486,233	0.0%	760,457	0.0%
Loans and advances for use outside Hong Kong	30,248,992	4.4%	27,948,764	6.7%
	<u>43,833,564</u>	3.0%	<u>39,067,652</u>	4.8%
	2020-12-31		2020-06-30	
2) By geographical areas	HKD'000		HKD'000	
(a) Gross amount of loans and advances to customers by countries or geographical areas				
- Hong Kong	19,993,908		15,844,906	
- Japan	6,387,215		7,195,005	
- Australia	7,495,197		7,370,683	
- Others	9,957,244		8,657,058	
	<u>43,833,564</u>		<u>39,067,652</u>	
(b) Overdue loans and advances to customers by countries or geographical areas				
- Hong Kong	<u>119,163</u>		<u>271,033</u>	
	<u>119,163</u>		<u>271,033</u>	
(c) Impaired loans and advances to customers which are individually determined to be impaired, by countries or geographical areas				
- Hong Kong	<u>119,163</u>		<u>271,033</u>	
	<u>119,163</u>		<u>271,033</u>	

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UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

VI. Segmental Information (Continued)

3) International Claims

Breakdown of the international claims by countries that constitutes 10% or more of the total international claim, according to the location of the counterparties and the type of counterparties after taking into account of transfer of risk.

	<u>Banks</u>	<u>Official sector</u>	<u>Non-bank private sector</u>		<u>Total</u>
			<u>Non-bank financial institutions</u>	<u>Non-financial private sector</u>	
<u>As of 2020-12-31</u>	HKD Million	HKD Million	HKD Million	HKD Million	HKD Million
Developed countries	18,107	787	-	34	18,928
of which France	715	3,908	6,639	4	11,266
of which Japan					
Offshore centres	934	-	60	11,104	12,098
of which Hong Kong					
Developing Asia-Pacific	3,574	84	-	9,130	12,788
of which China					
Total	23,330	4,779	6,699	20,272	55,080

	<u>Banks</u>	<u>Official sector</u>	<u>Non-bank private sector</u>		<u>Total</u>
			<u>Non-bank financial institutions</u>	<u>Non-financial private sector</u>	
<u>As of 2020-06-30</u>	HKD Million	HKD Million	HKD Million	HKD Million	HKD Million
Developed countries	33,502	708	-	501	34,711
of which France	787	-	7,497	17	8,301
of which Japan					
Offshore centres	622	-	95	8,325	9,042
of which Hong Kong					
Developing Asia-Pacific	6,873	84	-	7,443	14,400
of which China					
Total	41,784	792	7,592	16,286	66,454

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UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

VII. Non-bank Mainland Exposures

Figures in HKD million

As of 2020-12-31

Types of counterparties	On-balance Sheet Exposure	Off-balance Sheet Exposure	Total
1 Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	14,877	4,224	19,101
2 Local governments, local government-owned entities and their subsidiaries and JVs	3,053	190	3,243
3 PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	2,667	241	2,908
4 Other entities of central government not reported in item 1 above	-	-	-
5 Other entities of local governments not reported in item 2 above	620	39	659
6 PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	271	-	271
7 Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,016	-	1,016
Total	22,504	4,694	27,198
Total assets after provision	87,981		
On-balance sheet exposures as percentage of total	25.58%		

As of 2020-06-30

Types of counterparties	On-balance Sheet Exposure	Off-balance Sheet Exposure	Total
1 Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	9,824	4,056	13,880
2 Local governments, local government-owned entities and their subsidiaries and JVs	5,326	157	5,483
3 PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	3,547	406	3,953
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	310	1	311
7 Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	218	-	218
Total	19,225	4,620	23,845
Total assets after provision	94,102		
On-balance sheet exposures as percentage of total	20.43%		

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UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

VIII. Currency Risk

Figures in HKD million

The net position in a particular foreign currency where it constitutes 10% or more of the total net position in all foreign currencies.

	As of 2020-12-31			Total
	USD	AUD	EUR	
Spot assets	41,082	6,528	13,555	61,165
Spot liabilities	(60,105)	(5,868)	(13,334)	(79,307)
Forward purchases	23,544	1,293	193	25,030
Forward sales	(4,349)	(2,009)	(403)	(6,761)
Net options position	-	-	-	-
Net long (or net short) position	172	(56)	11	127
Net structural position	-	-	-	-

	As of 2020-06-30			Total
	USD	AUD	EUR	
Spot assets	55,982	6,336	15,079	77,397
Spot liabilities	(72,451)	(5,329)	(9,396)	(87,176)
Forward purchases	28,821	2,141	2,780	33,742
Forward sales	(12,341)	(3,121)	(8,427)	(23,889)
Net options position	-	-	-	-
Net long (or net short) position	11	27	36	74
Net structural position	-	-	-	-

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UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

IX. Liquidity

Figures in percentage	2020-12-31	2019-12-31
(I) Liquidity Maintenance Ratio (LMR)		
Average LMR for 3 months period	46.56%	83.43%

Average Liquidity Maintenance ratio is calculated as the simple average of each month's average liquidity maintenance ratio for the three months of the financial year computed in accordance with Banking Liquidity Rules.

(ii) Governance of liquidity risk management

Liquidity risk management at Natixis is managed on a global basis under the authority of the Asset/Liability Management Committee (ALM Committee). At Natixis Head Office the global ALM committee consists of The Chief Executive Officer, who chairs the Committee, the member of the Senior Management Committee in charge of Finance (CFO), the member of the Senior Management Committee in charge of CIB Division, the Head of Financial Management Department, the Head of the Risks Department (CRO), the Head of Global markets, the Head of the Common Refinancing Platform and the Head of BPCE's ALM Department. Natixis' liquidity risk management policy is an integral part of the Group's policy. It sets out to optimise Natixis' activities within a clear, shared and standardised framework in terms of governance and ALM regulations, and in line with the Group's risk constraints.

Natixis Group, under the supervision of Groupe BPCE, will fully support overseas branches to ensure stability of business operation of banking group. Liquidity support from BPCE S.A. to Natixis S.A. is a legal duty of BPCE S.A. in case Natixis S.A. would need it. BPCE group has significant liquidity reserves and liquidity is managed on an integrated manner between BPCE S.A. and Natixis S.A. through the joint refinancing pool. As Hong Kong branch is de jure Natixis S.A., Hong Kong branch is an integral part of this framework.

Natixis' Hong Kong Asset/Liability Management's (ALM) risks, including liquidity risk, are managed under the authority of the ALM Committee, which is chaired by the Chief Executive Officer of the branch and composed of the members in charge of Finance, Treasury, Compliance, Risk, Accounting, Performance Management and ALM. The Asset/Liability committee is responsible for overseeing the implementation of the ALM Policies, monitoring compliance with its main guidelines, limits and with the regulatory requirements, such as the SPM LM-2 – Sound Systems and Controls for Liquidity Risk Management of the HKMA, and ensuring that effective governance and management of liquidity risk are in place. The ALM Committee meets on a quarterly basis. Ad hoc ALM Committees are organised when required. The liquidity risk strategy, policies and practices of the group and Hong Kong branch are discussed at this forum.

As mentioned in the global Natixis Risk Appetite Framework Principles of Natixis: "The risks control is performed permanently by the Financial Management department, which consist of the Treasury and the ALM department (1st level) and monitored in strict independence by the Risks and Compliance Departments specialized by risk nature and located as close as possible to activities (2nd level) and periodically by a double "Inspection Générale" (audit) of Natixis and BPCE (3rd level)".

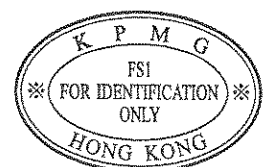
Liquidity risk tolerance

Natixis Hong Kong branch measures its liquidity profile on a daily basis, with thresholds set at 60 days, 5 months and 11 months liquidity gap points. Additionally, there are internal thresholds set for the Liquidity Maintenance Ratio (LMR), above the regulatory required minimum level.

Structure and responsibilities for liquidity risk management

At Hong Kong level, the liquidity risk is managed by ALM and Treasury within the oversight of the local ALM Committee.

The ALM committee is responsible for overseeing the implementation of the ALM Policies, monitoring compliance with its main guidelines, limits, the regulatory requirements and ensuring that effective governance and management of liquidity risk are in place. This committee encompasses both functions held in head-office by the two separate committees: ALM Committee and Treasury Committee. The committee is chaired by the Chief Executive Officer of the branch.



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(II) Liquidity Risk Management (Continue)

The Asia Pacific Treasurer, based in Hong Kong, is responsible for adherence to the Natixis liquidity management policy and procedures in the Asia Pacific region and is as well heading the treasury function in Hong Kong. Once per quarter, the Treasurer reports to the Asia Pacific Treasury/ALM committee on treasury's funding and liquidity activities and its compliance with all relevant local regulatory ratios, policies, procedures, limits and guidelines.

Next to the treasury department, Natixis APAC has a regional ALM department, based in Hong Kong. This department is responsible for;

- the oversight of all prudential liquidity policies, including the various regulatory ratios;
- liquidity risk management and funding capacity of the APAC platform & Hong Kong;
- performing and reviewing liquidity stress testing;
- implementing Head Office ALM policies in regional and local governance framework;
- presenting any ALM related topic to the ALM committee;
- acting as Paris correspondent regarding ALM norms and standards.

Internal liquidity reporting

Natixis Hong Kong branch has various internal tools and reports to monitor the liquidity situation of the branch.

The Treasury department in Hong Kong has the following reporting tools at its disposal;

- intraday liquidity position and nostro balance;
- daily liquidity gap of the branch;
- daily balance sheet, using Treasury systems.

Finance produces a daily Liquidity Maintenance Ratio (LMR) reporting of the previous business day, including a projection of the ratio for the coming 30 days. Finance produces a quarterly Liquidity Monitoring Tool report for the branch.

ALM, using dedicated ALM systems, have a monthly balance sheet and liquidity gap at their disposal, which is used as the input into the liquidity stress test, which is performed on a monthly basis.

On a daily basis the Early Warning Indicators are reported to the Hong Kong branch ALCO members. The indicators include branch specific liquidity indicators complemented by market indicators. The Early Warning Indicators are a part of the Hong Kong recovery plan framework.

Communication of liquidity risk strategy, policies and practices

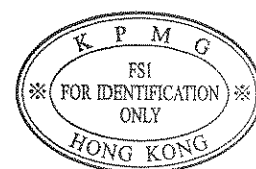
The ALM committee in Hong Kong consists of Hong Kong branch CEO, CFO and CRO complemented by the Head of ALM, Treasury, Accounting, Compliance and Performance Management and meets on a quarterly basis. Ad hoc ALCOs are organised when required. The liquidity risk strategy, policies and practices of the group and Hong Kong branch are discussed at this forum.

In Hong Kong there is an additional forum with the business lines representatives where Liquidity, Capital and Funding of the APAC platform and Hong Kong are being presented and discussed. This forum meets on a quarterly basis.

Funding strategy

The two group signatures (BPCE S.A. & Natixis S.A.) are presented to investors regarding the following rules:

- BPCE S.A. signature is used for collecting market liquidity from central banks, public institutions and asset managers on maturities that are beneficial for LCR.
- BPCE S.A. is the main liquidity entry point for investors and thus the main liquidity provider within BPCE group in case of resolution, where by BPCE group serves as the single point of entry.
- Natixis signature is used for collecting operational liquidity linked to the bank's commercial activity. Short-term liquidity from asset managers and banks considered as operational deposits is collected under the Natixis signature. Sometimes local constraints involve the use of Natixis signature for some counterparty.



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(II) Liquidity Risk Management (Continue)

Liquidity risk mitigation techniques

Natixis Hong Kong branch's management has various reports at disposal and performs certain techniques which support the liquidity risk mitigations, these include, but are not limited to:

- ALM and Treasury receive daily cashflow forecasts generated by Hong Kong Finance;
- ALM and Treasury receive daily cash flow forecasts generated by the Treasury management systems;
- Daily stress test calculations are performed on the Liquidity Maintenance Ratio;
- Supervision of short-term maturity transformation, which is measured using liquidity gaps. This indicator is produced daily for a 365-day period. It is subject to three permanent limits approved by the ALM Committee and monitored daily, on the 60-day, 5 months and 11 months static liquidity gaps;
- Monthly liquidity stress tests are performed on the Natixis Hong Kong branch balance sheet;
- Hong Kong branch senior management perform an annual test of the Hong Kong Recovery plan;
- The buffer portfolio team perform ongoing repo trades in the market to ensure the liquidity value (churning of assets);
- Quarterly Liquidity test are performed by Treasury, to test the depth of the market and the ability of Natixis signature to produce additional funding, in order to maintain a regular activity with counterparties and make sure that their credit lines on the Group are still available. These tests are conducted in coordination with the joint refinancing pool and also aim to explore the limits established by our counterparties on our issues.
- As mentioned before, Natixis Group, under the supervision of Groupe BPCE, will fully support overseas branches to ensure stability of business operation of banking group. Liquidity support from BPCE S.A. to Natixis S.A. is a legal duty of BPCE S.A. in case Natixis S.A. would need it. BPCE group has significant liquidity reserves and liquidity is managed on an integrated manner between BPCE S.A. and Natixis S.A. through the joint refinancing pool. As Hong Kong branch is de jure Natixis S.A., Hong Kong branch is an integral part of this framework.

Liquidity stress testing

Given that Natixis is supervised by BPCE, in its capacity as the central institution, and given the close interactions between BPCE and Natixis in terms of liquidity management within the framework of the joint refinancing pool, the Natixis liquidity stress test is defined in accordance with the Groupe BPCE liquidity stress test, in the event of a crisis affecting access to liquidity for Natixis, BPCE and/or the entire banking system. Therefore, the Hong Kong branch liquidity stress testing framework is in line with Natixis group and the regional framework. The Natixis Hong Kong branch' balance sheet is stress tested on a monthly basis and reported to the Hong Kong ALCO on a quarterly basis. The stress test results help the management of the branch to assess and manage the liquidity risk of the branch. These stress tests are carried out for all currencies combined in the equivalent euro value and across Natixis', APAC and Hong Kong.

This liquidity stress tests indicators designates the forward Natixis' liquidity risk exposures in 30, 60 and 90 days under various "what if" scenarios; for each scenario and for each time-bucket. The liquidity stress test setup comprises three scenarios with three degrees of intensity. As a result, 27 measures are computed (3 scenarios x 3 degrees of intensity x 3 time-buckets). The ALM APAC department is in charge of assessing monthly these stress scenarios at Natixis Hong Kong level. Within each of the Liquidity Stress Test scenarios and severity levels, shocks are applied to in scope product categories of both on-balance sheet and off-balance sheet.

Next to the Group Stress Testing framework, Hong Kong branch performs Stress Testing of the Liquidity Maintenance Ratio on a daily basis. Financial Control, alongside with the LMR projection, circulate a stress test on the LMR. Six scenarios are developed to estimate the potential deterioration of the ratio and are assumed to take immediate effect.

An outline of the Contingency Funding Plan.

The strategy that Natixis could apply in times of financial stress can be broadly split into three categories, namely (1) increase of the internal FTP, (2) monetising of (liquid) assets and (3) deleveraging the balance sheet in order to reduce the funding need. These strategies are described in more detail in the Natixis Contingency Funding Plan (CFP).

In Hong Kong, the branch's recovery plan is the, de facto, CFP of Natixis Hong Kong, which focuses on liquidity crisis management for Natixis' Hong Kong operations. The plan describes the actions Natixis Hong Kong might take in times of need and aims to demonstrate the readiness and ability of Natixis Hong Kong management to react to adverse (liquidity) conditions. The plan contains a number of actions that management could take, its anticipated time to implement and the duration of when benefits are reached. The steps are aimed at orderly and robustly managing the liquidity situation of the branch and other Hong Kong operations.

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(ii) Liquidity Risk Management (Continue)

The key elements of the recovery plan are:

- governance structure of the recovery plan and the liquidity management process framework, where the ownership of the recovery plan and the crisis management governance structure are described before the liquidity management process, which contains the various levels and procedures of escalation;
- recovery triggers monitoring process, production and distribution of the Early warning indicators;
- menu of recovery options, where the levers are described that management could decide to activate in times of need. This section also contains the process around activating the liquidity portfolio, the ability to call on financial solidarity from BPCE and the process of deactivating the Hong Kong recovery plan;
- maintenance and testing of the plan;
- communication plan in times of crisis;
- list of relevant internal and regulatory contacts, and;
- description of the Natixis stress testing framework implemented at Hong Kong branch level.

Liquidity Information Disclosure

The LMR helps Natixis Hong Kong branch to manage the liquidity positions of the branch, included off-balance sheet risks. On average the LMR in 2020 was 55%. The average LMR ratio of 2019 and 2018 were at 69% and 56% respectively. Additionally, as mentioned above, customised daily stress test calculations are performed for Hong Kong branch on the Liquidity Maintenance Ratio, whereby, six scenarios are developed to estimate the potential deterioration of the ratio and are assumed to take immediate effect.

Natixis manages its concentration risk on collateral and funding on a global basis. Due to its relative size and its Integrated nature with the rest of the bank, at Hong Kong branch level there are no dedicated constraints around concentration on collateral or funding. At global level there are two limits around interbank funding concentration. Natixis applies a limit on outstanding per counterparty of the total funds raised by Treasury and an interbank funding limit of the total amount refinanced.

On collateral pools, Natixis applies concentration limits around holdings per issuance. These limits have been defined by the risk department at head office BPCE level and are monitored on a global basis.

Natixis Hong Kong branch on-balance sheet items, broken down into maturity buckets and the resultant liquidity gaps.

The table below shows the contractual on balance sheet mismatch per maturity bucket as of 31st of December 2020.

HK\$ million	≤1 year	>1 year to 5 years	>5 years
Contractual On Balance Sheet Maturity			
Mismatch	2,847	(531)	(109)
Cumulative Contractual On Balance Sheet Maturity Mismatch	2,847	2,316	2,207

The net liquidity gap of off-balance sheet items is within one-year.



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X. Remuneration System

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

The Bank's remuneration system is disclosed in "Natixis Remuneration Policy and Practices Report of 2020".

Section B - Bank Information (Consolidated Basis)

	2020-12-31	2020-06-30
I. Capital and Capital Adequacy		
Capital Adequacy Ratio	<u>15.6%</u>	<u>15.5%</u>
The capital adequacy ratio as of 31 December 2020 and 30 June 2020 have been calculated in accordance with the Capital Requirements Directive rules / Basel 3 rules.		
	2020-12-31	2020-06-30
	EUR Million	EUR Million
Shareholders' funds	<u>19,229</u>	<u>19,116</u>
II. Other financial information		
	2020-12-31	2020-06-30
	EUR Million	EUR Million
Total assets	495,320	503,812
Total liabilities	476,091	484,696
Total loans and advances	112,630	126,842
Total customer deposits	29,798	34,934
	2020-12-31	2019-12-31
	EUR Million	EUR Million
Pre-tax profits	386	2,945

Total loans and advances include loans and advances to banks and customers less provisions.



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Declaration of Compliance

We have pleasure in presenting the Key Financial Information Disclosure Statement of Natixis, Hong Kong Branch for the period ended 31 December 2020. We confirm that the Disclosure Statement complies in all material respects with the Banking (Disclosure) Rules and, to the best of my knowledge and belief, it is not false or misleading.



Bruno Stephane Jean Marie LE SAINT
Chief Executive
Hong Kong Branch

30 April 2021

