

Natixis Wealth Management Luxembourg
Public limited company (*société anonyme*)

**Annual accounts, management report
and audit report
for the year ended 31 December 2022**

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Audit report

To the Board of Directors of
Natixis Wealth Management Luxembourg

Report on the audit of the annual accounts

Our opinion

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of Natixis Wealth Management Luxembourg (the “Bank”) as at 31 December 2022, and of the results of its operations for the year then ended, in accordance with the legal and regulatory requirements in force in Luxembourg relating to the preparation and presentation of annual accounts.

What we have audited

The Bank’s annual accounts comprise:

- the balance sheet and off-balance sheet items as at 31 December 2022;
- the profit and loss account for the year then ended; and
- the notes to the annual accounts, including a summary of significant accounting policies.

Basis for our opinion

We conducted our audit in accordance with Regulation (EU) No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and International Standards on Auditing (ISAs) as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier* (CSSF). Our responsibilities under Regulation (EU) No 537/2014, the Law of 23 July 2016 and the ISAs as adopted for Luxembourg by the CSSF are further described in the section entitled “Responsibilities of the *Réviseur d’entreprises agréé* for the audit of the annual accounts” of this report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, published by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical rules that apply to the audit of the annual accounts, and we have fulfilled our other ethical responsibilities under those rules.

To the best of our knowledge and in good faith, we confirm that we have not provided any non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014.

The non-audit services that we have provided to both the Bank and its subsidiaries, when applicable, for the year then ended, are disclosed in Note 33 to the annual accounts.

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Key audit matters

The key audit matters are those that, in our professional judgment, were of most significance in the audit of the annual accounts for the period under review. These matters were addressed in the context of our audit of the annual accounts taken as a whole and for the purpose of forming our opinion thereon, and we do not express a separate opinion on these matters.

Key audit matter

How our audit addressed this key matter

Risk in the recognition and accuracy of the commission income calculation

For the year ended 31 December 2022, the Bank generated commission income of EUR 12 million as disclosed on Page 10. This commission income relates mainly to services rendered by the Bank to its customers and is generally the result of a high number of individual transactions. Moreover, these commissions are subject to different calculation methods, some of which are not fully automated.

Although the amounts involved in each individual transaction are generally small, and therefore an isolated error would be both difficult to detect and immaterial, a default systematically affecting a large number of certain transactions generating commission income could lead to a series of errors that, taken together, might have a material financial impact.

Therefore, and also considering that commission income represents a significant portion of the total income earned by the Bank for the year ended 31 December 2022, we paid particular attention to the recognition and accuracy of the commission income calculation.

We examined the Bank's internal control mechanism relating to commission income, including organisational arrangements (i.e. segregation of duties applied to the majority of revenue flows), as well as IT systems relating to the recognition and accuracy of commission income.

As part of the audit of commission income, we performed the following procedures:

- interviews with the finance department and the Bank's management;
- inspection of supporting information and documents (contracts, trade confirmations, etc.) for a sample of transactions;
- tests of controls on the set-up of fee schedules in the Bank's IT system;
- recalculation of certain commissions, based on samples, in order to ensure that the calculation is in line with the elements approved with the customer and/or the Bank's general terms and conditions, and verification that the amount obtained from this calculation is correctly recorded in the accounting records;
- tests of details and controls, based on samples, on the underlying items used for the calculation of commissions (e.g. our tests concerned customer assets under management reported in off-balance sheet items, insofar as these assets under management are used as the basis for calculating commissions);
- inspection, based on samples, of the controls performed by the Back Office department on the assets held by the Bank on behalf of customers and which are used as the basis for calculating commissions.

The procedures described above included elements of unpredictability in response to the risk of fraud.

Recognition and measurement of non-recurring expenses and provisions relating to the reorganisation of the Bank's activities

As part of the reorganisation of the Bank's activities approved by the Board of Directors on 1 September 2021 and announced within the Bank on 8 September 2021, the Bank recorded provisions of EUR 8.9 million in its annual accounts for the year ended 31 December 2022.

These provisions mainly concern:

- severance payments related to the redundancy plan;
- costs related to the services of an external consultant and a lawyer assisting the Bank with the restructuring of its activities.

These provisions were recorded in "Other provisions" in the Bank's balance sheet as at 31 December 2021 and 31 December 2022. The breakdown of these amounts is provided in Note 17 to the annual accounts.

The amounts resulting from this reorganisation are material and require a significant level of judgment on the part of the Bank's management.

Therefore, in view of the significance of the amounts for the year ended 31 December 2022 and the level of judgment involved in the assumptions made by management, we paid particular attention in our audit to the recognition and measurement of provisions relating to the reorganisation of the Bank's activities.

As part of the audit of the provisions relating to the reorganisation of the Bank's activities, we performed the following audit procedures:

- interviews with the finance, human resources and legal departments, as well as with the Bank's Authorised Management;
- consultation of the key minutes of the governance bodies ratifying the decision to reorganise the activities (Board of Directors and Executive Committee);
- consultation of the redundancy plan signed by the Bank with staff representatives dated 13 December 2021 and its rider of 11 October 2022;
- recalculation, based on samples, of statutory and extra-statutory severance provisions in connection with the agreement signed between staff representatives and the Bank on 13 December 2021 and its rider of 11 October 2022;
- reconciliation of supporting documents (i.e. settlement agreements, fees of the lawyer and main external consultant, etc.) with the amounts recorded in the Bank's annual accounts for the year ended 31 December 2022;
- consultation of the written confirmation from the lawyer who assisted the Bank with the redundancy plan;
- verification of the tax treatment applicable to the severance payments recorded in provisions during the financial year ended 31 December 2022;
- verification of the presentation of provisions for restructuring in the annual accounts.

The procedures described above included elements of unpredictability in response to the risk of fraud.

Other information

The Board of Directors is responsible for other information. Other information comprises the information presented in the management report but does not include the annual accounts or our audit report on these annual accounts.

Our opinion on the annual accounts does not extend to the other information and we do not express any form of assurance on this information.

Regarding our audit of the annual accounts, our responsibility is to read the other information and, in doing so, assess whether there are any material inconsistencies with the annual accounts or the knowledge we gained during the audit, or whether the other information otherwise appears to contain any material misstatements. If, based on the work we performed, we conclude that there is a material misstatement in the other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with the legal and regulatory requirements in force in Luxembourg relating to the preparation and presentation of annual accounts, as well as for the internal controls that it considers necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

When preparing the annual accounts, the Board of Directors is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern basis and applying the going concern accounting principle, unless the Board of Directors intends to liquidate the Bank or to cease its activity, or has no realistic alternative but to do so.

Responsibilities of the *Réviseur d'entreprises agréé* for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance that the annual accounts taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report containing our opinion.

While reasonable assurance is a high level of assurance, it does not guarantee that an audit conducted in accordance with Regulation (EU) No 537/2014, the Law of 23 July 2016 and the ISAs as adopted for Luxembourg by the CSSF will always detect any material misstatement that may exist. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions taken by users of these annual accounts and based thereon.



As part of an audit conducted in accordance with Regulation (EU) No 537/2014, the Law of 23 July 2016 and the ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and apply a critical approach throughout the audit. We also:

- identify and assess the risks that the annual accounts may contain material misstatements, whether due to fraud or error, design and perform audit procedures in response to such risks, and gather sufficient and appropriate audit evidence on which to base our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that for a material misstatement resulting from an error, as fraud may involve collusion, forgery, deliberate omissions, misrepresentations or the overriding of internal controls;
- obtain an understanding of the internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances and not for the purpose of expressing an opinion on the effectiveness of the Bank's internal controls;
- assess the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Board of Directors, as well as the related disclosures provided by the Board;
- reach a conclusion on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or situations that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw the attention of the readers of our report to the disclosures in the annual accounts concerning this uncertainty or, if such disclosures are inadequate, to express a modified opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or situations may cause the Bank to cease operations;
- evaluate the overall presentation, structure and contents of the annual accounts, including the disclosures in the notes, and whether the annual accounts represent the underlying transactions and events in a manner that provides a true and fair view.

We communicate with those charged with corporate governance regarding, among other matters, the planned scope and timetable of the audit work and our significant findings, including any significant deficiencies in internal control that we identify during our audit.

From among the matters communicated to those charged with corporate governance, we determine which were the most important in the audit of the annual accounts for the period under review: these are the key audit matters. We describe these matters in our report unless legal or regulatory texts prevent their publication.



Report on other legal and regulatory requirements

The management report is consistent with the annual accounts and was prepared in accordance with applicable legal requirements.

We were appointed as *Réviseur d'entreprises agréé* by the Board of Directors on 24 March 2022 and the total duration of our uninterrupted engagement, including previous renewals and reappointments, is seven years.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 24 March 2023

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Electronically signed by:
Olivier Delbrouck

[Signature]

⌋
Olivier Delbrouck

Natixis Wealth Management Luxembourg

BALANCE SHEET AND OFF-BALANCE SHEET ITEMS

As at 31 December 2022
(expressed in EUR)

ASSETS			
	Notes	2022	2021
Cash on hand, credit balances with central banks and post office giro institutions	3, 5, 38, 39	375,851,894	647,170,979
Loans and advances to credit institutions	3, 6, 12, 38, 39	3,039,984,149	2,697,930,598
a) repayable on demand		18,050,626	30,548,108
b) other loans and advances		3,021,933,523	2,667,382,490
Loans and advances to customers	3, 6, 12, 38, 39	1,056,032,541	1,150,800,261
Shares and other variable-income marketable securities	3, 7, 38, 39	428,516,758	299,962,172
Intangible assets	3, 10, 11	3,921,736	6,245,202
Property, plant and equipment	3, 10	473,424	770,593
Other assets	3, 8, 12	1,601,788	2,459,646
Prepayments and accrued income	3, 9, 12	12,194,377	5,662,399
TOTAL ASSETS	13	4,918,576,667	4,811,001,850

The notes in the appendix form an integral part of the annual accounts.

Natixis Wealth Management Luxembourg
BALANCE SHEET AND OFF-BALANCE SHEET ITEMS
As at 31 December 2022
(expressed in EUR)
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LIABILITIES AND SHAREHOLDERS' EQUITY

	Notes	2022	2021
Amounts due to credit institutions	3, 7, 20, 38	3,594,934,998	3,146,105,169
a) repayable on demand		5,745,044	4,955,077
b) with agreed maturity dates or notice periods		3,589,189,954	3,141,150,092
Amounts due to customers	3, 20, 38	577,751,946	933,019,421
a) other payables			
aa) repayable on demand		393,809,635	829,913,522
ab) with agreed maturity dates or notice periods		183,942,311	103,105,899
Other liabilities	3, 14, 20	1,459,285	1,510,662
Accruals and deferred income	3, 15, 20	10,059,083	5,324,277
Provisions	3	13,480,281	13,410,858
a) provisions for taxation	16	2,321,831	2,321,831
b) other provisions	17	11,158,450	11,089,027
Subscribed share capital	3, 18, 19	683,542,500	683,542,500
Reserves	3, 19	28,088,963	31,238,072
Profit (loss) for the year	3, 19	9,259,611	(3,149,109)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	21	4,918,576,667	4,811,001,850

The notes in the appendix form an integral part of the annual accounts.

Natixis Wealth Management Luxembourg
BALANCE SHEET AND OFF-BALANCE SHEET ITEMS
As at 31 December 2022
(expressed in EUR)
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	Notes	2022	2021
Contingent liabilities	3, 22, 38, 39	8,357,953	9,235,463
<u>of which:</u>			
- guarantees and assets pledged as collateral		8,357,953	9,235,463
Commitments	3, 24, 38, 39	46,585,586	48,811,110

The notes in the appendix form an integral part of the annual accounts.

Natixis Wealth Management Luxembourg

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2022
(expressed in EUR)

	Notes	2022	2021
Interest receivable and similar income		68,037,777	38,168,302
<u>of which:</u>			
- on fixed-income marketable securities		-	-
Interest payable and similar charges		(37,754,509)	(16,072,224)
Commission receivable		11,673,538	15,351,735
Commission payable		(2,573,787)	(2,638,191)
Net profit or loss on financial transactions	7	184,244	77,747
Other operating income	27	2,543,204	2,643,421
Administrative overheads		(24,901,139)	(26,076,242)
a) staff costs	30, 31	(14,146,793)	(16,006,988)
<u>of which:</u>			
- wages and salaries		(10,404,576)	(11,796,343)
- social security charges		(2,440,479)	(2,695,789)
<u>of which:</u>			
- social security charges related to pensions		(1,873,475)	(2,039,484)
b) other administrative expenses	33, 35	(10,754,346)	(10,069,254)
Value adjustments on intangible assets and property, plant and equipment	10	(2,615,565)	(2,704,510)
Other operating expenses	28	(3,854,048)	(9,201,220)
Value adjustments on receivables and provisions for contingent liabilities and commitments	29	(795,928)	(550)
Carried forward		9,943,787	(451,732)

The notes in the appendix form an integral part of the annual accounts.

Natixis Wealth Management Luxembourg
PROFIT AND LOSS ACCOUNT
Year ended 31 December 2022
(expressed in EUR)
- continued -

	Notes	2022	2021
Brought forward:		9,943,787	(451,732)
Reversals of value adjustments on receivables and provisions for contingent liabilities and commitments	29	606,569	150,550
Tax on profit or loss from ordinary activities	16	1,196,421	-
Profit (loss) on ordinary activities, after tax		11,746,777	(301,182)
Other taxes not shown under the items above	16	(2,487,166)	(2,847,927)
Profit (loss) for the year		<u>9,259,611</u>	<u>(3,149,109)</u>

The notes in the appendix form an integral part of the annual accounts.

Natixis Wealth Management Luxembourg

NOTES TO THE ANNUAL ACCOUNTS

31 December 2022

NOTES TO THE ANNUAL ACCOUNTS

31 December 2022

NOTE 1 - GENERAL INFORMATION

1.1. Incorporation of the Bank

Natixis Wealth Management Luxembourg, hereinafter “the Bank”, was incorporated in Luxembourg on 24 November 1989 in the form of a *Société Anonyme* (public limited company).

The Bank had a branch in Belgium (open since 2014) which was closed in December 2020.

As at 31 December 2022, the Bank was a wholly-owned subsidiary of Natixis Trust, a company governed by Luxembourg law and having its registered office in Luxembourg, itself a subsidiary of the Natixis Group in France.

1.2. Administration of the Bank

The Bank's Board of Directors is mainly composed of directors of the Natixis Group and a non-executive director. The Bank's accounting policies, which are determined by Luxembourg laws and regulations, are established and monitored by the Board of Directors.

1.3. Nature of the Bank's activities

The Bank's corporate purpose is to carry out all banking and financial transactions in the Grand Duchy of Luxembourg or abroad, either for itself or on behalf of third parties, or in collaboration with third parties

The Bank's corporate purpose also covers insurance brokerage through one or more duly authorised natural persons.

The Bank has developed a range of products and activities that it makes available to all its shareholders spread across various geographical areas, as well as to its direct customers.

NOTE 2 - MAIN ACCOUNTING POLICIES

The Bank's annual accounts are based on the principle of measurement at historical cost and have been prepared in accordance with legal requirements and with the accounting principles generally accepted in the banking sector in the Grand Duchy of Luxembourg and established by the Board of Directors.

Preparation of the annual accounts involves the use of a number of accounting estimates. It also requires the Board of Directors to exercise its judgment in the application of accounting principles. Any change in the assumptions may have a significant impact on the annual accounts for the period in which those assumptions changed. The Board of Directors considers that the underlying assumptions are appropriate and that the annual accounts thus give a true and fair view of the Bank's financial position and results.

The Bank's accounting year coincides with the calendar year.

The group's consolidated financial statements are available as described in Note 34.

NOTES TO THE ANNUAL ACCOUNTS

31 December 2022

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NOTE 2 - MAIN ACCOUNTING POLICIES (CONTINUED)

The main valuation rules that were applied are as follows:

2.1. Date on which transactions are recorded on the balance sheet

Assets and liabilities are stated in the Bank's balance sheet in accordance with the criterion of the date on which the funds are made available, i.e. the effective transfer date.

2.2. Translation of foreign currency items

The Bank prepares its annual accounts in euros (EUR), the currency of its share capital.

The Bank uses the multi-currency accounting method, which consists of recording all transactions in their original currency on the date on which the contract is entered into.

Income and expenses expressed in foreign currencies are translated into EUR at the exchange rates applicable on the date they are recorded.

All assets and liabilities denominated in foreign currencies, including non-current financial assets and property, plant and equipment and intangible assets, are translated into the currency of the share capital at the spot rates prevailing on the balance sheet date.

Unsettled forward currency transactions are translated into EUR at the forward exchange rate for the remaining term on the balance sheet date.

Unhedged forward transactions are valued individually based on the forward rates prevailing on the balance sheet date. Unrealised capital gains are ignored, while unrealised capital losses are provisioned in liabilities on the balance sheet under "Provisions: other provisions".

2.3. Financial instruments

The Bank's contingent liabilities arising from financial instruments, such as interest rate swaps, forward rate agreements, financial futures and options, are recorded on the transaction date as off-balance sheet items.

On the balance sheet date, a provision is recognised for any unrealised losses identified during the individual mark-to-market valuation of any unsettled transactions. This provision is recorded in liabilities under "Provisions: other provisions". Unrealised capital gains are not recorded. No provision is recognised in cases where the financial instrument is hedged by a transaction in the opposite direction such that the position is said to be closed.

No provision is recognised in cases where the financial instrument specifically hedges an asset or liability item and where the economic unit is established.

NOTES TO THE ANNUAL ACCOUNTS

31 December 2022

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NOTE 2 - MAIN ACCOUNTING POLICIES (CONTINUED)

2.4. Receivables and specific value adjustments on non-performing receivables and irrecoverable receivables

Receivables are recorded on the balance sheet at their acquisition cost less any repayments and value adjustments.

The Bank recognises specific value adjustments on non-performing receivables and irrecoverable receivables within the limits deemed appropriate by the Board of Directors.

Value adjustments are deducted from the asset items to which they relate.

These value adjustments are not maintained when the reasons for their creation no longer exist.

2.5. Fixed provision for assets at risk

In accordance with the provisions of Luxembourg tax legislation, the Bank's policy consists of establishing a fixed provision for assets at risk as defined in prudential banking regulations. The purpose of this provision is to cover probable risks that have not yet been identified at the time of preparation of the annual accounts.

The maximum rate for the provision, which is tax exempt, is 1.25% of the assets at risk.

The fixed provision for assets at risk is broken down pro rata to the items forming the base used to calculate the provision between:

- a value adjustment portion, which is deducted from the asset items that make up the assets at risk; and
- a provision portion, which is attributable to the credit risk impacting off-balance sheet items, foreign exchange risk and market risks, and which is included in "Provisions: other provisions" in liabilities on the balance sheet.

As at 31 December 2022, the Bank established a fixed provision, which is deducted from the asset items on which the provision is calculated, amounting to EUR 2,499,860 (2021: EUR 2,499,860).

2.6. Other provisions

The Bank records provisions for liabilities and charges for the purpose of:

- covering losses or liabilities that are clearly defined as to their nature but, on the balance sheet date, are either likely to be incurred or certain to be incurred but are uncertain as to their amount or the date they will arise;
- covering charges that originated in the financial year under review or a previous financial year and that are clearly defined as to their nature but, on the balance sheet date, are either likely to be incurred or certain to be incurred but are uncertain as to their amount or the date they will arise.

NOTES TO THE ANNUAL ACCOUNTS

31 December 2022

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NOTE 2 - MAIN ACCOUNTING POLICIES (CONTINUED)

2.7. Marketable securities and non-current financial assets

Marketable securities and non-current financial assets are recorded at the acquisition cost at which they are added to the Bank's portfolio.

The Bank applies the weighted average cost method to determine realised and unrealised capital gains and losses.

Marketable securities included in the non-current financial assets, investment and trading categories are measured at the lower of the acquisition cost and market value, respectively, of the fair value. As an exception, securities borrowed in connection with a securities borrowing transaction are measured at their redemption value, which remains equal to the initial value of these assets in accordance with the contractual terms and conditions.

2.8. Shares and other variable-income marketable securities

Shares and other variable-income marketable securities are measured in accordance with the principles set out in Note 2.7.

2.9. Bonds and fixed-income marketable securities

Bonds and other fixed-income marketable securities are measured in accordance with the principles set out in Note 2.7.

2.10. Start-up costs

Start-up costs are amortised on a straight-line basis over a maximum period of five years.

2.11. Other intangible assets

The value of other intangible assets with a limited useful life is reduced by value adjustments calculated so as to write off these items over their estimated useful lives. Depending on the asset, the amortisation periods range from three to ten years.

2.12. Property, plant and equipment

Property, plant and equipment are recorded at their acquisition cost.

The value of property, plant and equipment with a limited useful life is reduced by value adjustments calculated so as to write off these items over their estimated useful lives.

Depending on the asset, the depreciation periods range from three to eight years.

NOTES TO THE ANNUAL ACCOUNTS

31 December 2022

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NOTE 2 - MAIN ACCOUNTING POLICIES (CONTINUED)

2.13. Payables

Payables are recorded as liabilities at their repayment amount.

2.14. Prepayments and accrued income

This item includes interest and commission income accrued but not yet due, as well as expenses recognised during the year but which relate to a subsequent year.

2.15. Accruals and deferred income

This item comprises interest and commission charges accrued not yet due, as well as income received during the year but which relates to a subsequent year.

Natixis Wealth Management Luxembourg
NOTES TO THE ANNUAL ACCOUNTS
31 December 2022
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NOTE 3 - ANALYSIS OF PRIMARY FINANCIAL INSTRUMENTS BY RESIDUAL MATURITY

Primary financial instruments are disclosed in Notes 3 and 4.

Primary financial instruments by residual maturity as at 31 December 2022 are as follows:

(EUR millions, carrying amount after the fixed provision)	Less than 3 months		3 months to 1 year		1 to 5 years		More than 5 years or perpetual		TOTAL	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<u>Instrument category (financial assets)</u>										
Cash on hand, credit balances with central banks and post office giro institutions	375.9	647.2	-	-	-	-	-	-	375.9	647.2
Loans and advances to credit institutions										
- <i>repayable on demand</i>	18.1	30.5	-	-	-	-	-	-	18.1	30.5
- <i>other loans and advances</i>	903.4	665.3	80.0	-	1,646.8	1,560.3	391.7	441.8	3,021.9	2,667.4
Loans and advances to customers	135.9	129.2	47.7	49.3	847.0	940.5	25.4	31.8	1,056.0	1,150.8
Shares and other variable-income marketable securities	-	-	-	-	-	-	428.5	300.0	428.5	300.0
<i>Total financial assets</i>									4,900.4	4,795.9
Other assets									18.2	15.1
<i>Total assets</i>									4,918.6	4,811.0

Natixis Wealth Management Luxembourg
NOTES TO THE ANNUAL ACCOUNTS
31 December 2022
- continued -

NOTE 3 - ANALYSIS OF PRIMARY FINANCIAL INSTRUMENTS BY RESIDUAL MATURITY (CONTINUED)

(EUR millions, carrying amount after the fixed provision)	Less than 3 months		3 months to 1 year		1 to 5 years		More than 5 years or perpetual		TOTAL	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<u>Instrument category (financial liabilities)</u>										
Amounts due to credit institutions										
- <i>repayable on demand</i>	5.7	5.0	-	-	-	-	-	-	5.7	5.0
- <i>with agreed maturity dates or notice periods</i>	1,135.1	608.4	557.0	501.0	1,896.7	2,010.3	0.4	21.4	3,589.2	3,141.1
Amounts due to customers										
- <i>repayable on demand</i>	393.8	829.9	-	-	-	-	-	-	393.8	829.9
- <i>other payables with agreed maturity dates or notice periods</i>	-	-	106.7	-	40.4	62.3	36.8	40.8	183.9	103.1
<i>Total financial liabilities</i>									4,172.6	4,079.1
Other liabilities									746.0	731.9
<i>Total liabilities</i>									4,918.6	4,811.0
Contingent liabilities	-	0.5	1.2	0.1	0.4	2.0	6.8	6.6	8.4	9.2
Commitments	6.3	12.0	3.3	20.1	35.5	12.9	1.5	3.8	46.6	48.8

The distinction between “repayable on demand” and “with agreed maturity dates or notice periods” is made according to the nature of the transaction and not according to the residual maturity as at 31 December 2021 or 2022.

This also applies to the tables in the following notes.

NOTES TO THE ANNUAL ACCOUNTS

31 December 2022

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NOTE 4 - BREAKDOWN OF FINANCIAL INSTRUMENTS IN THE TRADING PORTFOLIO

The Bank did not hold a trading portfolio as at 31 December 2022 or 31 December 2021.

NOTE 5 - CASH ON HAND, CREDIT BALANCES WITH CENTRAL BANKS AND POST OFFICE GIRO INSTITUTIONS

In accordance with the requirements of the European Central Bank, the *Banque Centrale du Luxembourg* (hereinafter "BCL") implemented a system of mandatory reserves that applies to all Luxembourg credit institutions with effect from 1 January 1999. As at 31 December 2022, out of a total amount of EUR 375,778,065 (2021: EUR 647,149,523) deposited with the BCL, the minimum reserve maintained by the Bank amounts to EUR 5,778,065 (2021: EUR 7,149,523).

NOTE 6 - RECEIVABLES

Loans and advances to customers and loans and advances to credit institutions are recognised at their acquisition cost and interest is prorated through the "Prepayments and accrued income" line on the assets side of the balance sheet.

As at 31 December 2022, there were value adjustments on receivables amounting to EUR 189,359 (2021: EUR 0).

NOTE 7 - MARKETABLE SECURITIES

Marketable securities listed under "Shares and other variable-income marketable securities" are divided as follows according to whether or not they are listed (after the fixed provision):

	2022 Listed securities EUR	2022 Unlisted securities EUR	2022 Total EUR
Shares and other variable-income marketable securities	428,507,244	9,514	428,516,758
	<u>428,507,244</u>	<u>9,514</u>	<u>428,516,758</u>
	2021 Listed securities EUR	2021 Unlisted securities EUR	2021 Total EUR
Shares and other variable-income marketable securities	299,952,659	9,513	299,962,172
	<u>299,952,659</u>	<u>9,513</u>	<u>299,962,172</u>

NOTES TO THE ANNUAL ACCOUNTS

31 December 2022

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NOTE 7 - MARKETABLE SECURITIES (CONTINUED)

As at 31 December 2022, the Bank held unlisted shares amounting to EUR 48,801 (2021: EUR 46,505). Value adjustments are recorded on these shares for an amount of EUR 39,281 (2021: EUR 36,992). These shares are classified in the investment portfolio.

“Shares and other variable-income marketable securities” also includes a securities loan with Natixis in the amount of EUR 428.7 million. The securities borrowed in December 2022 were returned on 15 February 2023 for the same amount. The fair value of these securities at 31 December 2022 was EUR 433.6 million. These shares are classified in the investment portfolio. This securities loan also resulted in a payable to Natixis in the amount of EUR 428.7 million that is included in “Amounts due to credit institutions”.

NOTE 8 - OTHER ASSETS

	2022 EUR	2021 EUR
Taxes	8,868	1,919,028
Other	1,592,920	540,618
	<u>1,601,788</u>	<u>2,459,646</u>

The change in “Taxes” is mainly due to the decrease in the tax consolidation receivable from Natixis Trust, the company at the head of the tax consolidation group until 31 December 2021. The Bank took over as head of the tax consolidation group with effect from 1 January 2022. Natixis Trust is no longer part of the new tax consolidation group.

Please also refer to Note 14.

NOTE 9 - PREPAYMENTS AND ACCRUED INCOME

	2022 EUR	2021 EUR
Accrued interest	11,084,761	4,492,033
Accrued income	583,351	504,986
Prepaid expenses	526,265	665,380
	<u>12,194,377</u>	<u>5,662,399</u>

The change in “Accrued interest” is mainly due to the rise in interest rates and therefore the decrease in negative interest rates overall. Accrued interest increased by EUR 5.3 million on term loans with credit institutions, and by EUR 1.2 million on customer loans.

Natixis Wealth Management Luxembourg

NOTES TO THE ANNUAL ACCOUNTS

31 December 2022

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NOTE 10 - MOVEMENTS IN NON-CURRENT ASSETS

Changes in the Bank's non-current assets during the year were as follows:

	Acquisition value at the beginning of the year	Additions	Disposals	Transfers	Acquisition value at the year end	Cumulative value adjustments at the year end	Net carrying amount at the year end
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
1. <u>Property, plant and equipment</u>	3,968,545	32,532	(39,679)	-	3,961,398	(3,487,974)	473,424
- Plant and equipment	1,389,417	32,532	(39,679)	-	1,382,270	(1,052,998)	329,272
- Other fixtures and fittings, tools and furniture	2,579,128	-	-	-	2,579,128	(2,434,976)	144,152
2. <u>Intangible assets</u>	30,492,299	-	-	-	30,492,299	(26,570,563)	3,921,736
- Start-up costs	634,705	-	-	-	634,705	(634,705)	-
- Software and computer licenses	29,667,343	-	-	-	29,667,343	(25,745,607)	3,921,736
- Merger premium	190,251	-	-	-	190,251	(190,251)	-

NOTES TO THE ANNUAL ACCOUNTS

31 December 2022

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NOTE 11 - INTANGIBLE ASSETS

Intangible assets not fully amortised consist mainly of computer licence agreements, other items related to banking software and IT system developments.

NOTE 12 - RECEIVABLES FROM AFFILIATED UNDERTAKINGS AND UNDERTAKINGS IN WHICH THE BANK HAS A PARTICIPATING INTEREST

As at 31 December 2022, receivables from affiliated undertakings and undertakings in which the Bank has a participating interest are recognised under the following items (excluding the fixed provision):

	Affiliated undertakings 2022 EUR	Affiliated undertakings 2021 EUR
Loans and advances to credit institutions	3,024,117,927	2,684,018,654
Loans and advances to customers	749,757,814	704,014,854
Other assets	302,045	2,219,807
Accruals and deferred income	10,686,714	3,721,875
TOTAL	3,784,864,500	3,393,975,190

At the Bank's request, the CSSF approved the full exemption of the exposures to the Natixis/BPCE Group for the calculation of large exposures limits, in accordance with Article 56-1 of the amended Law of 5 April 1993 on the financial sector.

NOTE 13 - FOREIGN CURRENCY ASSETS

As at 31 December 2022, the total amount of assets denominated in foreign currencies (other than EUR), translated into EUR, was EUR 958,870,296 (2021: EUR 931,992,628).

NOTES TO THE ANNUAL ACCOUNTS

31 December 2022

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NOTE 14 - OTHER LIABILITIES

	2022	2021
	EUR	EUR
Preferential creditors	313,581	437,435
Sundry creditors	40,171	5,407
Other	1,105,533	1,067,820
	<u>1,459,285</u>	<u>1,510,662</u>

As at 31 December 2022, "Preferential creditors" mainly consists of social security charges and other taxes payable.

As at 31 December 2022, "Other" mainly consists of assets held in unclaimed customer accounts as well as tax consolidation payables net of advances.

On 1 January 2022, the Bank took over as head of the tax consolidation group. Natixis Trust is no longer part of the new tax consolidation group.

As at 31 December 2022, the tax consolidation payables net of advances stood at EUR 276,603 for BPCE Life S.A., EUR 68,176 for Natixis Structured Issuance S.A., EUR 177,600 for Kennedy Financement Luxembourg S.à r.l. and EUR 0 for Kennedy Financement Luxembourg 2 S.à r.l., i.e. a total of EUR 522,379.

NOTE 15 - ACCRUALS AND DEFERRED INCOME

	2022	2021
	EUR	EUR
Accrued interest	6,607,763	1,605,088
Accrued expenses	3,451,320	3,719,189
	<u>10,059,083</u>	<u>5,324,277</u>

The change in "Accrued interest" was mainly due to the rise in interest rates and the decrease in negative interest rates overall. Accrued interest increased by EUR 5.0 million and concerned term loans with credit institutions.

NOTES TO THE ANNUAL ACCOUNTS

31 December 2022

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NOTE 16 - PROVISIONS FOR TAXATION

The Bank was part of a tax consolidation group consisting of Natixis Trust, Natixis Wealth Management Luxembourg and other companies forming part of the Natixis Group. Natixis Trust (the consolidating company) was the head of this tax consolidation group. The tax charge is determined by applying the tax rules applicable to each entity and is recognised by the various members of the tax consolidation group. The consolidating company is liable for the income tax (corporation tax, municipal business tax and employment fund contribution).

On 1 January 2022, the Bank took over as head of the tax consolidation group. Natixis Trust is no longer part of the new tax consolidation group.

The Bank remains liable for wealth tax.

As at 31 December 2022, the provisions for taxation of EUR 2,321,831 (2021: EUR 2,321,831) include provisions for wealth tax amounting to EUR 3,145,831 (2021: EUR 3,145,831) net of wealth tax advances amounting to EUR 824,000 (2021: EUR 824,000).

If the Bank had not been the parent company of the tax consolidation group benefiting from the tax losses of other companies but a standalone taxpayer to the tax authorities, the provision for statutory taxes (corporation tax, municipal business tax and employment fund contribution) would have been EUR 2,583,850.

NOTE 17 - OTHER PROVISIONS

As at 31 December 2022, a provision of EUR 8,892,974 (2021: EUR 8,065,109) relates to the reorganisation of the Bank, announced in 2021, whose effects are spread over the 2022 and 2023 financial years. This provision includes EUR 7,658,159 (2021: EUR 6,883,253) of a social nature (redundancy plan) and EUR 1,234,815 (2021: EUR 1,181,856) mainly for external consultancy services. This is also referenced in Note 28.

A rider to the redundancy plan was signed in 2022, resulting in the elimination of a further six positions.

Other provisions cover variable compensation for staff and current provisions for liabilities and charges.

NOTE 18 - SUBSCRIBED SHARE CAPITAL

As at 31 December 2022, the Bank had share capital of EUR 683,542,500 (2021: EUR 683,542,500), represented by 273,417 shares with a nominal value of EUR 2,500 each.

NOTES TO THE ANNUAL ACCOUNTS

31 December 2022

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NOTE 19 - CHANGES IN SHAREHOLDERS' EQUITY

EUR	Subscribed share capital	Legal reserve	Other reserves	Profit (loss) for the year	Total
Balance as at 1 January 2022	683,542,500	8,411,848	22,826,224	(3,149,109)	711,631,463
Appropriation of 2021 loss	-	-	(3,149,109)	3,149,109	-
Profit for the year ended 31 December 2022	-	-	-	9,259,611	9,259,611
Balance as at 31 December 2022	683,542,500	8,411,848	19,677,115	9,259,611	720,891,074

The appropriation of earnings was decided by the General Meeting of 28 April 2022.

19.1. Legal reserve

In accordance with Luxembourg law, each year the Bank must allocate to the legal reserve an amount equivalent to 5% of the net profit for the financial year until this reserve reaches 10% of the subscribed share capital. Distribution of the legal reserve is prohibited.

19.2. Other reserves

In accordance with the prevailing tax legislation, the Bank has reduced its wealth tax charge. As a result, the Bank may allocate to non-distributable reserves an amount corresponding to five times the amount of the wealth tax that can be reduced based on the applicable legislation.

In 2022 and 2021, the Bank did not make any allocations to other reserves.

NOTE 20 - PAYABLES TO AFFILIATED UNDERTAKINGS AND UNDERTAKINGS IN WHICH THE BANK HAS A PARTICIPATING INTEREST

As at 31 December 2022, payables to affiliated undertakings and undertakings in which the Bank has a participating interest are recognised under the following items:

	2022 EUR	2021 EUR
Amounts due to credit institutions	3,160,744,749	2,842,976,454
Amounts due to customers	67,916,330	103,401,797
Other liabilities	1,414,628	1,311,139
Accruals and deferred income	6,409,742	1,391,604
	<u>3,236,485,449</u>	<u>2,949,080,994</u>

NOTE 21 - FOREIGN CURRENCY LIABILITIES

As at 31 December 2022, the total amount of liabilities denominated in foreign currencies (other than EUR), translated into EUR, was EUR 957,723,731 (2021: EUR 931,453,006).

NOTES TO THE ANNUAL ACCOUNTS

31 December 2022

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NOTE 22 - CONTINGENT LIABILITIES

	2022 EUR	2021 EUR
Guarantees and other direct credit substitutes	8,357,953	9,235,463

As at 31 December 2022 and 31 December 2021, contingent liabilities do not include any guarantees or other direct credit substitutes with respect to affiliated undertakings.

NOTE 23 - ASSETS PLEDGED BY THE BANK AS COLLATERAL FOR ITS OWN COMMITMENTS

As at 31 December 2022 and 31 December 2021, the Bank had not pledged any assets as collateral for its own commitments.

NOTE 24 - COMMITMENTS

The Bank's commitments consist mainly of undrawn confirmed credit lines in the amount of EUR 46,585,586 (2021: EUR 48,811,110).

The Bank has no commitments in respect of undertakings in which it has a participating interest or in respect of affiliated undertakings.

The Bank has entered into certain other commitments (commitments to pay fixed rents for leased buildings or for leased assets under a lease agreement) that are not included on the balance sheet or in off-balance sheet items, but knowledge of which is useful for the purpose of assessing the financial position. The commitments concerned are as follows:

	2022 EUR	2021 EUR
Commitments	5,689,791	7,326,137

NOTE 25 - TRANSACTIONS LINKED TO EXCHANGE RATES OR INTEREST RATES

As at 31 December 2022 and 31 December 2021, the Bank's books did not contain any transactions linked to interest rates or exchange rates.

NOTE 26 - INVESTMENT MANAGEMENT AND REPRESENTATION SERVICES

The main services offered by the Bank are:

- Wealth management or advice;
- Custody and administration of marketable securities;
- Custodian for undertakings for collective investment.

NOTES TO THE ANNUAL ACCOUNTS

31 December 2022

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NOTE 27 - OTHER OPERATING INCOME

	2022 EUR	2021 EUR
Operating income and revenue	2,241,123	1,988,289
Natixis Trust services	150,000	150,752
Other	152,081	504,380
	<u>2,543,204</u>	<u>2,643,421</u>

NOTE 28 - OTHER OPERATING EXPENSES

	2022 EUR	2021 EUR
Expenses related to the Bank's reorganisation	3,125,000	8,447,126
Other	729,048	754,094
	<u>3,854,048</u>	<u>9,201,220</u>

The amount of EUR 3,125,000 (2021: EUR 8,447,126) corresponds to expenses related to the reorganisation of the Bank, announced in 2021, whose effects are spread over the 2022 and 2023 financial years. This amount comprises expenses of a social nature (redundancy plan) in the amount of EUR 1,725,000 (2021: EUR 7,265,270) and expenses mainly associated with external consultancy services in the amount of EUR 1,400,000 (2021: EUR 1,181,856).

A rider to the redundancy plan was signed in 2022, resulting in the elimination of a further six positions.

NOTE 29 - VALUE ADJUSTMENTS AND REVERSALS OF VALUE ADJUSTMENTS ON RECEIVABLES AND PROVISIONS FOR CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December 2022, the Bank reversed a value adjustment on miscellaneous receivables in the amount of EUR 606,569 (2021: EUR 150,550). The Bank also established a value adjustments on miscellaneous receivables in the amount of EUR 795,928 (2021: EUR 550).

NOTE 30 - NUMBER OF EMPLOYEES

At 31 December 2022 and 31 December 2021, the average number of staff employed by the Bank was broken down as follows:

	2022	2021
Management	3	3
Executives	47	61
Other employees	41	45
	<u>91</u>	<u>109</u>

In 2022, the average for the "Management" category comprises the three members of the Bank's Authorised Management.

NOTES TO THE ANNUAL ACCOUNTS

31 December 2022

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NOTE 31 - COMPENSATION AND PENSION COMMITMENTS OF MEMBERS OF THE BANK'S VARIOUS BODIES

31.1. Compensation of members of the Bank's various bodies

EUR	Compensation paid in 2022 by virtue of their positions	Compensation paid in 2021 by virtue of their positions
Members of the administrative bodies	0.03 million 1 member	0.03 million 1 member
Management	1.108 million 3 members	1.000 million 3 members

31.2. Pension commitments of members of the Bank's various bodies

EUR	Pension commitments as at 31 December 2022	Pension commitments as at 31 December 2021
Members of the administrative bodies	-	-
Management	130,250 3 members	101,059 2 members

NOTE 32 - ADVANCES, LOANS AND COMMITMENTS OF MEMBERS OF THE BANK'S VARIOUS BODIES

As at 31 December 2022 and 2021, the Bank had not granted any advances, loans or commitments to members of the Bank's various bodies.

NOTE 33 - FEES OF THE APPROVED AUDIT FIRM

The fees, excluding taxes, invoiced to the Bank by the statutory auditor and its network are as follows (excluding VAT):

	2022 EUR	2021 EUR
Statutory audit of the annual accounts	288,765	241,900
Other verification services	119,025	60,475
Tax services	-	28,051
Other services	105,570	11,788
	<u>513,360</u>	<u>342,214</u>

Other services include reports required by the regulators, limited reviews requested by the Bank and advisory services.

Data for the year ended 31 December 2021 has been reclassified for comparability with data for the year ended 31 December 2022.

NOTES TO THE ANNUAL ACCOUNTS

31 December 2022

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NOTE 34 - PARENT COMPANY

The Bank is a subsidiary of Natixis Trust, which has its registered office in Luxembourg.

Natixis Trust is itself consolidated within Natixis, a bank established in France.

The Bank is included in the consolidated financial statements of BPCE, being the largest group of companies of which the Bank forms part as an indirect subsidiary. BPCE's head office is located in France and the consolidated financial statements are available at the following address:

7, Promenade Germaine Sablon
75013 Paris

The Bank is also included in the consolidated financial statements of Natixis, being the smallest group of companies of which it is itself a part and which is included in the largest group mentioned above. Natixis' head office is located in France and the consolidated financial statements are available at the following address:

Immeuble Arc de Seine
30, avenue Pierre Mendès-France
75013 Paris

NOTE 35 - MUTUAL DEPOSIT GUARANTEE AND INVESTOR COMPENSATION SCHEME

The Law on the resolution, reorganisation and winding up measures of credit institutions and certain investment firms and on deposit guarantee and investor compensation schemes (the "Law"), transposing into Luxembourg law Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, and Directive 2014/49/EU on deposit guarantee and investor compensation schemes, was passed on 18 December 2015.

The deposit guarantee and investor compensation scheme in place until then, implemented by the *Association pour la Garantie des Dépôts Luxembourg* (Association for the Guarantee of Luxembourg Deposits - AGDL), was replaced by a new contribution-based deposit guarantee and investor compensation scheme. The new scheme covers all eligible deposits of the same depositor up to an amount of EUR 100,000 and investments up to an amount of EUR 20,000. The Law also provides that deposits resulting from specific transactions, or serving a social purpose or linked to particular life events, are protected over and above EUR 100,000 for a period of 12 months.

Provisions recognised in the Bank's annual accounts over the years in order to meet the obligations to the AGDL, where applicable, are used as and when they contribute to the new *Fonds de résolution Luxembourg* (Luxembourg resolution Fund - FRL) and *Fonds de garantie des dépôts Luxembourg* (Luxembourg Deposit Guarantee Fund - FGDL).

The financial means of the FRL shall reach, by 31 December 2024, at least 1% of the amount of covered deposits, as defined in Article 1(36) of the Law, of all credit institutions authorised in all participating Member States. This amount must be collected from credit institutions through annual contributions from 2017 to 2024.

The target level of the financial means of the FGDL is set at 0.8% of the amount of covered deposits, as defined in Article 163(8) of the Law, of the member institutions and was reached at the end of 2018 through the annual contribution.

NOTES TO THE ANNUAL ACCOUNTS

31 December 2022

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NOTE 35 - MUTUAL DEPOSIT GUARANTEE AND INVESTOR COMPENSATION SCHEME (CONTINUED)

Since the level of 0.8% was reached, Luxembourg credit institutions have had to continue contributing for an additional eight years in order to constitute an additional buffer of 0.8% of covered deposits, as defined in Article 163(8) of the Law.

The contributions paid by the Bank in 2022 in relation to these mechanisms amounted to EUR 1,331,207 (2021: EUR 1,896,840), of which EUR 1,133,026 is recorded in "Other administrative expenses" and EUR 198,181 is recorded in "Other assets" as an Irrevocable Payment Commitment.

NOTE 36 - CREDIT RISK INFORMATION

The financial information presented in this note corresponds to the amounts used in the calculation of the solvency ratio, which is established in accordance with IFRS prepared for the purposes of the CSSF FinRep reports, and not from the annual accounts under Lux GAAP.

Financial instruments (EUR millions)	Risk exposures 2022	Weighted credit risk* 2022	Weighted credit risk* 2021
<i>Balance sheet items</i>			
Risk assets	4,489.2	1,807.1	1,710.0
<i>Off-balance sheet items other than derivatives</i>			
Contingent liabilities and commitments	54.9	24.1	24.3
Over-the-counter derivatives (EUR millions)			Weighted derivatives* 2021
Interest rate transactions	-	-	-
Exchange rate transactions	-	-	-
Total credit risk	4,544.1	1,831.2	1,734.3

* Credit risk is weighted using the standardised approach in accordance with Regulation (EU) No 575/2013.

The Bank did not hold any derivatives as at 31 December 2022 or 31 December 2021.

NOTE 37 - BREAKDOWN OF DERIVATIVE FINANCIAL INSTRUMENTS BY INSTRUMENT CATEGORY AND RESIDUAL MATURITY

The Bank did not hold any derivative financial instruments as at 31 December 2022 or 31 December 2021.

NOTES TO THE ANNUAL ACCOUNTS

31 December 2022

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NOTE 38 - BREAKDOWN OF BALANCE SHEET AND OFF-BALANCE SHEET ITEMS BY GROUP OF COUNTRIES

The table below shows the breakdown of primary financial instruments by group of countries as at 31 December 2022 and 2021.

Assets (after the fixed provision)	Country area	2022 (EUR millions)	2021 (EUR millions)
Cash on hand, credit balances with central banks and post office giro institutions, and loans and advances to credit institutions	European Union	3,415.0	3,344.2
	Other Zone A countries	0.8	0.9
Loans and advances to customers	European Union	292.0	410.0
	Other Zone A countries	760.3	718.6
	Other	3.7	22.2
Shares and other variable-income marketable securities	European Union	428.5	300.0
Liabilities and shareholders' equity			
Amounts due to credit institutions	European Union	3,594.9	3,146.1
	Other Zone A countries	-	-
Amounts due to customers	European Union	498.7	746.4
	Other Zone A countries	30.4	142.1
	Other	48.7	44.5
Off-balance sheet items			
Contingent liabilities	European Union	5.3	6.2
	Other Zone A countries	2.1	2.0
	Other	1.0	1.0
Commitments	European Union	45.0	44.3
	Other Zone A countries	1.6	3.8
	Other	-	0.7

NOTES TO THE ANNUAL ACCOUNTS

31 December 2022

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NOTE 39 - BREAKDOWN OF ASSETS AND OFF-BALANCE SHEET ITEMS BY ECONOMIC SECTOR

The breakdown of assets by economic sector for the most significant items is as follows:

Economic sector	Assets (carrying amount, in EUR millions and after the fixed provision)	2022 (EUR millions)	2021 (EUR millions)
Central bank	RECEIVABLES	375.8	647.1
Other banks	RECEIVABLES	3,040.0	2,697.9
Undertakings for collective investment	RECEIVABLES	4.9	12.3
Holding companies	RECEIVABLES	749.7	705.9
Other financial institutions	RECEIVABLES	-	0.1
Other companies	RECEIVABLES	228.2	298.5
	VIMS	428.5	300.0
Households	RECEIVABLES	73.2	134.0

VIMS: Variable-income marketable securities.

The table below shows off-balance sheet items by economic sector as at 31 December 2022 and 2021.

Economic sector	Type of outstanding	2022 (EUR millions)	2021 (EUR millions)
Holding companies	Contingent liabilities	-	3.0
	Commitments	-	13.6
Other companies	Contingent liabilities	2.4	-
	Commitments	38.3	9.5
Households	Contingent liabilities	6.0	6.2
	Commitments	3.3	8.7
Undertakings for collective investment	Commitments	-	17.0
Insurance	Commitments	5.0	-

NOTES TO THE ANNUAL ACCOUNTS

31 December 2022

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NOTE 40 - FOREIGN EXCHANGE POSITIONS

The main foreign exchange positions as at 31 December 2022 are as follows (short positions are shown in brackets):

	Net forward positions 2022 (EUR millions)	Net spot positions 2022 (EUR millions)	Equivalent value of net positions 2022 (EUR millions)	Equivalent value of net positions 2021 (EUR millions)
EUR	-	1.1	1.1	0.3
USD	-	(0.8)	(0.8)	(0.2)
Overall net position	-	0.3	0.3	0.1

NOTE 41 - RETURN ON ASSETS

The return on the Bank's assets as at 31 December 2022 is 0.19% (2021: -0.07%).

Return on assets is calculated by dividing the net profit for the year by the total balance sheet.

NOTE 42 - SIGNIFICANT EVENTS DURING THE YEAR

Following the outbreak of the Russian-Ukrainian war in February 2022 and the resulting numerous sanctions against Russia, Belarus and certain Russian oligarchs, the Bank carried out an in-depth analysis of its customer base. This showed a very low overall exposure. One of two relevant relationships was terminated during the year, the second remaining open solely on the basis of a currently non-transferable line of H2O shares.

Furthermore, following the redundancy plan signed in December 2021 as part of the Focus reorganisation project, this plan was implemented in December 2022 and led to the departure of 22 employees.

NOTE 43 - EVENTS AFTER THE REPORTING PERIOD

As part of the Focus reorganisation project launched in September 2021 aimed at transferring the wealth management activities to Massena Partners for discretionary management and Natixis Wealth Management (France) or an external bank for loans, a first batch of business was transferred on 10 February 2023 for an amount of EUR 825 million (discretionary management) and EUR 97 million (loans). There are already plans to transfer a second batch on 24 March 2023 (EUR 278 million for discretionary management and EUR 20 million for loans). A final transfer is expected to take place in April for the balance of the discretionary management business (approximately EUR 200 million).

With an effective date of 24 March 2023, the Bank decided to change its name to Natixis Corporate and Investment Banking Luxembourg.

MANAGEMENT REPORT

31 December 2022

**MANAGEMENT REPORT OF THE BOARD OF DIRECTORS
TO THE ORDINARY GENERAL MEETING OF SHAREHOLDERS**

In accordance with the Articles of Association, we are pleased to present the balance sheet and profit and loss account for the year ended 31 December 2022, as well as our management report.

1 - 2022 ACCOUNTS

1.1 APPROPRIATION OF THE PROFIT

Subject to your approval of the appropriation of the profit, the retained earnings and the available wealth tax reserve as shown in the table below:

Profit for the year	9,259,611.48
Retained earnings	-
TOTAL	9,259,611.48

Legal reserve	462,980.57
Distribution of dividends	8,796,630.91
TOTAL	9,259,611.48

For information:

Balance of the reserve created in respect of the 2022 "Reserve for imputed wealth tax"	19,677,115
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The Bank's equity (share capital, reserves and profit for the period) amounted to EUR 720,891,074 as at 31 December 2022 compared with EUR 711,631,463 as at 31 December 2021, with a balance sheet total of EUR 4,918,576,667 compared with EUR 4,811,001,850 as at 31 December 2021.

MANAGEMENT REPORT

31 December 2022

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1 - 2022 ACCOUNTS (CONTINUED)

1.2 BALANCE SHEET ANALYSIS

The main changes in the balance sheet are as follows:

1.2.1 Assets

- Cash on hand, credit balances with central banks and post office giro institutions: the decrease of EUR 271.3 million compared with the end of 2021 mainly concerns the deposit made with the *Banque Centrale du Luxembourg*. This deposit allows a high quality asset structure to be maintained in the context of optimisation of the management of the LCR (liquidity coverage ratio) and NSFR (net stable funding ratio) and compliance with the amount of the mandatory reserve.
- Loans and advances to credit institutions: the 12.7% increase in these outstandings, which totalled EUR 3,039.9 million at the end of 2022, corresponds to loans granted to Natixis.
- Shares and other variable-income marketable securities: the EUR 128.6 million increase corresponds to the change in securities borrowing from Natixis.
- Intangible assets: the decrease in the net amount of these assets results from the impact of amortisation charges during the 2022 financial year.
- Prepayments and accrued income: the EUR 6.5 million increase in these outstandings mainly concerns accrued interest not yet due on loans granted. This can be explained by the rise in interest rates and the virtual disappearance of negative or zero interest rates at the interbank level.

1.2.2 Liabilities

- Amounts due to credit institutions: these deposits increased by EUR 448.8 million, or 14.3%. They mainly relate to the Natixis and BPCE scope.
- Amounts due to customers: the change in this item, being a decrease of 38% or EUR 355.3 million, is mainly due to investments in marketable securities.
- Accruals and deferred income: the EUR 4.7 million increase in these outstandings mainly concerns accrued interest not yet due on borrowings. This can be explained by the rise in interest rates and the virtual disappearance of negative or zero interest rates at the interbank level.
- Provisions: with a total of EUR 13.5 million, this item corresponds to:
 - allocations to/reversals of wealth tax, net of advances, for EUR 2.3 million;
 - a provision of EUR 8.9 million for the reorganisation of the Bank, planned for 2022 and 2023, of which EUR 7.7 million is of a social nature (redundancy plan) and EUR 1.2 million is mainly for external consultancy services;
 - various items (staff and other) for EUR 2.3 million.

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2 - HIGHLIGHTS IN 2022 AND DEVELOPMENTS AND OUTLOOK

2.1 BOARD OF DIRECTORS AND AUTHORISED MANAGEMENT

The major changes during the year were as follows:

- The resignation of Mr. Nicolas Dhonte as a Director and Authorised Manager;
- The resignation of Mr. Alain Demoustier as a Director;
- The appointment of Mr Nicolas Drouhin as an Authorised Manager.

2.2 TREASURY SHARES

The Bank did not acquire any treasury shares during the financial year.

2.3 RESEARCH AND DEVELOPMENT

The Bank does not conduct any research and development.

2.4 BRANCHES

The Bank does not have any branches as at 31 December 2022.

2.5 DEVELOPMENTS AND OUTLOOK

In agreement with the Group and as part of the definition of the strategic plan for the Wealth business line, in 2021 the Bank launched a review aimed at improving the profitability of its wealth management business. This led to the following decisions: transfer of the wealth management activities to Massena Partners, sale of the loan portfolio to Natixis Wealth Management Paris, and sale of the Funds and Third-Party Manager activities to non-Group counterparties, these activities no longer being aligned with Natixis' strategy. These decisions were approved by the Board of Directors on 1 September 2021. In particular, they resulted in the negotiation of a redundancy plan that was signed on 13 December 2021 and was partially implemented in December 2022.

In addition, during the first half of 2022, the Bank's management and the Group worked on a development programme for Corporate Investment Banking (CIB) activities within the Bank. The targeted activities in question concerned two business lines within Global Markets, namely Global Securities Financing and the issuance of collateralised notes, as well as Corporate Banking. This programme was presented to the Board of Directors, which approved it at the same meeting on 25 May 2022. This decision also had social repercussions as it led to the elimination of a further six positions that resulted in a rider to the initial redundancy plan.

Gross operating income (EBITDA) came to EUR 13.2 million, up 14% compared with the budget (i.e. EUR 11.6 million) for the following main reason: net banking income (NBI) increased by 13% to EUR 39.9 million in 2022 compared with EUR 35.3 million in 2021 (up EUR 4.6 million), boosted by net interest income (NII) that significantly exceeded the budget due to the rise in interest rates during the second half of the year and absorbing, in particular, a significant shortfall in the Wealth sales margin, being EUR 4.9 million below budget.

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The shortfall in the sales margin is mainly due to the following activities:

- structured products: EUR 1.1 million compared with EUR 2.0 million in the budget (-45%);
- securities transactions: EUR 1.3 million compared with EUR 2.4 million in the budget (-46%);
- custodian bank fees: EUR 0.8 million compared with EUR 1.6 million in the budget (-50%);
- management fees: EUR 5.7 million compared with EUR 7.3 million in the budget (-22%).

This slowdown in revenue from the Wealth business is explained by the fact that 2022 was a year of transition due to the Focus project, characterised by:

- no new inflows and an outflow of existing assets;
- a decline in assets under discretionary and advisory management, which decreased by EUR 301 million from EUR 1,061 million to EUR 760 million, i.e. a decrease of 28%;
- a gradual discontinuation of the custodian bank activity during the financial year;
- lower transaction volumes on securities given the significant involvement of private bankers in the project.

Total loan outstandings drawn down on the Wealth business line as at 31 December 2022 came to EUR 247 million, down EUR 204 million compared with the end of 2021. This 45% decrease was mainly due to the early repayment of a few loans as well as the non-renewal of loans as part of the Focus project and the transfer of the Wealth activities. The average annual margin on this volume of loans is 0.70%, down 6 basis points compared with 2021, i.e. an interest margin of EUR 3.1 million in 2022 compared with EUR 4.0 million in 2021.

With regard to 2023 and its prospects, it constitutes a pivotal year since it will see the effective transfer of the wealth management activities to Massena Partners as well as the launch of the new activities mentioned above.

3 - RISK MANAGEMENT

The actions implemented with respect to risk management, the monitoring of systems and controls ensure that transactions are secure.

RISK CONTROL

The main role of risk control is to ensure that all risks are controlled by ensuring that they are identified, assessed, mitigated and monitored at all times. To this end, policies and procedures define in particular the control framework for all types of risks and limits, as described below.

• **Credit and counterparty risk**

Credit risk management involves risk analysis, decision-making and monitoring functions within the framework defined by the Wealth Management business line risk policy and procedures that are aligned with the Bank's risk appetite.

The Bank remains selective when granting loans.

Although fairly concentrated, receivables represent a minimal level of exposure to a few top-tier counterparties. The duration of the investments as well as exposure (non-group) mainly to the European Economic Area limit the potential risks.

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The Bank continuously assesses and monitors credit risk in terms of commitments, and counterparty trends and quality by analysing the legal and financial documentation. A quarterly risk, watchlist and provisions committee validates these assessments.

- **Market risk**

Market risks are identified, analysed and monitored using various indicators: choice of currencies, loss-alert system, and regular monitoring of foreign exchange risk and securities position risk.

- **Operational risk**

The Bank's operational risk management mechanism facilitates the following:

- recording of operational incidents;
- implementation of key risk monitoring indicators;
- oversight of risk and control self-assessment exercises;
- monitoring of action plans.

Furthermore, the Operational Risk Committee raises awareness among all staff via department managers and provides concrete actions for rectifying the causes of losses.

With regard to operational risks, the Bank recorded a significant decrease in terms of occurrences, i.e. there were 40 incidents in 2022 versus 68 in 2021 and 69 in 2020. The financial impact is significant: two specific incidents amounted to EUR 109 thousand and EUR 2.3 million. The total impact in absolute terms for 2022 is EUR 2,512,403 (compared with EUR 86,000 thousand in 2021 and EUR 312 thousand in 2020).

The Bank fully intends to continue this prudent policy for 2023.

4 - EVENTS AFTER THE REPORTING PERIOD

As part of the Focus reorganisation project launched in September 2021 aimed at transferring the wealth management activities to Massena Partners for discretionary management and Natixis Wealth Management (France) or an external bank for loans, a first batch of business was transferred on 10 February 2023 for an amount of EUR 825 million (discretionary management) and EUR 97 million (loans). There are already plans to transfer a second batch on 24 March 2023 (EUR 278 million for discretionary management and EUR 20 million for loans). A final transfer is expected to take place in April for the balance of the discretionary management business (approximately EUR 200 million).

With an effective date of 24 March 2023, the Bank decided to change its name to Natixis Corporate and Investment Banking Luxembourg.



The Board of Directors would like to thank the Bank's management and all employees for their efforts during the 2022 financial year.