INTESA SANPAOLO

Liquidity Information Disclosure Statement

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

For the quarter ended 31 March 2022

DISCLOSURE STATEMENT
Quarterly Disclosure of Average Liquidity Maintenance Ratio

	For the quarter ended 31.03.2022	For the quarter ended 31.12.2021
Average Liquidity Maintenance Ratio ("LMR")	**50.10%**	**48.92%**

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

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

LIQUIDITY RISK MANAGEMENT

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

Intesa Sanpaolo's internal control and management system for liquidity risk is implemented within the Group Risk Appetite Framework and in compliance with the tolerance thresholds for liquidity risk approved in the system, which establish that the Group must maintain an adequate liquidity position in order to cope with periods of strain, including prolonged periods, on the various funding supply markets, also by establishing adequate liquidity reserves consisting of marketable securities and refinancing at Central Banks. To this end, a balance needs to be maintained between incoming and outgoing funds, both in the short and medium-long term. This goal is implemented by the Group Liquidity Risk Management Guidelines approved by the Corporate Bodies of Intesa Sanpaolo, in implementation of the applicable regulatory provisions.

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

DISCLOSURE STATEMENT
Quarterly Disclosure of Average Liquidity Maintenance Ratio

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

The Group Liquidity Risk Management Guidelines approved by Intesa Sanpaolo's Corporate Bodies illustrate the tasks of the various corporate functions, the rules and the set of control and management processes aimed at ensuring prudent monitoring of liquidity risk, thereby preventing the emergence of crisis situations. To this end, they include procedures for identifying risk factors, measuring risk exposure and verifying observance of limits, conducting stress tests, identifying appropriate risk mitigation initiatives, drawing up emergency plans and submitting informational reports to company bodies.

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

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

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

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

DISCLOSURE STATEMENT
Quarterly Disclosure of Average Liquidity Maintenance Ratio

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

The Group Liquidity Risk Management Guidelines describes in details roles and responsibilities of the different Corporate Bodies and Functions that are in charge of ensuring prudential approaches to liquidity management and control in order to prevent crisis situation. For example, the departments of the Parent Company that are in charge of ensuring the correct application of the Guidelines are, in particular, the Group Treasury and Finance Head Office Department, the Planning and Control Department, responsible, within the Chief Financial Officer (CFO) Area, for liquidity management, and the Financial and Market Risks Head Office Department, which is directly responsible within the Chief Risk Officer (CRO) Area, for measuring liquidity risk on a consolidated basis.

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

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

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

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

DISCLOSURE STATEMENT
Quarterly Disclosure of Average Liquidity Maintenance Ratio

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

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

In line with the Group Guidelines, Hong Kong Branch also holds reserves of high quality liquid assets, sets up liquidity limits and indicators, liquidity reports such as maturity ladder, stress tests, etc. for the liquidity risk management. Hong Kong Branch monitors the HKMA liquidity maintenance ratio and the survival period indicator.

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

DISCLOSURE STATEMENT
Quarterly Disclosure of Average Liquidity Maintenance Ratio

CHIEF EXECUTIVE'S DECLARATION

This is to certify that the information disclosed above complies with the Banking Ordinance Chapter 155M Banking (Disclosure) Rules and "Guideline on the Application of the Banking (Disclosure) Rules" issued by the Hong Kong Monetary Authority and is not false or misleading.

....	....
Alessandro Vitale Chief Executive	Sandy Lam Head of Accounting

20 May 2022