

INTESA SANPAOLO S.p.A.
Hong Kong Branch
DISCLOSURE STATEMENT
Quarterly Disclosure of Average Liquidity Maintenance Ratio

	For the quarter ended 30.09.2020	For the quarter ended 30.06.2020
Average Liquidity Maintenance Ratio ("LMR")	<u>43.56%</u>	<u>58.64%</u>

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

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 MANAGMENT

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. These guidelines contain the latest regulatory provisions on liquidity risk and illustrate the tasks of the various corporate functions, the rules and the set of control and management processes aimed at ensuring prudent monitoring of such risk, thereby preventing the emergence of crisis situations.

Intesa Sanpaolo has adopted the liquidity management framework at Head Office level. The 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.

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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 Treasury Head Office Department, the Active Value Management Head Office Department, responsible for liquidity management, and the Financial and Market Risks Head Office Department, directly responsible for measuring liquidity risk on a consolidated basis.

At the 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. The Branch has set up an Asset & Liability Committee to monitor the Branch's exposure to financial risks and liquidity risks of the Branch.

With regard to liquidity risk measurement metrics and mitigation tools, in addition to defining the methodological system for measuring short-term and structural liquidity indicators, the Group also formalizes the maximum tolerance threshold (risk appetite) for liquidity risk, the criteria for defining liquidity reserves and the rules and parameters for conducting stress tests.

In line with the Group Guidelines, the 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 liquidity risk management.

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.



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Alessandro Vitale
Chief Executive



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Sandy Lam
Head of Accounting

19 November 2020