

1.3 LIQUIDITY RISK

QUALITATIVE INFORMATION

A. General aspects, liquidity risk management processes and measurement methods

Liquidity risk is defined as the risk that the bank is not able to meet its payment obligations when they fall due (funding liquidity risk). Normally, the bank is able to cover cash outflows with cash inflows, liquid assets and its ability to obtain credit. With regard to the highly liquid assets in particular, there may be strains in the market that make them difficult (or even impossible) to sell or be used as collateral in exchange for funds. From this perspective, the bank's liquidity risk is closely tied to the market liquidity conditions (market liquidity risk).

The Guidelines for Liquidity Risk Management adopted by the Intesa Sanpaolo Group outline the set of principles, methodologies, regulations and control processes required to prevent the occurrence of a liquidity crisis and call for the Group to develop prudential approaches to liquidity management, making it possible to maintain the overall risk profile at extremely low levels.

The main principles underpinning the Liquidity Policy of the Intesa Sanpaolo Group are:

- the existence of an operating structure that works within set limits and of a control structure that is independent from the operating structure;
- a prudential approach to the estimation of the cash inflow and outflow projections for all the balance sheet and off-balance sheet items, especially those without a contractual maturity (or with a maturity date that is not significant);
- assessment of the impact of various scenarios, including stress testing scenarios, on the cash inflows and outflows over time;
- maintenance of an adequate level of unencumbered, high liquid assets, capable of enabling ordinary operations, also on an intraday basis, and overcoming the initial stages of a shock involving the Group's own liquidity or system liquidity.

Intesa Sanpaolo directly manages its own liquidity, coordinates its management at Group level in all currencies, ensures the adoption of adequate control techniques and procedures, and provides complete and accurate information to the Operational Committees (Group Risk Governance Committee and Group Financial Risks Committee) and the Statutory Bodies.

The departments of the Parent Company that are in charge of ensuring the correct application of the Guidelines are the Treasury Department, responsible for liquidity management, and the Risk Management Department, responsible for monitoring indicators and verifying the observation of limits.

These Guidelines are broken down into three macro areas – short-term, structural and the contingency liquidity plan – and provide for the application of analyses conducted using stress scenarios (market related and firm specific).

The short term Liquidity Policy includes the set of metrics, limits and observation thresholds that enable the measurement, both under normal market conditions and under conditions of stress, of the liquidity risk exposure over the short term, setting the maximum amount of risk that can be assumed and ensuring the utmost prudence in its management.

The structural Liquidity Policy of the Intesa Sanpaolo Group incorporates the set of measures and limits designed to control and manage the risks deriving from the mismatch of the medium to long-term maturities of the assets and liabilities, essential for the strategic planning of liquidity management. This involves the adoption of internal limits for the transformation of maturity dates aimed at preventing the medium to long-term operations from giving rise to excessive imbalances to be financed in the short term.

Together with the short term and structural Liquidity Policy, the Guidelines provide for the management methods 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.

The Contingency Liquidity Plan, by setting itself the objectives of safeguarding the Group's asset value and, at the same time, guaranteeing the continuity of operations under conditions of extreme liquidity emergency, ensures the identification of the early warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, the immediate lines of action, and the intervention measures for the resolution of emergencies. The early warning indicators, aimed at spotting the signs of a potential liquidity strain, both systemic and specific, are continuously recorded and reported to the departments responsible for the management and monitoring of liquidity.

The liquidity position of the Parent Bank and the Group companies is regularly presented by the Risk Management Department and discussed during the Group Financial Risks Committee meetings.

QUANTITATIVE INFORMATION

1. Breakdown by contractual residual maturity of financial assets and liabilities

Currency of denomination: Euro

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
	(in millions of euro)									
Cash assets	54,977	21,101	10,336	17,038	30,903	15,824	24,449	118,960	121,884	11,035
A.1 Government bonds	5	1	6	31	298	676	2,500	4,985	5,556	-
A.2 Listed debt securities	4	5	3	36	219	301	472	5,500	5,034	5
A.3 Other debt securities	17	14	1	44	217	319	904	5,254	8,258	2
A.4 Quotas of UCITS	416	20	-	-	-	-	-	-	449	712
A.5 Loans	54,535	21,061	10,326	16,927	30,169	14,528	20,573	103,221	102,587	10,316
- Banks	6,541	13,930	2,675	4,744	8,563	1,064	1,699	1,983	339	309
- Customers	47,994	7,131	7,651	12,183	21,606	13,464	18,874	101,238	102,248	10,007
Cash liabilities	164,616	13,783	8,054	11,943	24,366	12,839	16,811	72,261	45,831	1,707
B.1 Deposits	159,512	4,312	3,000	3,858	7,424	3,073	2,830	3,409	2,750	316
- Banks	4,871	974	1,748	1,750	3,440	1,272	1,308	2,637	1,243	10
- Customers	154,641	3,338	1,252	2,108	3,984	1,801	1,522	772	1,507	306
B.2 Debt securities	4,323	1,656	1,819	2,657	9,364	7,758	12,940	64,724	38,576	1,391
B.3 Other liabilities	781	7,815	3,235	5,428	7,578	2,008	1,041	4,128	4,505	-
Off-balance sheet transactions	1,536	15,894	4,834	7,678	25,821	20,211	21,486	91,204	18,014	1,523
C.1 Financial derivatives with exchange of capital	191	9,040	4,670	7,497	22,303	14,206	12,842	18,779	8,503	216
- Long positions	79	3,181	1,988	2,996	5,405	3,559	5,318	6,635	4,936	120
- Short positions	112	5,859	2,682	4,501	16,898	10,647	7,524	12,144	3,567	96
C.2 Deposits and loans to be settled	395	5,654	100	18	34	100	-	-	-	-
- Long positions	395	2,979	-	-	-	-	-	-	-	-
- Short positions	-	2,675	100	18	34	100	-	-	-	-
C.3 Irrevocable commitments to lend funds	950	1,200	64	163	3,484	5,905	8,644	72,425	9,511	1,307
- Long positions	164	1,143	64	158	1,647	3,407	5,724	24,426	2,829	1,307
- Short positions	786	57	-	5	1,837	2,498	2,920	47,999	6,682	-

Currency of denomination: US dollar

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	3,053	1,242	1,434	2,161	3,328	2,221	2,044	8,081	2,921	163
A.1 Government bonds	-	-	-	-	-	6	4	209	38	-
A.2 Listed debt securities	-	-	1	-	24	76	14	350	149	-
A.3 Other debt securities	-	121	-	55	50	15	232	562	620	-
A.4 Quotas of UCITS	678	-	-	-	-	-	-	-	-	69
A.5 Loans	2,375	1,121	1,433	2,106	3,254	2,124	1,794	6,960	2,114	94
- Banks	1,339	408	829	528	1,164	988	624	1,337	34	-
- Customers	1,036	713	604	1,578	2,090	1,136	1,170	5,623	2,080	94
Cash liabilities	4,829	4,380	2,643	5,152	29,540	7,118	1,566	2,035	94	4
B.1 Deposits	4,702	3,545	1,005	2,602	3,329	911	412	311	63	4
- Banks	970	1,149	710	1,780	2,452	679	197	104	52	-
- Customers	3,732	2,396	295	822	877	232	215	207	11	4
B.2 Debt securities	-	316	1,435	1,890	22,907	6,132	1,154	1,724	31	-
B.3 Other liabilities	127	519	203	660	3,304	75	-	-	-	-
Off-balance sheet transactions	1,006	11,600	5,064	7,963	22,199	11,356	10,053	21,644	10,899	90
C.1 Financial derivatives with exchange of capital	547	11,391	4,967	7,908	21,038	10,687	7,747	10,781	2,756	90
- Long positions	287	7,347	2,855	4,826	16,694	8,194	4,613	6,318	1,279	25
- Short positions	260	4,044	2,112	3,082	4,344	2,493	3,134	4,463	1,477	65
C.2 Deposits and loans to be settled	441	140	75	-	223	-	3	-	-	-
- Long positions	441	-	-	-	-	-	-	-	-	-
- Short positions	-	140	75	-	223	-	3	-	-	-
C.3 Irrevocable commitments to lend funds	18	69	22	55	938	669	2,303	10,863	8,143	-
- Long positions	5	3	22	55	294	335	1,201	4,208	3,935	-
- Short positions	13	66	-	-	644	334	1,102	6,655	4,208	-

Currency of denomination: Pound sterling

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	472	89	94	125	140	142	29	493	724	7
A.1 Government bonds	-	-	-	-	-	-	-	1	43	-
A.2 Listed debt securities	-	-	-	-	1	-	1	1	81	-
A.3 Other debt securities	-	-	-	-	-	-	-	20	123	-
A.4 Quotas of UCITS	-	-	-	-	-	-	-	-	-	-
A.5 Loans	472	89	94	125	139	142	28	471	477	7
- Banks	404	61	69	63	22	127	13	-	-	-
- Customers	68	28	25	62	117	15	15	471	477	7
Cash liabilities	479	584	953	593	441	1,083	240	1,533	1,496	3
B.1 Deposits	479	143	187	111	106	11	34	19	2	3
- Banks	187	30	34	7	7	1	1	7	2	2
- Customers	292	113	153	104	99	10	33	12	-	1
B.2 Debt securities	-	441	740	445	230	1,072	206	1,514	1,494	-
B.3 Other liabilities	-	-	26	37	105	-	-	-	-	-
Off-balance sheet transactions	81	856	394	485	858	1,870	834	3,794	2,905	5
C.1 Financial derivatives with exchange of capital	16	793	319	485	833	1,768	812	3,794	2,904	5
- Long positions	8	705	217	340	490	1,145	500	3,228	907	-
- Short positions	8	88	102	145	343	623	312	566	1,997	5
C.2 Deposits and loans to be settled	23	21	2	-	-	-	-	-	-	-
- Long positions	23	-	-	-	-	-	-	-	-	-
- Short positions	-	21	2	-	-	-	-	-	-	-
C.3 Irrevocable commitments to lend funds	42	42	73	-	25	102	22	-	1	-
- Long positions	-	42	73	-	25	102	22	-	1	-
- Short positions	42	-	-	-	-	-	-	-	-	-

Currency of denomination: Yen

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	332	17	272	233	583	436	200	285	385	24
A.1 Government bonds	-	-	-	-	56	-	-	-	121	-
A.2 Listed debt securities	-	-	-	-	318	199	121	-	33	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	49	-
A.4 Quotas of UCITS	-	-	-	-	-	-	-	-	-	1
A.5 Loans	332	17	272	233	209	237	79	285	182	23
- Banks	198	5	212	116	44	38	29	102	-	-
- Customers	134	12	60	117	165	199	50	183	182	23
Cash liabilities	125	8	396	201	8	316	108	539	248	-
B.1 Deposits	125	8	-	3	8	24	-	64	40	-
- Banks	42	8	-	-	-	24	-	-	-	-
- Customers	83	-	-	3	8	-	-	64	40	-
B.2 Debt securities	-	-	396	198	-	292	108	475	208	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	107	1,052	982	905	1,511	468	237	594	477	-
C.1 Financial derivatives with exchange of capital	38	981	982	905	1,502	468	229	584	427	-
- Long positions	19	228	414	337	262	402	171	564	275	-
- Short positions	19	753	568	568	1,240	66	58	20	152	-
C.2 Deposits and loans to be settled	63	63	-	-	-	-	-	-	-	-
- Long positions	63	-	-	-	-	-	-	-	-	-
- Short positions	-	63	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to lend funds	6	8	-	-	9	-	8	10	50	-
- Long positions	-	4	-	-	9	-	8	10	50	-
- Short positions	6	4	-	-	-	-	-	-	-	-

Currency of denomination: Swiss franc

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	303	137	142	197	486	326	442	1,881	3,129	30
A.1 Government bonds	-	-	-	-	-	-	-	-	230	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	28	-	-
A.4 Quotas of UCITS	-	-	-	-	-	-	-	-	-	1
A.5 Loans	303	137	142	197	486	326	442	1,853	2,899	29
- Banks	119	32	43	25	74	11	17	49	34	-
- Customers	184	105	99	172	412	315	425	1,804	2,865	29
Cash liabilities	413	142	60	274	474	18	96	13	137	-
B.1 Deposits	413	89	26	158	138	18	96	13	103	-
- Banks	199	86	23	138	111	4	12	5	103	-
- Customers	214	3	3	20	27	14	84	8	-	-
B.2 Debt securities	-	53	34	116	336	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	34	-
Off-balance sheet transactions	25	621	99	1,032	1,287	271	190	1,385	-	5
C.1 Financial derivatives with exchange of capital	-	602	98	1,030	1,283	265	183	1,385	-	5
- Long positions	-	41	19	228	165	91	135	686	-	3
- Short positions	-	561	79	802	1,118	174	48	699	-	2
C.2 Deposits and loans to be settled	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to lend funds	25	19	1	2	4	6	7	-	-	-
- Long positions	-	19	1	2	4	6	7	-	-	-
- Short positions	25	-	-	-	-	-	-	-	-	-

Currency of denomination: Other currencies

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	2,660	1,521	224	1,479	2,266	1,961	3,076	6,344	4,171	191
A.1 Government bonds	4	10	10	707	311	644	839	1,650	1,051	5
A.2 Listed debt securities	1	2	2	3	9	3	30	53	49	-
A.3 Other debt securities	92	-	-	-	30	65	58	159	34	-
A.4 Quotas of UCITS	12	-	-	-	-	-	-	-	35	8
A.5 Loans	2,551	1,509	212	769	1,916	1,249	2,149	4,482	3,002	178
- Banks	1,139	1,292	97	116	953	17	39	163	22	-
- Customers	1,412	217	115	653	963	1,232	2,110	4,319	2,980	178
Cash liabilities	6,782	2,519	644	1,585	2,886	1,545	2,248	2,165	1,422	103
B.1 Deposits	6,771	2,419	603	1,538	2,793	1,361	1,809	1,153	862	103
- Banks	456	598	396	193	271	315	146	97	55	-
- Customers	6,315	1,821	207	1,345	2,522	1,046	1,663	1,056	807	103
B.2 Debt securities	11	100	27	35	93	184	439	1,012	560	-
B.3 Other liabilities	-	-	14	12	-	-	-	-	-	-
Off-balance sheet transactions	385	2,061	618	1,444	1,842	1,794	2,167	2,336	337	3
C.1 Financial derivatives with exchange of capital	56	1,967	589	1,434	1,796	1,614	2,045	2,308	331	2
- Long positions	28	740	271	733	856	937	1,117	949	316	1
- Short positions	28	1,227	318	701	940	677	928	1,359	15	1
C.2 Deposits and loans to be settled	71	55	-	-	2	13	-	-	-	-
- Long positions	71	-	-	-	-	-	-	-	-	-
- Short positions	-	55	-	-	2	13	-	-	-	-
C.3 Irrevocable commitments to lend funds	258	39	29	10	44	167	122	28	6	1
- Long positions	219	39	29	10	44	167	122	28	6	1
- Short positions	39	-	-	-	-	-	-	-	-	-

2. Breakdown by sector of financial liabilities

(in millions of euro)

	Governments and Central Banks	Other public entities	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Due to customers	2,316	8,639	28,987	3,825	63,111	110,601
2. Securities issued	-	17	29,964	216	3,863	153,444
3. Financial liabilities held for trading	9	162	9,736	87	670	35,082
4. Financial liabilities at fair value	-	-	-	-	-	3,878
Total 31.12.2008	2,325	8,818	68,687	4,128	67,644	303,005
Total 31.12.2007	3,270	6,152	55,589	3,500	68,231	221,675

3. Geographical breakdown of financial liabilities

(in millions of euro)

	Italy	Other European countries	America	Asia	Rest of the World
1. Due to customers	172,909	33,868	3,437	585	6,680
2. Due to banks	15,389	25,497	1,193	6,795	2,846
3. Securities issued	123,613	29,580	33,341	610	360
4. Financial liabilities held for trading	9,645	31,693	4,309	57	42
5. Financial liabilities at fair value	3,878	-	-	-	-
Total 31.12.2008	325,434	120,638	42,280	8,047	9,928
Total 31.12.2007	291,227	104,859	26,101	8,801	11,656