

SECTION 3 – RISKS OF OTHER COMPANIES

Risks of other companies are essentially concentrated in the companies Romulus Funding Corporation and Duomo Funding Plc, subsidiaries included within the scope of consolidation pursuant to IFRS 10, and in the Risanamento Group companies, consolidated for accounting purposes starting in 2015, but not subject to management and coordination.

THE VEHICLES ROMULUS FUNDING CORPORATION AND DUOMO FUNDING PLC

Qualitative and quantitative information

These are asset-backed commercial paper conduits, originally established to support Intesa Sanpaolo's strategy of offering customers an alternative financing channel via access to the international commercial paper market. The assets originated by customers are concentrated in Duomo, leaving Romulus activity of fund-raising on the U.S. market. Nonetheless, due to the subsequent downgrading of Intesa Sanpaolo at the end of 2014, US investors gradually divested without the vehicle being able to find new third party investors with which to place the commercial papers. As at 31 December 2015, around 3.2 billion euro of the around 3.3 billion euro in securities issued by Romulus had been subscribed by the Parent Company Intesa Sanpaolo.

The risks associated with these entities, and more specifically, the potential interest rate and exchange rate risks arising from the operations of the two companies, must be covered in accordance with the Intesa Sanpaolo Group policy for the management of these risks.

As already indicated for Banking Group risks, risk management performs dynamic hedging on the OTC derivatives market to manage both volatility and interest rate risk, as well as listed derivatives to optimise interest rate strategies.

Companies are not generally permitted to take foreign-exchange positions.

As at 31 December 2015, the investment portfolio of vehicle Romulus included 3,333 million euro in loans to the vehicle Duomo. These are in addition to cash, other assets and the positive fair value of hedging derivatives totalling approximately 2 million euro. Against those assets, the vehicle issued asset-backed commercial paper (ABCP) with a carrying amount of 3,333 million euro, almost all of which was subscribed by the Parent Company Intesa Sanpaolo.

The table below shows the information and figures for the above two vehicles as at 31 December 2015.

		Vehicle data		Liquidity lines	Guarantees given	Securities issued	of which: held by the Group			
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	IAS classification	Valuation
ROMULUS FUNDING CORP.	Asset backed commercial paper conduit	3,333 ⁽¹⁾	-	-	-	-	3,333	3,215	Loans	Amortised cost
DUOMO FUNDING CORP.	Asset backed commercial paper conduit	3,347	-	1,847 ⁽²⁾	-	-	-	-	-	-

⁽¹⁾ Entirely made up of loans disbursed to Duomo for transactions booked in the financial statements of the vehicle.

⁽²⁾ of which 1.847 million euro referring to credit lines granted to cover loans which did not meet the criteria for derecognition pursuant to IAS 39.

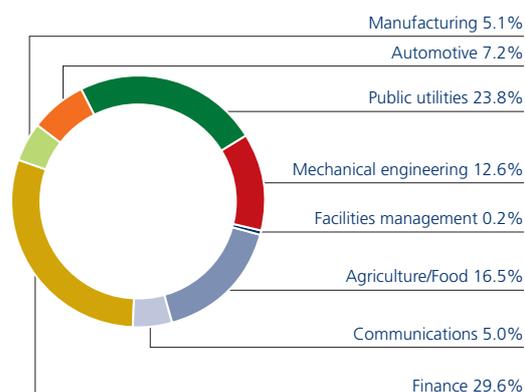
With regard to the portfolio of the vehicle Duomo, at the end of 2015 – in addition to receivables from Group banks for 1,888 million euro – this portfolio includes loans to customers for 1,420 million euro. In portfolio, the vehicle also holds quotas of a mutual fund originated by an Intesa Sanpaolo Group company with a value of 36 million euro as at 31 December 2015. The vehicle's total assets also include other assets of 3 million euro.

The total assets of the conduits Romulus and Duomo, net of dealings between the two vehicles, made up 0.5% of the total consolidated assets.

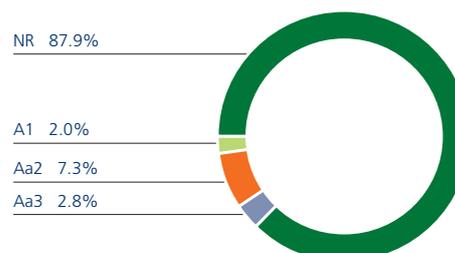
The portfolio of the two vehicles is approximately 63% accounted for by commercial loans and the remainder by consumer loans (15%), by loans deriving from lease contracts (12%), by inventory-backed loans (7%) and by loans/lease contracts to pharmaceutical companies (3%). Almost all of the eligible assets held by the vehicles are expressed in euro (97.4% of the total portfolio). The remainder is denominated primarily in US dollars.

The following information is provided concerning the portfolio of eligible assets.

Breakdown by economic sector



Breakdown of assets by rating



The unrated share of eligible assets is structured in such a way as to obtain an implicit A/AA rating.

With reference to the geographical distribution of the assets held by the two vehicles, please note that approximately 77.5% of the debtors are located in Italy.

Please note that the uses in relation to the eligible assets in the portfolios of the Romulus and Duomo vehicles were of sufficient credit quality for the commercial papers issued by Romulus to maintain the A-3/P-2 ratings.

RISANAMENTO GROUP

Qualitative and quantitative information

With regard to the risks of other companies, mention should also be made of the potential effects of the unfavourable real-estate market situation on the Risanamento Group, in consideration of the specific nature of that Group's business.

Expectations for the real-estate sector are conditioned by economic growth, difficult credit access conditions and the high unemployment rate. The situation of the real-estate sector thus continues to appear uncertain and complex, just as the macroeconomic context of reference. Indeed, the expected performance of the real-estate market in the coming months is linked to the development of the complex economic scenario.

The real-estate market is subject to the cyclical performance of rent values and property prices. The length of such cycles varies, but normally spans multiple years. The macro-economic factors with the greatest influence on property values and cyclical performance are as follows:

- interest rate performance;
- market liquidity and access to remunerative alternative investments;
- economic growth.

The Risanamento Group's management policy is aimed at minimising the effects of the various phases of the cycle through long-term contracts with tenants of high standing, low vacancy rates to avoid the risk of having to locate new tenants in periods of limited demand for lease space, and investments in development projects with high quality standards.

The main risks specifically relating to real estate managed by the Risanamento Group are represented below.

Inability to sell / valuation of assets not in line with the Risanamento Group's strategic projections

This risk relates to all potential events that may influence the achievement of the sales and lease targets for the Risanamento Group's assets. At present, the ability to identify potential commercial tenants that meet the Company's expected needs and requirements is often subject to factors and circumstances beyond the Company's control. The consequences for operations could translate into a decrease in trades and an increase in vacant properties.

The Risanamento Group manages this risk through constant monitoring of commercial activities and observance of strategic objectives that allow it to assess and implement sales actions with a full awareness of the established strategic objectives.

In leasing activity, it should be noted that residual income-generating assets relate essentially to long-term lease contracts with tenants of high standing.

Risks associated with project execution

The execution of real-estate initiatives presents risks associated with planning activity, environmental problems, building activity, and the length and potential exposure of the initiative to the cyclical nature of the real-estate market.

This latter aspect is inherent in larger, long-term projects that are inevitably affected by the cyclical nature of the real-estate sector due to the need to combine administrative formalities with innovative design quality, harnessed to stimulate demand from the market.

The potential risk in question also translates into the possibility that i) errors in or critical aspects of a design may compromise the objectives of the timeliness and proper execution of the works, and ii) the works may not be completed according to the agreed terms and conditions for reasons attributable to the contractor.

The interim structural inspection process allows problems to be identified immediately and the resulting remedial action to be taken.

The total carrying amount of the Risanamento Group's real-estate portfolio in Intesa Sanpaolo's consolidated financial statements is 1,020 million euro.

In further detail, the portfolio may be broken down as follows:

- non-investment properties; 43 million euro;
- land and buildings held for investment purposes; 267 million euro;
- properties held for sale; 54 million euro;
- real-estate development areas and projects; 656 million euro;

As mentioned above, Intesa Sanpaolo does not perform management and coordination activity over Risanamento S.p.A. and its subsidiaries pursuant to Article 2497 et seq. of the Italian Civil Code.