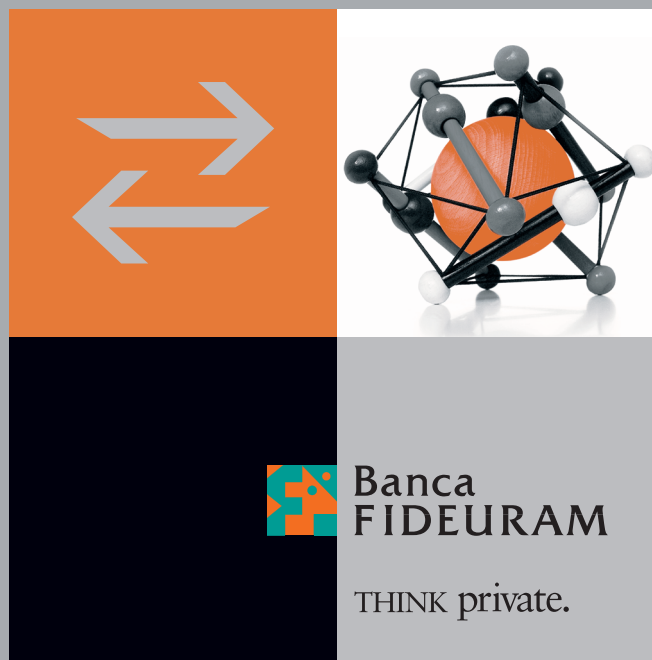


ANNUAL REPORT



Towards sustainable quality growth

2004



Mission

To invest wisely, based on a detailed analysis of our customers' needs. To meet those needs with a comprehensive range of solutions, identifying the most effective investment choices in each case. *To act with total transparency and complete respect for the rules.* This has from the very outset been **Banca Fideuram's mission.**

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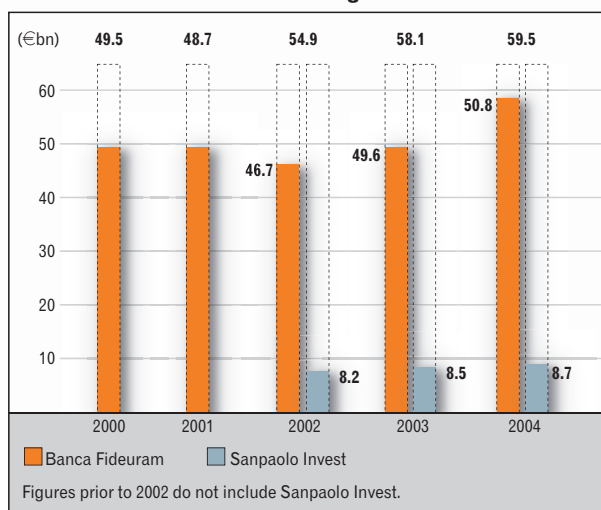
Assets under management (AUM)

Assets under management (AUM)

(€bn)

	2004	2003	% change
Mutual funds	16.8	17.3	-3
Private banking	16.0	14.9	+7
Insurance / Pension funds	13.6	12.4	+10
Securities / Current accounts	13.1	13.5	-3
Total	59.5	58.1	+2

Assets under management trend



Net Inflows and Network

Net inflows

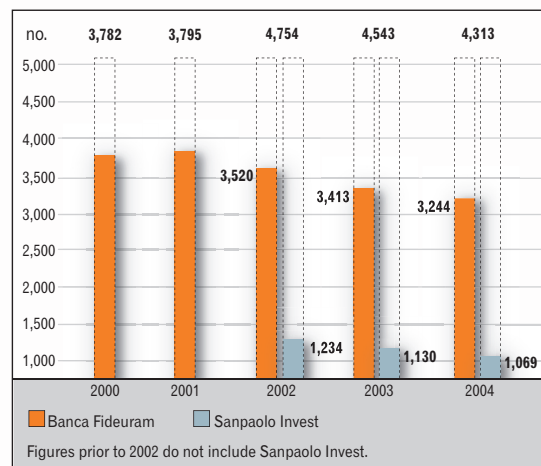
(€bn)

	2004	2003
Mutual funds	(1.1)	1.5
Private banking	0.6	0.7
Insurance / Pension funds	0.9	1.4
Securities / Current accounts	(1.2)	(2.4)
Total	(0.8)	1.2

Network

	2004	2003	% change
Private bankers	4,313	4,543	-5

Network



Highlights

Financial highlights

(€m)

	2004	2003	% change
Net commission income	550.9	478.6	+15
Total net interest and net revenues	676.4	592.4	+14
Administrative costs and depreciation	(358.4)	(364.2)	-2
Income before extraordinary items	298.6	217.4	+37
Net income	243.0	175.6	+38
Embedded value*	2,488	2,205	+13
R.o.E. (%)	24.3	17.5	-
E.V.A.	187.6	114.9	+63
Cost / income ratio (%)	51.1	58.9	-

* The embedded value for 2003 was recalculated to take the spin-off of Fideuram Vita into account and to ensure the figure is comparable with 2004.





TOWARDS SUSTAINABLE QUALITY GROWTH

In contrast to the steady growth of the world economy in 2004, above all in the United States and the Far East, there was only modest growth in the euro area and Italy in particular, where growth was lower than expected.

Operating in a context where family disposable income only rose slightly and the financial markets were still dominated by uncertainty, the Italian managed savings industry recorded negative net inflows of over €10bn.

A significant improvement in the stock market in the last part of the year and expectations of economic recovery indicate we might be moving into a situation with the potential to take the financial industry out of its current period of stasis.

Against this backdrop of complex contrasts, Banca Fideuram achieved strong financial results in 2004, thanks to the strategy it has pursued in recent years focused on generating value from its existing assets. This strategy involved significant migrations of managed savings products to private banking in 2004, as in previous years, while simultaneously enabling the latter to benefit from extensive upgrading of the product range.

In addition to improving the quality of service provided customers, who thus saw a steady increase in the number of products offering a significant level of professional consultancy, this strategy also secured considerable improvements in net income, enabling a large share of profits to be distributed to shareholders in 2004, as in previous years.

In particular, in 2004:

- The Banca Fideuram Group's consolidated net income totalled €243m, the highest it has ever achieved, up 38% on 2003.
- R.o.E. exceeded 24% compared to 17.5% in 2003.

However, this line of action led the Banca Fideuram networks to focus their attention on existing clients rather than on acquiring new ones, which resulted in a significant slowdown in the growth of total net inflows and volume growth in general.

During 2004 the Banca Fideuram Group also saw a change in its scope of consolidation with the spin-off of its insurance business. This transaction formed part of a wider project to reorganise the Sanpaolo IMI Group's insurance business, centralising it in Assicurazioni Internazionali di Previdenza S.p.A. (A.I.P. for short) from the beginning of December.

The resultant new organisational structure leaves our insurance product sales activities largely unchanged, still in the hands of the

Fideuram Network under a renewable long-term agreement. At the same time this new structure offers Banca Fideuram a number of significant benefits in that it:

- frees up the capital that was previously required for the growth of our insurance business;
- reduces our exposure to financial and demographic risks;
- makes a complete range of insurance products available to the bank's customers, while avoiding the substantial investments required to compete in a rather complex market segment;
- allows Banca Fideuram to focus on the core business that distinguishes us as a specialist independent operator offering financial consultancy.

The year 2005 will see Banca Fideuram move on to a new footing. Having completed our management reorganisation, the 2005-2007 Industrial Plan presented in late February 2005 is set to fully exploit the excellent positioning we have achieved in the financial savings industry, launching us on a path of sustainable quality growth.

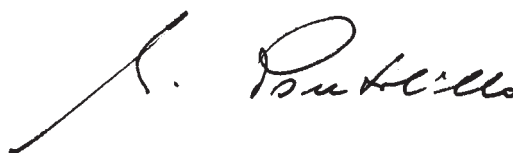
In confirming Banca Fideuram's mission as a leading private bank, the plan's target is to strengthen our market position by returning to financially-viable volume growth, while providing robust management of financial, operational and reputational risks. Overall, the Bank aims to improve its quality of customer service and increase its effectiveness of action.

The Plan sets an ambitious Net Inflows target in the region of €10bn for the three-year period, combined with growth in assets under management that will take us from the €59.5bn achieved at the end of December 2004 to approximately €75bn at the end of December 2007.

The strategies for achieving this target consist in advancing the quality of the products and services offered both for high net worth customers and those with less substantial assets. Where high net worth customers in particular are concerned, we aim to offer a range of specialist services that distinguish the bank by virtue both of their nature and quality of provision.

Operating to the highest ethical standards, with impeccable professionalism and transparency, Banca Fideuram aims to set new service levels, securing the loyalty of existing customers and attracting new ones, an essential element in achieving its objective of sustainable, long-term quality growth.

Our consolidated structure and extensive, highly-competent and professional Network are the solid foundations on which we can build this success with confidence.





Board of Directors

Vincenzo Pontolillo*	Chairman
Mario Prati*	Deputy Chairman
Franca Cirri Fignagnani *	Director
Salvatore Maccarone*	Director
Bruno Mazzola*	Director
Giuseppe Fontana	Director
Giorgio Forti	Director
Giampietro Nattino	Director
Riccardo Faini	Director
* Members of the Executive Committee	
Antonio Cangeri	Secretary of the Board of Directors

Board of Auditors

Mario Paolillo	Chairman
Vito Codacci-Pisanelli	Statutory Auditor
Gian Paolo Grimaldi	Statutory Auditor

General Management

Giuseppe Rosnati	General Manager
Donato Gualdi	Deputy General Manager
Claudio Sozzini	Deputy General Manager

Audit Committee

Salvatore Maccarone	Chairman
Franca Cirri Fignagnani	Director
Giorgio Forti	Director

Remuneration Committee

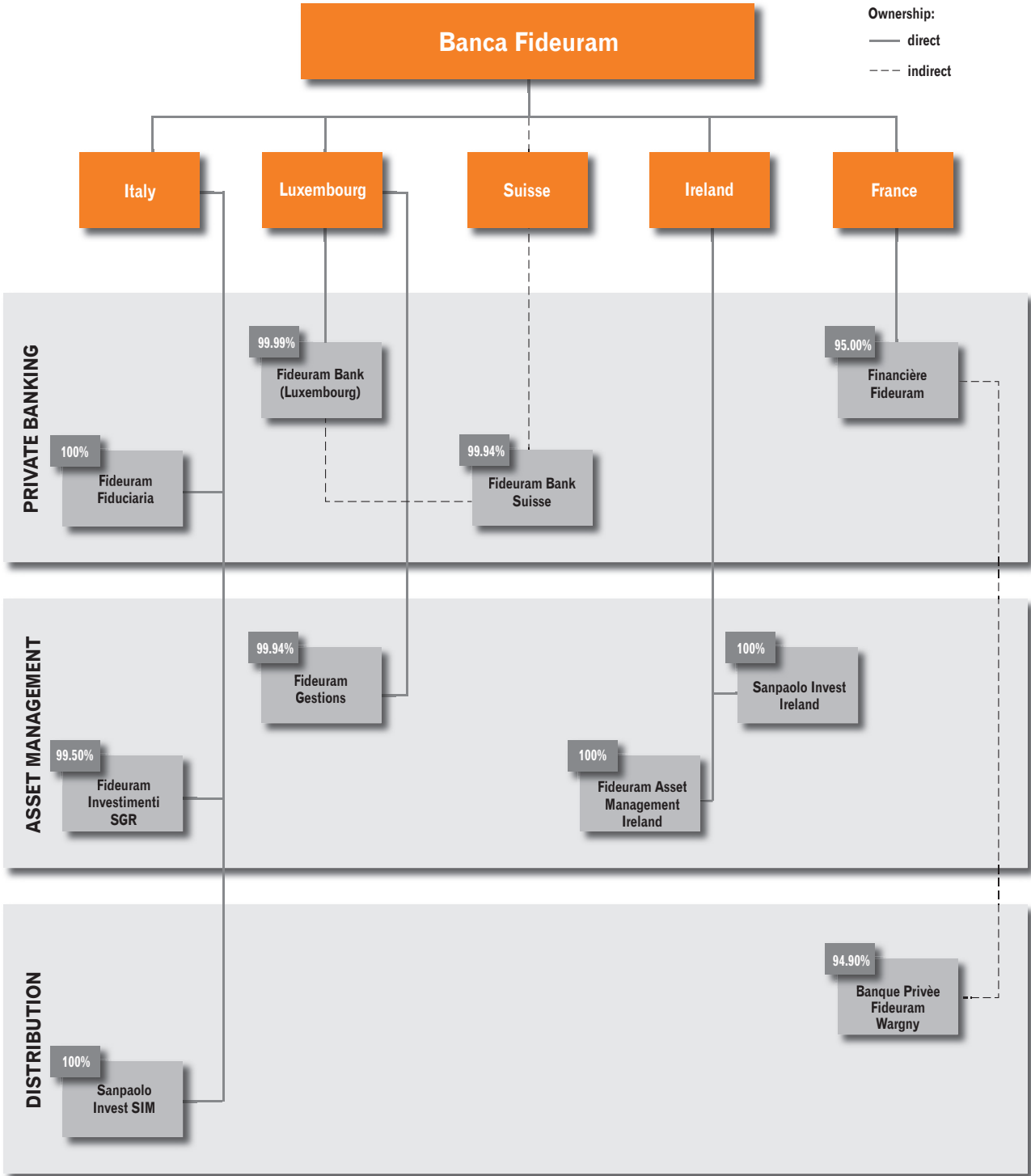
Bruno Mazzola	Chairman
Mario Prati	Director
Giuseppe Fontana	Director

Auditing Company

Reconta Ernst & Young S.p.A.



Structure of the Group (Main Companies)



Detailed information on the holdings and a complete list of all subsidiaries may be found on page 36.





Managed savings environment

Assets (source Bank of Italy)

(€bn)

	2003	2002	2001	2000	1999
Household financial assets in Italy (HFA)	2,898	2,780	2,739	2,757	2,595
Managed savings (MS)	1,006	950	911	887	849
- Mutual funds	379	361	404	450	475
- Private banking	409	403	410	392	370
- Life insurance technical reserves (*)	272	228	196	167	138
- Pension funds (*)	29	27	60	78	73
- Adjustments	(83)	(69)	(159)	(200)	(207)
MS as % of HFA	35%	34%	33%	32%	33%

Flows (source Bank of Italy)

(€bn)

	2003	2002	2001	2000	1999
Household financial assets in Italy (HFA)	115	124	128	116	114
Managed savings (MS)	46	43	35	34	72
- Mutual funds	7	(12)	(20)	(7)	61
- Private banking	2	4	27	33	54
- Life insurance technical reserves (*)	46	35	32	33	35
- Pension funds (*)	2	1	(9)	3	5
- Adjustments	(11)	16	5	(28)	(83)
MS as % of HFA	39%	35%	27%	29%	63%

(*) Life insurance and pension funds of 2003 are estimated.



Key ratios

	2004	2003	2002 pro-forma *	2001	2000
Net inflows into managed savings (€m)	434	3,559	(1,154)	339	6,155
Net inflows (€m)	(798)	1,203	2,055	3,671	7,656
Assets under management (€m)	59,469	58,129	54,883	48,662	49,497
Net income (€m)	243.0	175.6	150.4	225.9	223.7
Net income per share (€)	0.2479	0.1791	0.1534	0.2484	0.2460
Dividend (€)	0.16	0.16	0.16	0.23	0.14
Embedded value (€m) **	2,488	2,205	2,603	3,049	3,206
R.o.E. (%)	24.3	17.5	14.2	22.6	25.7
E.V.A. (€m)	187.6	114.9	79.5	151.5	163.8
Cost / income ratio (%)	51.1	58.9	59.3	50.2	49.1
Payroll / Total net interest and net revenues (%)	21.2	24.9	23.6	20.7	20.8
Net income / average Assets under management (%)	0.41	0.31	0.27	0.46	0.48
National market share AUM (%)	n.a.	2.01	1.97	1.78	1.80
Shareholders' equity (€m)	633.2	1,012.4	999.6	1,047.3	948.4
Private bankers (no.)	4,313	4,543	4,754	3,795	3,782
Employees (no.)	1,824	1,995	2,007	1,771	1,715
Private banker's offices (no.)	263	261	267	99	97
Branches (no.)	89	88	87	82	74

Rating (Standard & Poor's) long term: A+ short term: A-1 outlook: positive

n.a.: not available

Glossary

Net inflows: gross inflows net of repayments.

Assets under management: this item comprises two sub-items: (a) managed savings and (b) non-discretionary savings.

(a) Managed savings include the assets under management of mutual funds, the equities of pension funds, private banking and the technical reserves of life insurance activities.

(b) Non-discretionary savings include securities deposited with the bank (excluding units in the Group's mutual funds), the technical reserves of P&C insurance activities and current-account balances.

Embedded value: the embedded value of a company comprises the sum of adjusted shareholders' net assets and the value of business in force at the valuation date.

R.o.E.: the ratio of consolidated net income to average shareholders' equity.

In 2004 shareholders' equity was calculated as a weighted average to take into account the fact that the Insurance Companies were no longer included in the consolidation (from November 2004).

E.V.A.™ (Economic Value Added): is calculated by deducting the shareholders' expected return on shareholders' equity (cost of capital) from net earnings. This expected return reflects the net yield on 12-month Italian Treasury Bills (BOT) issued at the start of the year, increased by a premium for market risk, which is assumed to be constant at 4.5 percentage points over the period concerned.

Cost/income ratio: administrative expenses (including indirect taxes) and depreciation/ total net interest and net revenues (including other operating income net).

Shareholders' equity: the sum of share capital, all reserves, negative consolidation differences and net income, net of own shares.

Private bankers: professionals in the Italian national register of financial advisers. The number includes insurance consultants (undergoing training).

Branches: units with Banca Fideuram banking facilities only.

(*) The pro-forma 2002 figures were calculated assuming that Sanpaolo Invest was acquired with effect from 1.1.2002. R.o.E. and E.V.A. were calculated using consolidated shareholders' equity figures that include the effect of the acquisition of Sanpaolo Invest from October 2002.

(**) The embedded value for 2003 was recalculated to take the spin-off of Fideuram Vita into account and to ensure the figure is comparable with 2004.

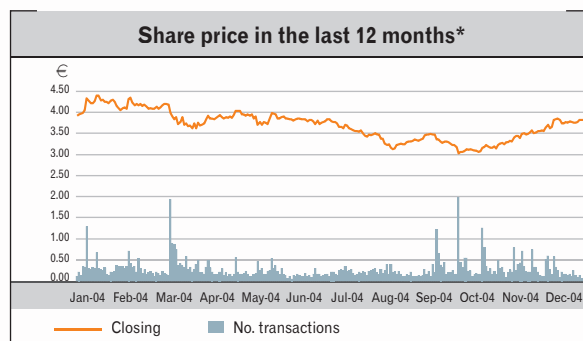
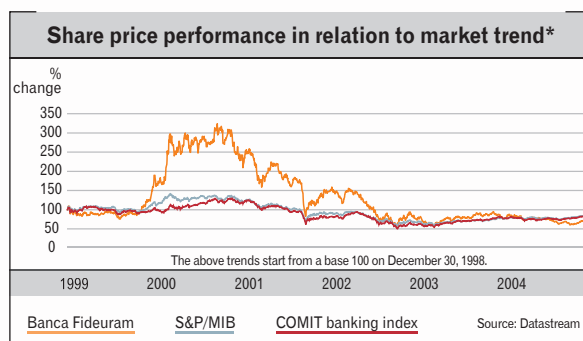
Banca Fideuram Share Information

	2004 ⁽¹⁾	2003	2002	2001	2000	1999	1998
Share price ⁽²⁾							
- end period (€)	3.810	4.710	4.480	9.006	14.765	11.561	6.106
- maximum (€)	4.394	5.765	9.687	15.752	19.754	11.562	7.038
- minimum (€)	3.029	3.333	3.472	5.025	9.805	4.632	3.087
Market capitalisation (€m)	3,735	4,617	4,392	8,189	13,425	10,512	5,552
Price / Net income per share	15.4	26.3	29.2	36.2	60.0	66.6	36.5
Price / Book value	5.9	4.6	4.4	7.8	14.2	13.3	7.8

(1) The prices between the beginning of the year and 29.11.2004, the day before the spin-off of the holding in Fideuram Vita to Sanpaolo IMI had legal effect, were adjusted applying a factor of $k=0.822342$.

(2) Reference prices (Source: Datastream)

Share price performance



* Following the partial spin-off of Banca Fideuram, the Banca Fideuram price series up to 29.11.2004, the day before the spin-off of the holding in Fideuram Vita to Sanpaolo IMI had legal effect, was adjusted by a factor of $k=0.822342$ to make the graphs comparable.

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CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

Consolidated Balance Sheet

(Reclassified - €m)

	31.12.2004	31.12.2003	change	
			amount	%
ASSETS				
Cash and deposits with central banks	24.6	23.1	1.5	+6
Loans:				
- loans to customers	815.0	737.5	77.5	+11
- due from banks	3,057.4	2,798.6	258.8	+9
Dealing securities	980.6	1,081.8	(101.2)	-9
Fixed assets:				
- Investment securities	145.8	138.0	7.8	+6
- Equity investments	0.2	443.9	(443.7)	-100
- Intangible and tangible fixed assets	72.3	92.4	(20.1)	-22
Goodwill arising on consolidation and application of the equity method	-	16.2	(16.2)	-100
Other assets	588.2	623.2	(35.0)	-6
Total assets	5,684.1	5,954.7	(270.6)	-5
LIABILITIES AND SHAREHOLDERS' EQUITY				
Payables:				
- due to customers	3,864.5	3,581.3	283.2	+8
- due to banks	233.8	270.1	(36.3)	-13
- securities issued	3.7	3.3	0.4	+12
Provisions	253.0	270.6	(17.6)	-7
Other liabilities	494.5	615.1	(120.6)	-20
Subordinated liabilities	200.5	200.5	-	-
Minority interests	0.9	1.4	(0.5)	-36
Shareholders' equity:				
- Share capital	186.3	254.9	(68.6)	-27
- Reserves*	194.0	572.0	(378.0)	-66
- Negative goodwill upon consolidation and application of the equity method	9.9	9.9	-	-
- Net income	243.0	175.6	67.4	+38
Total liabilities and shareholders' equity	5,684.1	5,954.7	(270.6)	-5

* The reserves are net of own shares held by the parent bank.



Consolidated Statement of Income

(Reclassified - €m)

	2004	2003	change amount	%
Interest income and similar revenues	103.4	129.0	(25.6)	-20
Interest expense and similar charges	(60.0)	(78.4)	18.4	-23
Net dealing profits	16.1	26.2	(10.1)	-39
Financial margin	59.5	76.8	(17.3)	-23
Net commission income	550.9	478.6	72.3	+15
Income from investments carried at equity	66.0	37.0	29.0	+78
Total net interest and net revenues	676.4	592.4	84.0	+14
Administrative costs:	(320.4)	(321.6)	1.2	-
- payroll costs	(143.4)	(147.3)	3.9	-3
- other administrative costs	(156.0)	(151.2)	(4.8)	+3
- indirect taxes	(21.0)	(23.1)	2.1	-9
Other operating income, net	25.0	25.9	(0.9)	-3
Operating amortisation and depreciation	(38.0)	(42.6)	4.6	-11
Operating income	343.0	254.1	88.9	+35
Adjustments:				
- on goodwill	(16.2)	(6.4)	(9.8)	+153
- to loans and provisions for guarantees and commitments	(2.5)	(4.3)	1.8	-42
- to financial fixed assets	(1.9)	-	(1.9)	n.s.
Write-backs of loans and provisions for guarantees and commitments	6.1	2.3	3.8	+165
Write-backs of financial fixed assets	-	0.3	(0.3)	-100
Provisions for risks and charges	(29.9)	(28.6)	(1.3)	+5
Income before extraordinary items	298.6	217.4	81.2	+37
Net extraordinary income	(3.8)	(7.0)	3.2	-46
Income before taxes and minority interests	294.8	210.4	84.4	+40
Income taxes	(52.8)	(36.0)	(16.8)	+47
Net income attributable to minority interests	1.0	1.2	(0.2)	-17
Net income	243.0	175.6	67.4	+38

n.s.: not significant



Quarterly trend of the consolidated statement of income

(Reclassified €m)

	Q 4 2004	Q 3 2004	Q 2 2004	Q 1 2004	Q 4 2003
Interest income and similar revenues	23.9	27.8	25.3	26.4	24.1
Interest expense and similar charges	(13.0)	(17.1)	(14.5)	(15.4)	(12.4)
Net dealing profits	18.2	(10.1)	6.7	1.3	0.8
Financial margin	29.1	0.6	17.5	12.3	12.5
Net commission income	141.5	139.8	134.9	134.7	132.4
Income from investments carried at equity	10.9	14.8	16.0	24.3	10.7
Total net interest and net revenues	181.5	155.2	168.4	171.3	155.6
Administrative costs:	(81.8)	(74.7)	(82.9)	(81.0)	(80.2)
- payroll costs	(35.1)	(35.2)	(37.1)	(36.0)	(37.5)
- other administrative costs	(41.7)	(34.3)	(40.4)	(39.6)	(37.6)
- indirect taxes	(5.0)	(5.2)	(5.4)	(5.4)	(5.1)
Other operating income, net	7.4	5.0	6.5	6.1	5.5
Operating amortisation and depreciation	(10.5)	(9.8)	(9.1)	(8.6)	(13.1)
Operating income	96.6	75.7	82.9	87.8	67.8
Adjustments:					
- on goodwill	(14.5)	(0.5)	(0.6)	(0.6)	(1.5)
- to loans and provisions for guarantees and commitments	(0.6)	(0.8)	(0.9)	(0.2)	(3.4)
- to financial fixed assets	(1.9)	-	-	-	-
Write-backs of loans and provisions for guarantees and commitments	5.5	0.3	-	0.3	1.4
Write-backs of financial fixed assets	-	-	-	-	0.2
Provisions for risks and charges	(0.8)	(6.0)	(13.6)	(9.5)	(8.4)
Income before extraordinary items	84.3	68.7	67.8	77.8	56.1
Net extraordinary income	(6.9)	(0.3)	3.7	(0.3)	(0.9)
Income before taxes and minority interests	77.4	68.4	71.5	77.5	55.2
Income taxes	(19.5)	(10.5)	(12.3)	(10.5)	(1.4)
Net income attributable to minority interests	0.4	0.2	0.3	0.1	0.5
Net income	58.3	58.1	59.5	67.1	54.3



OVERVIEW OF CONSOLIDATED OPERATING RESULTS

The global economy saw sustained growth in 2004 notwithstanding a modest slowdown in the second half of the year caused, in particular, by deceleration in Japan and the euro-zone, whereas economic activity in the USA and China remained fairly strong. In the USA, in particular, there was significant acceleration in consumer spending in the second half, notwithstanding the lack of a tax stimulus, the beginning of a restrictive phase in monetary policy from the end of June (the Federal Reserve raised Fed Fund rates by a total of 125 basis points) and a considerable increase in oil prices. This positive trend in domestic demand enabled the US economy to offset the effects of a deteriorating balance of trade to some extent, caused by the increasing gap between the growth of the US economy and those of its main trade partners, notwithstanding the continuing weakness of the dollar. In the euro-zone, following a strong start to the year due principally to the contribution of foreign trade, there was a sharper slowdown than expected during the third quarter, confirming weak consumption, particularly in Germany.

Growth was also sluggish in the last quarter of the year. This trend, combined with favourable inflation figures and a sharp rise in the euro against the dollar from mid-October, led the ECB to keep interest rates unchanged. Although growth in Italy was up on the previous year, it was still less than in the euro-zone as a whole. The most important contribution came from spending on consumer durables, while industrial production and foreign trade showed greater signs of stasis. Prices rose less than anticipated, with the gradual fall in inflation during the year closing the gap with respect to the euro-zone.

The stock market did not show any clear trend until the end of the summer, despite rising corporate profits, as the result of a series of “geopolitical” and especially macroeconomic risk factors, including fear of rising inflation in the USA, the slowdown in the Chinese economy and, above all, the significant rise in oil prices. Having touched lows for the year in August, share prices showed clear signs of recovery from late October. By the end of December, the S&P 500 index had risen to its highest since summer 2001. The performance of the Italian market was particularly noteworthy in this context, with the MIB index rising sharply from the lows of mid-August to achieve its highest levels since May 2002 at the end of the year. Bond rates were not affected by this solid growth and the beginning of a restrictive phase in monetary policy in the USA, with ten-year treasury bond rates in the USA being lower at the end of the year than they were at the end of June. European market conditions caused a clear downward trend in government security rates from mid-June, with year-end rates being close to their June 2003 historical lows.

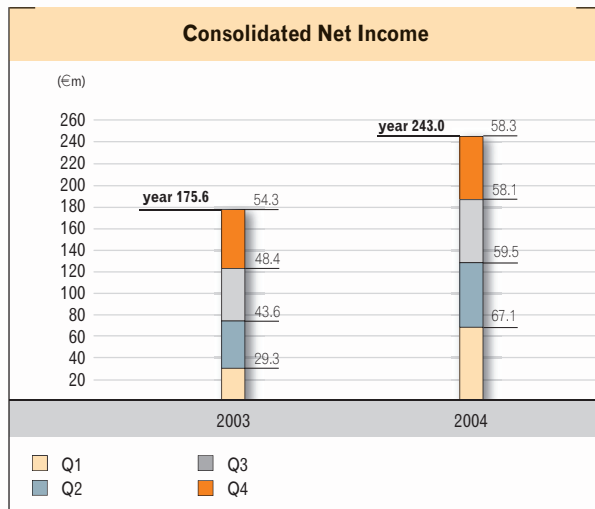
The Banca Fideuram Group achieved a strong financial result notwithstanding the continuing high volatility of the financial markets, thanks to our initiatives for increasing operating efficiency, the success of our marketing policies for further improving the product mix, the solid performance of assets under management and our constant attention to controlling operating costs.

Consolidated net income totalled €243m, up sharply (+38.4%) on the previous financial year (€175.6m).

The operating result net of the income of our Insurance Companies, which ceased to be included in the scope of consolidation from November 2004 following the spin-off of Fideuram Vita, highlighted the strong performance of our core business.¹

¹ A detailed analysis of the spin-off and its impact is presented in the section entitled “The spin-off of Banca Fideuram’s holding in Fideuram Vita S.p.A. to Sanpaolo IMI”.





Adjusted net income totalled €177m, an increase of 27.7% on the previous financial year (€138.6m).

Profit for the last quarter of 2004 confirmed this trend, totalling €58.3m, an increase of 7.4% on the corresponding period in the previous financial year (€54.3m) despite the presence of very substantial non-recurring negative economic factors.

Non-recurring expenses included, in particular, the write-off of the goodwill in the Fideuram Wargny Group, totalling €16.2m, following a reassessment of the future income prospects of the companies in the French group.

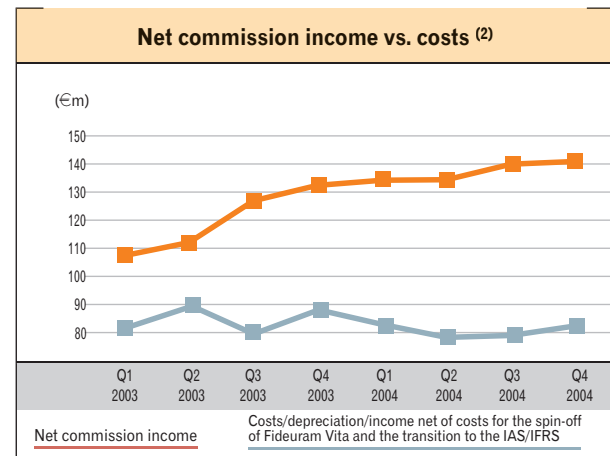
The level of profitability achieved in 2004 was in particular attributable to the positive trend for net commission income, which came to €550.9m, up 15.1% compared to the previous financial year (€478.6m), largely as a result of higher net recurring fees. This improvement in net recurring fees benefited from increased average assets under management and an even stronger product and asset mix, together with - albeit to a lesser extent - prices being adjusted in line with average market prices. It should, moreover, be noted that Banca Fideuram does not charge performance fees.

Net commission income

(€m)

Year	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Total 2004
2004	134.7	134.9	139.8	141.5	550.9
2003	107.4	111.7	127.1	132.4	478.6
Difference	27.3	23.2	12.7	9.1	72.3

Costs² fell from €338.3m in the 2003 financial year to €324.7m (-4%) in 2004, partly as a result of the restructuring of the Fideuram Wargny subsidiaries in France. The ratio of costs to net commission income was 58.9%, down sharply from 70.7% in the 2003 financial year.



R.O.E. was 24.3% in 2004, up significantly from 17.5% in 2003.

The 2004 and 2003 quarterly results are shown net both of the contribution of the Insurance Companies and of the impact of the main non-recurring factors in a special section of this Report³, to help provide a clearer understanding of the Banca Fideuram Group's income from its core business.

The operating data show that the Banca Fideuram Group's assets under management as at 31.12.2004 totalled €59.5bn, up 2.4% on the figure as at 31.12.2003 (€58.1bn) and up 2.1% on the figure as at 30.9.2004 (€58.3bn), principally as a result of positive asset performance.

² Administrative costs and operating depreciation net of non-recurring costs resulting from the spin-off of Fideuram Vita and the transition to the International Accounting Standards (IAS/IFRS).

³ See section entitled "Income from core business".





The graph below shows the trend for assets under management, broken down by sales network.

Managed savings accounted for 78% of assets under management as at 31.12.2004, an increase of 1% on the figure for the 2003 financial year (77%).

Net inflows into managed savings were positive to the tune of €0.4bn in 2004, albeit down on the figure of €3.6bn achieved in 2003. This compared favourably with the Italian mutual funds industry as a whole, which reported negative inflows totalling over €10bn in the same period (source: Assogestioni, the Italian Association of Fund Managers).

Net inflows into managed savings

(€m)	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Total 2004	Total 2003
Mutual funds and private banking	119	(301)	(231)	(61)	(474)	2,147
Life Insurance and Pensions funds	228	152	56	472	908	1,412
<i>including: Unit linked</i>	275	221	195	534	1,225	1,651
Total	347	(149)	(175)	411	434	3,559

As at 31.12.2004, there were 4,313 private bankers in the Fideuram and Sanpaolo Invest networks (4,543 as at 31.12.2003). In addition, the Fideuram Wargny network numbered 53 private bankers, all employees of the bank.

Total staff came to 1,824 employees at the end of December, compared to 1,995 as at 31.12.2003. The

reduction in total staff of 171 was mainly a result of the Insurance Companies no longer being included in the consolidated financial statements.

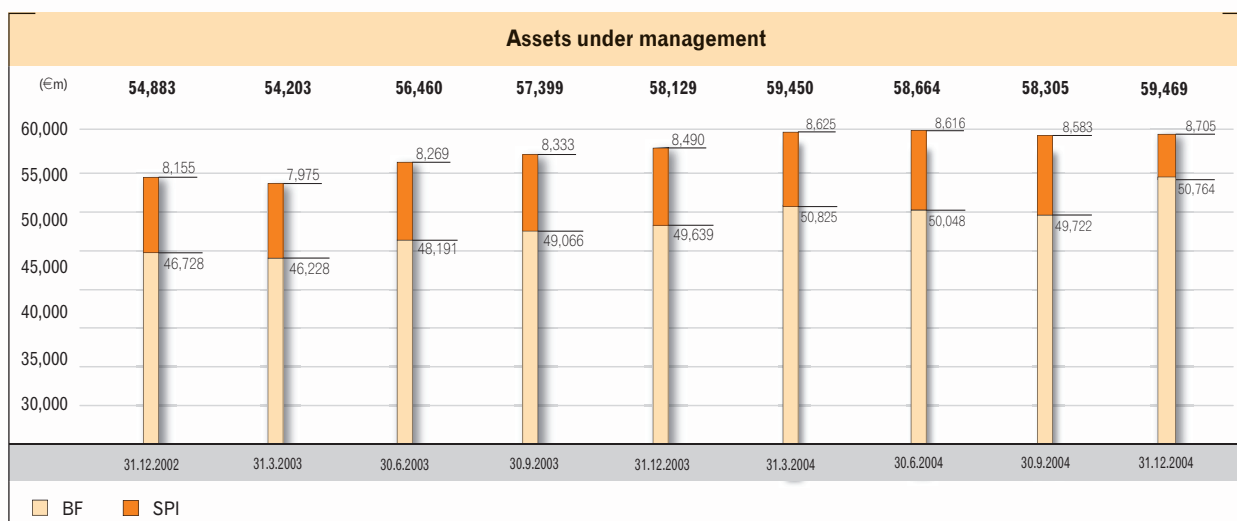
Bank branches and private bankers' offices totalled 89 and 263 respectively as at 31.12.2004, with Sanpaolo Invest SIM accounting for 167 of the latter.

The total number of customers was approximately 717,000, around 142,000 of whom were subscribed to our online services.

2005-2007 INDUSTRIAL PLAN

The Board of Directors of Banca Fideuram approved the 2005-2007 Industrial Plan on 23 February 2005.

The plan advances Banca Fideuram's mission as a specialist bank and leader in the provision of managed savings services, in particular to Affluent and High Net Worth customers⁴ strengthening its position further with a strategy for engineering a return to volume growth that is economically sustainable, while providing robust management of operational and reputational risks. The plan likewise builds on the bank's business model in which the vertical integration of production and distribution plays a crucial role in ensuring the effective management of savings and quality of customer service.



⁴ The Affluent segment regards customers who hold assets under management of less than €1m with Banca Fideuram, while the High Net Worth segment regards customers who hold assets under management of more than €1m with Banca Fideuram.

Reference scenario

The 2005-2007 Industrial Plan reflects expectations that our reference market will perform moderately well, considering current macroeconomic trends and their impact on the Italian asset gathering sector.

The main forecasting institutes envisage a gradual improvement in the macroeconomic scenario during the plan's three-year period, with Gross Domestic Product growth stabilising at around 2% per year, accompanied by a consequent rise in market interest rates.

The growth prospects of the Italian managed savings market are good within this scenario as a result of three main factors:

- The financial wealth of Italian families has continued to grow strongly and at higher rates than other major European markets, confirming that they continue to have a greater savings capacity although the difference is less than in the past.
- The Italian managed savings market still has unexpressed potential, notwithstanding the strong volume growth of recent years. The average investment profile of Italian savers appears to be less complex than those of other major European markets. The gradual movement towards more sophisticated forms of investment is expected to support average annual growth in managed savings of around 9%, higher than the 6-7% average annual growth anticipated for liquid assets and assets under management⁵;
- The financial markets are expected to show signs of moderate recovery by all the major investment banks, with an improvement in the European and US stock market indices.

These factors are the drivers of a trend towards a further "polarisation" of wealth, particularly in the Affluent and High Net Worth (HNW) segments.

Different growth rates are anticipated due to the greater saving and investment capacity of the wealthiest segments of the population, which are

more likely to opt for investments with a higher risk/return profile.

Lastly, the sector will be offered a further growth opportunity by the recent pensions reform, which will bring aggregated new flows of approximately €4bn onto the market in the next 5-6 years⁶, spread across all customer segments but with greater impact on the mass segment.

The 2005-2007 Industrial Plan sees Banca Fideuram poised to exploit the opportunities for growth on its reference market, while continuing to generate high value for its shareholders, maintain attentive risk control and further improve the quality of its service to all customers.

Business strategy

The core element in Banca Fideuram's new business strategy is its specialisation in relation to customers' different financial cultures and needs, implemented by creating two distinct, specialist service models for the two reference sub-segments concerned (HNW and Affluent).

In addition, the non-specialist service model we have adopted up to this point in time has enabled Banca Fideuram to attract a client base of almost 5,000 HNW customers, with over €12bn assets under management, a unique and indisputably valuable "asset" for positioning Banca Fideuram as the reference private bank in Italy, and exploiting the growth opportunities offered by the HNW segment. Banca Fideuram will harness this opportunity by implementing a service model that is innovative not only in being a specialist model compared to the Bank's "traditional" offering for Affluent customers, but also in providing a series of new and distinctive financial advisory services that set it apart from its main competitors.

In particular, Banca Fideuram will be introducing the following entirely new services for the HNW segment:

- A marketing approach and customer interaction

⁵ Anticipated 2003-2006 CAGR for direct inflows - Source: Prometeia, Forecast Report, December 2003
⁶ Compared to around €36bn wholesale annuities





model based on the application of innovative techniques and tools for measuring overall portfolio risk, and on a reporting system that allows all a customer's asset classes to be shown in a single statement. In addition, we will be introducing specialist Portfolio Managers to support our private bankers, who will remain our point of contact for customer relations. These Portfolio Managers will act as an "interface" between the Asset Management factory and all our HNW customers, enabling us to achieve an overall improvement in the consultancy we provide our customers.

- A dedicated line of products and services, differentiated to suit different customer assets under management and levels of propensity for innovative financial instruments.
- A dedicated operating area, created by setting up a specialist department.

The Affluent segment, historically the bank's core business, will benefit from the following interventions:

- A substantial advance in marketing approach, impacting on (i) our sales methodology and (ii) improving the customer management tools that allow us to identify investment objectives and portfolio risk/volatility preferences, as well as monitoring the latter over time, supported by (iii) a training programme to ensure every private banker is able to make effective use of our customer management tools.
- Advancing the range of products and services offered through interventions targeted at: (i) simplifying the range so that it can be more easily tailored to our customers' needs and more easily managed by our private bankers, (ii) reorientating it to the investment "protection" needs of our Affluent customers, and to the acquisition of incremental savings flows through the creation of new pension savings products, and (iii) expanding it with lines that are not available today.

All the above interventions for increasing the

specialisation of our range of products and services will inevitably require the strengthening of our Asset Management resources on two fronts:

- Our team, with the recruitment of qualified professional resources to increase our pool of competencies with a view to providing customers with a distinctive advisory service and to selecting and/or managing the new range.
- Our "operations machine", with IT investments dedicated to systems upgrades for enabling the implementation and management of third party funds and the opening of the architecture to securities and other asset classes.

Objectives of the Plan

In order to expand assets under management, Banca Fideuram will position itself as a repository of distinctive professional competencies in the asset gathering sector, a role that it has earned by virtue of the benefits of scale achieved, the excellence of its customer and private banker support and management processes, and its provision of scalable systems that support multi-network operations.

In order to perform this role Banca Fideuram will immediately recommence recruiting quality banking professionals and financial consultants with "significant" portfolios through the Banca Fideuram and Sanpaolo Invest Networks, each dedicated to and focused on its own natural terrain for attracting and developing professional talent and experience.

In particular, Banca Fideuram plans to recruit approximately 500-600 financial consultants in the three-year period, while Sanpaolo Invest will recruit around another 450.

These targets will be a challenge but are nevertheless realistic, since the consolidation of "subscale" networks generates instability and increases the mobility of private bankers. As a leader, Banca Fideuram is in the ideal position



to take advantage of this situation with a new recruitment programme.

This specialisation by customer segment and our return to recruiting significant numbers of private bankers will be accompanied by a further important line of action: refocusing our Private Banker bonuses on net inflow targets. In particular, the plan provides both for annual bonuses and a special bonus linked to achievement of the overall targets of the three-year plan. In addition, a stock option plan is also provided for as part of the three-year bonus system in order to correlate the network's objectives with those of our shareholders.

This bonus system, combined with our new product range and recruitment of around 1,000 private bankers, will form the engine driving the achievement of our challenging business objectives:

- Net inflows of €10bn in the three-year period.
- Average annual growth of Assets Under Management between 7.5% and 8.5%, including performance effect.

The aim of the plan is, as stated, to achieve these objectives under economically sustainable conditions. We have therefore, in addition, also formulated important economic and financial targets⁷, which set net income per share - assuming there are no significant changes in the reference scenario and market trends - at between €0.235 and €0.240 in 2007, with ROE rising and above 30% in every year of the Plan.

Risk management

Our growth relaunch strategy will be implemented providing robust management of operational and reputational risks.

Banca Fideuram will to this end strengthen its Risk Management systems in the widest sense of the term. In particular, the types and levels of risks that the bank is allowed to take within each company in working to achieve its mission shall

be defined and assessed, aligning them with the Group's parameters.

Having completed this diagnostic phase and determined acceptable "levels" for each risk identified, a dedicated department will be set up, staffed by resources with specialist skills and experience in managing operational and financial risks. At the same time, our corporate processes will be strengthened and upgraded in parallel with this to provide constant risk monitoring. Lastly, we shall draw up codes of conduct for preventing and mitigating the occurrence of risk situations.

⁷ Note that the spin-off of the Group's insurance companies (Fideuram Vita and Fideuram Assicurazioni) to Sanpaolo IMI became effective on 30 November 2004. The plan's targets should therefore be considered in relation to the 2004 pro-forma results.





THE SPIN-OFF OF BANCA FIDEURAM'S HOLDING IN FIDEURAM VITA S.P.A. TO SANPAOLO IMI

The Banca Fideuram Extraordinary Shareholders' Meeting of 29.6.2004 approved the spin-off of the bank's holding in Fideuram Vita, amounting to 99.8% of the share capital, to Sanpaolo IMI. The spin-off agreement was signed on 19 November 2004, with effect from 30 November 2004.

The transaction formed part of a wider project to reorganise the Sanpaolo IMI Group's insurance business that concluded with the start of operations of Assicurazioni Internazionali di Previdenza S.p.A. (A.I.P. for short) on 1 December 2004. A.I.P. - a fully-owned operating holding company of Sanpaolo IMI with its registered office in Turin - acquired Fideuram Vita amongst a number of other companies, consequently also acquiring direct control of Fideuram Assicurazioni.

Banca Fideuram's exit from insurance management will allow us to concentrate on our core business of financial consultancy, asset management, and private banking, with the following benefits:

- It will free us from the associated technical reserve requirements and the capital these absorb in order to sustain the growth of insurance business (including as a result of the introduction of the principles of the Basle Agreement 2), freeing resources that can be dedicated to further developing our financial activities.
- It will reduce Banca Fideuram's exposure to financial and demographic risks.
- It will contribute to the formation of an insurance division within the Sanpaolo IMI Group that is able to provide customers with a complete range of insurance products while simultaneously avoiding the need for Banca Fideuram to make the investments required to remain competitive in an increasingly complex market scenario (involving, for example, the integration of financial and

pension provisions, and the movement toward pure insurance risk etc.).

As a result of the spin-off, Banca Fideuram's share capital decreased from €254,875,546.64 to €186,255,207.16 through the withdrawal of 980,290,564 ordinary shares with a par value €0.26, and their replacement by 980,290,564 ordinary shares with a par value of €0.19, and the allocation of ordinary shares in Sanpaolo IMI to all Banca Fideuram shareholders other than Sanpaolo IMI.

Banca Fideuram called on the services of Citigroup as an expert external consultant in determining the share allocation ratio.

The process for calculating the allocation ratio was based on a valuation of the financial capital of Fideuram Vita, taking the acquisition of the holding in Fideuram Assicurazioni S.p.A. into account.

The main financial aspects of the spin-off transaction were as follows:

- The value attributed to the holding in Fideuram Vita was €678.6 m.
- The value of each Sanpaolo IMI share, for the purposes of calculating the share swap ratio, was €9.27, which corresponded to the average official stock exchange price in the month prior to 17.5.2004, net of dividend.
- the allocation to Banca Fideuram shareholders other than Sanpaolo IMI of shares in the latter was in the ratio of 0.0747 Sanpaolo IMI shares for each Banca Fideuram share held.

The accounting effects of the spin-off in the company financial statements of Banca Fideuram were as follows:

- A €225.1m reduction in the value of equity investments, corresponding to the book value of Fideuram Vita.
- A reduction of the legal reserve from €50.9m to €37.2m.





- A reduction of the revaluation reserves from €12.3m to €8.8m.
- A reduction of the extraordinary reserve from €172m to €85.4m.
- The reversal of the share premium reserve of €52.7m.
- The establishment of a reserve for Sanpaolo IMI shares of €11.9m for the 1,120,276 shares in parent company Sanpaolo IMI held by the bank.

The equity investment in Fideuram Vita was no longer included in Banca Fideuram's consolidated financial statements from 30 November 2004, the date when the spin-off took legal effect.

The transaction resulted in a further reduction in the consolidated reserves totalling €191.2m, in addition to the effects described above regarding the Bank's own shareholders' equity. The consolidated statement of income as at 31 December 2004 included the income from insurance business up to the date when the transaction took legal effect, totalling €66m.

The aforesaid company transactions connected with the establishment of the Insurance Division were accompanied by an agreement setting out the new business relations regarding the insurance products previously distributed by the Banca Fideuram network.

This saw Sanpaolo IMI and Banca Fideuram enter into an agreement under which said A.I.P. S.p.A. and its subsidiary Fideuram Assicurazioni, on the one hand, and Banca Fideuram and its subsidiaries with distribution networks, on the other, amongst other things entered into the following agreements:

- An agreement to distribute the life insurance products marketed by A.I.P.
- An agreement to distribute the accident insurance products marketed by Fideuram Assicurazioni.
- A consultancy agreement and a management agreement with Fideuram Investimenti SGR S.p.A. regarding the investment of the assets in internal unit-linked funds.

The above distribution agreements were entered into under arm's length conditions for a period of 6 years, renewable for a further 3 years unless cancelled.

The pro-forma statement of income and balance sheet for the 2004 and 2003 financial years are shown below, prepared as is customary, assuming that the holdings in Fideuram Vita and Fideuram Assicurazioni were no longer included in the scope of consolidation from 1 January 2003.

Pro-forma income for the 2004 financial year was €177m, compared to €138.6m in 2003. Pro-forma shareholders' equity as at 31.12.2004 was €633.2m (€568.7m as at 31.12.2003). Pro-forma R.O.E. was therefore 29.5%.



Pro-forma consolidated Balance Sheet

(Reclassified - €m)

	31.12.2004 pro-forma	31.12.2003 pro-forma	change amount	%
ASSETS				
Cash and deposits with central banks	24.6	23.1	1.5	+6
Loans	3,872.4	3,536.1	336.3	+9
Dealing securities	980.6	1,081.8	(101.2)	-9
Fixed assets:	218.3	230.6	(12.3)	-5
<i>including: equity investments</i>	0.2	0.2	-	-
Goodwill arising on consolidation and application of the equity method	-	16.2	(16.2)	-100
Other assets	588.2	623.2	(35.0)	-6
Total assets	5,684.1	5,511.0	173.1	+3
LIABILITIES AND SHAREHOLDERS' EQUITY				
Payables	4,102.0	3,854.7	247.3	+6
Provisions	253.0	270.6	(17.6)	-6
Other liabilities	494.5	615.1	(120.6)	-20
Subordinated liabilities	200.5	200.5	-	-
Minority interests	0.9	1.4	(0.5)	-36
Shareholders' equity:	633.2	568.7	64.5	+11
<i>including: net income</i>	177.0	138.6	38.4	+28
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5,684.1	5,511.0	173.1	+3



Pro-forma consolidated Statement of Income

(Reclassified - €m)

	2004 pro-forma	2003 pro-forma	change amount	%
Interest income and similar revenues	103.4	129.0	(25.6)	-20
Interest expense and similar charges	(60.0)	(78.4)	18.4	-23
Net dealing profits	16.1	26.2	(10.1)	-38
Financial margin	59.5	76.8	(17.3)	-22
Net commission income	550.9	478.6	72.3	+15
Income from investments carried at equity	-	-	-	-
Total net interest and net revenues	610.4	555.4	55.0	+10
Administrative costs:	(320.4)	(321.6)	1.2	-
- payroll costs	(143.4)	(147.3)	3.9	-3
- other administrative costs	(156.0)	(151.2)	(4.8)	+3
- indirect taxes	(21.0)	(23.1)	2.1	-9
Other operating income, net	25.0	25.9	(0.9)	-3
Operating amortisation and depreciation	(38.0)	(42.6)	4.6	-11
Operating income	277.0	217.1	59.9	+28
Adjustments:	(20.6)	(10.7)	(9.9)	+92
- on goodwill	(16.2)	(6.4)	(9.8)	+153
- to loans and provisions for guarantees and commitments	(2.5)	(4.3)	1.8	-42
- to financial fixed assets	(1.9)	-	(1.9)	n.s.
Write-backs of loans and provisions for guarantees and commitments	6.1	2.3	3.8	+165
Write-backs of financial fixed assets	-	0.3	(0.3)	-100
Provisions for risks and charges	(29.9)	(28.6)	(1.3)	+4
Income before extraordinary items	232.6	180.4	52.2	+29
Net extraordinary income	(3.8)	(7.0)	3.2	-46
Income before taxes and minority interests	228.8	173.4	55.4	+32
Income taxes	(52.8)	(36.0)	(16.8)	+47
Net income attributable to minority interests	1.0	1.2	(0.2)	-17
Net income	177.0	138.6	38.4	+28

n.s.: not significant



OPERATING RESULTS

ASSETS AND INFLOWS

Assets under management

(€m)

	31.12.2004	31.12.2003	change amount	%
Mutual funds	16,827	17,315	(488)	-2.8
Private banking	15,956	14,918	1,038	7.0
Life Insurance:	13,414	12,244	1,170	9.6
<i>including: Unit linked</i>	8,702	6,717	1,985	29.6
Pension funds	125	96	29	30.2
Total managed savings	46,322	44,573	1,749	3.9
Total non-discretionary savings	13,147	13,556	(409)	-3.0
<i>including: securities</i>	10,901	11,348	(447)	-3.9
Total AUM	59,469	58,129	1,340	2.3

Assets under management totalled €59.5bn as at 31.12.2004, up on the figure as at 31.12.2003 (€58.1bn).

Managed savings increased to €46.3bn (€44.6bn as at 31.12.2003), accounting for 78% of total assets under management (+1% on the previous financial year).

Shares increased as a component of managed savings with recurring fees (mutual funds, private

banking and unit-linked funds), rising from an average of 33% in 2003 to 36% in 2004.

Net inflows into managed savings totalled €0.4bn. Private banking, life insurance and pension funds contributed positive inflows of €1.5bn to this total, partially offset by €1.1bn outflows from mutual funds.

Net inflows into non-discretionary savings, mainly securities and current accounts, were negative to the tune of €1.2bn, compared to negative inflows of €2.4bn in 2003.

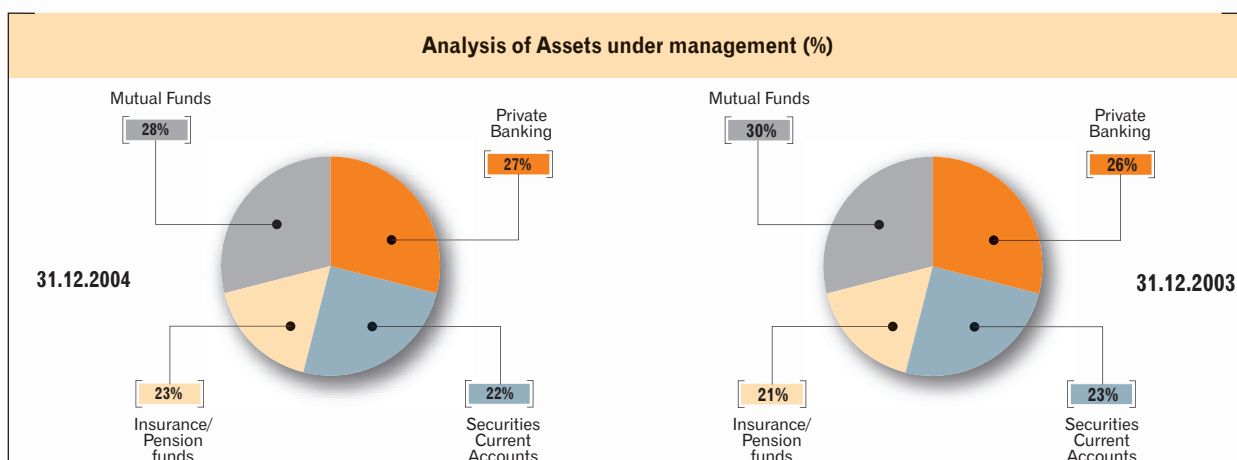
Total net inflows for the year were therefore negative to the tune of €0.8bn.

Net inflows

(€m)

	31.12.2004	31.12.2003	change amount	%
Mutual funds	(1,102)	1,504	(2,606)	n.s.
Private banking	628	643	(15)	-2.3
Life insurance	885	1,389	(504)	-36.3
<i>including: Unit linked</i>	1,225	1,651	(426)	-25.8
Pension funds	23	23	-	-
Total managed savings	434	3,559	(3,125)	-87.8
Total non-discretionary savings	(1,232)	(2,356)	1,124	-47.7
<i>including: securities</i>	(1,382)	(2,203)	821	-37.3
Total net inflows	(798)	1,203	(2,001)	n.s.

n.s.: not significant



EMBEDDED VALUE AND EMBEDDED VALUE EARNINGS

In order to provide a more complete analysis of the factors underlying the generation of value, this report provides an estimate of the embedded value of the Banca Fideuram Group and an analysis of the value added during 2004.

An embedded value is an actuarially determined estimate of the value of a company, excluding any value attributable to future new business.

Embedded value earnings, defined as the change in the embedded value over a period, after adjustment for any capital movements such as dividends and capital injections, provide a measure of the company's performance during the period in terms of its ability to generate value.

The embedded value as at 31 December 2004 and the value added during 2004 have been determined by the firm of management consultants and actuaries Tillinghast, using data and information provided by Banca Fideuram and its subsidiary companies.

The valuations make use of actuarial methodology typically used in embedded value reporting, based on deterministic projections of future after tax profits, with an allowance for risk through the use of a single risk discount rate and an explicit assumption for the level and cost of holding capital. The allowance for risk may not correspond to a capital markets valuation of such risk.

The calculation of embedded values requires the use of numerous assumptions with respect to future business, operating, and economic conditions, and other factors, many of which are beyond the control of the Banca Fideuram Group. Although the assumptions used represent estimates which Banca Fideuram and Tillinghast consider to be reasonable, actual future operating conditions and actual future experience may vary from that

assumed in the calculation of the embedded values, and such variations may be material. Consequently, the inclusion of embedded value information herein should not be regarded as a representation by Banca Fideuram, Tillinghast, or any other person, that the stream of future after tax profits used to determine the embedded values will be achieved.

Embedded value

The embedded value of a company comprises the sum of adjusted shareholders' net assets and the value of business in force at the valuation date. The value of in-force business has been calculated on a consolidated basis in respect of the Group's life insurance, mutual fund and discretionary account businesses, with the exclusion of the Wargny Group.

Adjusted shareholders' net assets are defined as published net assets adjusted to reflect the market value of the underlying assets. For the purposes of this valuation, goodwill relating to subsidiary companies, has been eliminated.

The value of in-force asset management business is defined as the present value of the projected stream of future after-tax profits expected to be generated by the mutual fund contracts and discretionary account mandates in force at the valuation date.

The value of in-force life insurance business is similarly defined as the present value of the projected stream of future after-tax profits that are expected to be generated in the Banca Fideuram Group by the life policies in force at the valuation date.

The stream of future after-tax profits is determined using realistic assumptions for future operating conditions as regards such items as investment returns, inflation, expenses, taxation, lapse, disinvestment, surrender and mortality rates.

The discount rates used to calculate the present



values are determined with reference to the prevailing levels of interest rates, and include a loading to reflect the risk that the assumptions chosen to project the future profits may not be borne out in practice.

Embedded value as at 31 December 2004: Banca Fideuram Group

The following table shows the embedded value as at 31 December 2004, indicating separately the value of in-force business associated with the Banca Fideuram (BF) and the Sanpaolo Invest (SPI) networks. For comparative purposes, equivalent values are shown as at 30 June 2004 and 31 December 2003.

To reflect the spin-off of Fideuram Vita during 2004, values as at 30 June 2004 and 31 December 2003 have been restated on a pro-forma basis, excluding the amount of adjusted net assets and in-force life business associated with Fideuram Vita.

Embedded Value: Banca Fideuram Group

(€m)

	31.12.2004			30.06.2004	31.12.2003
	BF Network	SPI Network	Group Total	Group ² Total	Group ³ Total
Consolidated net assets ¹			633	516	572
Adjustments to consolidated net assets ²			(41)	(53)	(38)
Adjusted net assets			592	463	534
Value of in-force life insurance business	554	78	632	572	482
Value of in-force mutual fund business	494	27	521	528	524
Value of in-force private banking business	657	86	743	746	665
Value of in-force business	1,705	191	1,896	1,846	1,671
Embedded value			2,488	2,309	2,205

1 After minority interests.

2 After elimination of goodwill.

3 Pro-forma, excluding Fideuram Vita.

The total consolidated net assets are equal to those reported in the consolidated balance sheet net of minority interests. The adjustments to net assets relate primarily to (i) the after-tax effects of marking shareholders' assets to market, including a surveyor's valuation of properties, (ii) the elimination of intangible assets, including goodwill, (iii) the impact of deferred acquisition costs, and (iv) certain minor after-tax adjustments on asset valuations to

maintain consistency with the valuation of in-force business.

The values of the in-force life insurance and asset management businesses are calculated on a consolidated line of business basis, after minority interests, using assumptions considered appropriate at the valuation date. The risk discount rate used is 6.60% for the valuation as at 31 December 2004 (7.25% as at 30 June 2004 and 31 December 2003).

The risk discount rate appropriate to an individual shareholder or investor depends upon the investor's own requirements, tax position and perception of the risks associated with the realisation of future profits. To judge the impact of using alternative discount rates, the following table shows the sensitivity of the embedded value as at 31 December 2004 to the use of discount rates respectively 0.5% lower and higher than the central rate.

Embedded value as at 31 December 2003: Banca Fideuram Group

(€m)

Discount rate	6.10%	6.60%	7.10%
Consolidated net assets ¹	633	633	633
Adjustments to consolidated net assets ²	(42)	(41)	(40)
Adjusted net assets	591	592	593
Value of in-force life insurance business	647	632	617
Value of in-force mutual fund business	533	521	509
Value of in-force private banking business	760	743	727
Value of in-force business	1,940	1,896	1,853
Embedded value	2,531	2,488	2,446

1 After minority interests.

2 After elimination of goodwill.

Embedded value earnings

The following table shows the embedded value earnings in 2004 of the Banca Fideuram Group. For comparison, the table also shows the derivation of the embedded value earnings for the first half of 2004 and for the full year 2003, which have been restated on a pro-forma basis excluding Fideuram Vita.

Embedded value earnings are equal to the sum of the change in the embedded value, dividends distributed in the period net of other capital movements, which

are related to movements in the exchange rate used to convert the net asset of the subsidiary Fideuram Bank Suisse to Euro, to the value of Sanpaolo IMI shares received in exchange for Banca Fideuram own shares relating to the spin-off of Fideuram Vita, and to the exclusion of capital movements to and from Fideuram Vita prior to the spin-off.

Embedded value earnings - Banca Fideuram Group

(€m)

	Year 2004	1 st half 2004	Year 2003 ¹
Change in embedded value in period	283	104	175
Dividends distributed in period	154	154	151
Other capital movements	(21)	(9)	33
Embedded value earnings	416	249	359

1 Pro-forma excluding Fideuram Vita.

The embedded value earnings for 2004 can be divided into three major components:

- Value added before new sales and the commercial initiatives of migration and transformation, comprising (i) expected return, based on the assumptions underlying the opening embedded value; (ii) experience variances, resulting from differences between actual experience and the assumptions used at the start of the year, before the impact of new sales, migration and transformation in the year; (iii) changes in assumptions for future operating experience, excluding economic and tax assumptions; (iv) changes in assumptions for future economic conditions, including investment returns, tax rates and the risk discount rate.

- The value added arising from the commercial initiatives of migration and transformation during the period, determined initially at the point of sale, on end-period assumptions and then accumulated at the risk discount rate to the end of the period, and which allows for all related costs including incentive payments to Private Banker. This comprises:

a) for the BF Network, the migration of

approximately €490 million from mutual funds and discretionary accounts to unit-linked policies, with the consequent issue of new policies for €16 million of annualized recurring premiums and €474 million of single premiums; for the SPI Network, the migration of approximately €108 million of mutual fund and discretionary account assets to single premium unit-linked policies;

- b) the transformation of €336 million of traditional reserves to unit-linked policies, with a concurrent extension of the policy duration, as well as the issue of €45 million of annualised recurrent premium unit-linked policies substituting €33 million of traditional annual premium policies;
- c) for the SPI Network, the migration of approximately €790 million from third party mutual funds and discretionary accounts to proprietary mutual funds and discretionary accounts.

- The value added by new sales in the period determined initially at the point of sale on end-period assumptions, and then accumulated at the risk discount rate to the end of the period. Full allowance is made for all costs associated with the acquisition of new business, including provisions for incentive payments to Private Bankers. For the purpose of this disclosure, new sales comprise:

a) new life insurance business: for the BF Network, new policies issued for €16 million of traditional products, €51 million of annualised recurrent unit-linked premiums and €513 million of unit-linked single premiums; for the SPI Network €18 million of annualised recurrent unit-linked premiums and €188 million of unit-linked single premiums;

b) new asset management business, defined as the sum of net inflows for all clients with positive net managed asset inflows, amounting to €2,669 million of mutual funds and €1,143 million of discretionary account business (including offshore) for the BF Network, and €322 million of mutual funds (of which



€185 million of proprietary funds) and €544 million of discretionary account business (of which €450 million of proprietary discretionary accounts) for the SPI Network.

The following table shows the components of embedded value earnings for 2004, subdivided between the BF and SPI Networks, with equivalent restated values for the first half of 2004 and the full year 2003, at the consolidated level, shown for comparison.

Components of embedded value earnings

(€m)

	Year 2004			1 st half 2004	Year 2003
	BF Network	SPI Network	Group Total	Group Total	Group Total
Expected return			115	57	94
Experience variances			1	17	(147)
Changes in operating assumptions			(2)	-	-
Changes in economic and fiscal assumptions			(8)	(1)	10
Total before new sales and migration/transformation (A)			106	73	(43)
Asset management migrated	(20)	(1)	(21)	(11)	(24)
New life policies from migration	41	8	49	26	50
Total value added by migration (B)	21	7	28	15	26
Total value added by transformation (C)	46		46	31	72
Total value added by migration of third party assets to proprietary funds and discretionary accounts (D)		24	24	14	20
Life insurance	50	20	70	33	93
Mutual funds	75	2	77	46	124
Discretionary accounts	51	14	65	37	67
Total value added by new sales (E)	176	36	212	116	284
Total value added by commercial initiatives in the period (F) = (B) + (C) + (D) + (E)	243	67	310	176	402
Embedded value earnings (G) = (A) + (F)			416	249	359

The principal features of embedded value earnings for 2004 are described below.

Expected profits, based on the start-year assumptions amounted to €115 million, after allowing for the actual after-tax results of the Wargny group in the year.

Variances from the assumptions used at the start

of the year increased earnings in the period by €1 million in aggregate, which arise from numerous sources. The main positive variance, which contributed €42 million to earnings in the period, is associated with the increase in equity content of the assets under management, confirming the positive trend of the first half-year and showing a significant recovery from the negative effects of recent years. On the other hand, the increase in the payout to the network, in particular for certain categories of Private Bankers of the BF Network on asset management business, had an impact for €17 million. Negative impacts on embedded value earnings of €11 million relate to minimum commission advances to Private Bankers, and €6 million to extraordinary costs associated with the spin-off of Fideuram Vita and the transition to IAS/IFRS. The remaining effects comprise a series of minor elements, both positive and negative.

Changes in assumptions gave rise in aggregate to a reduction in value of €10 million, mostly due to the reduction in investment returns, partially offset by the reduction in the discount rate.

Commercial initiatives generated €310 million of value in aggregate, of which €243 million was generated by the BF Network, and €67 million by the SPI Network. In particular, the results achieved derive from the following activities.

The impact of migration during the period was to generate €28 million, which is the result of the value of new unit-linked life policies added of €49 million, which allows for all costs, including incentive payments, associated with the operation, net of the reduction of €21 million in the value of the asset management business migrated.

The transformations of traditional policies to unit-linked during the period, net of all associated costs, generated €46 million.



For the SPI Network, the increased weight of proprietary funds underlying the assets under management generated earnings of approximately € 24 million, net of associated costs.

New sales in 2004 added € 212 million to embedded value earnings, of which € 70 million related to life business, € 77 million to mutual fund business and € 65 to discretionary account business.

The table below shows the sensitivity of the aggregate value added by new sales of the Banca Fideuram Group to the use of a range of discount rates.

Value added by new sales in the year 2004

(€m)

Discount rate	6.10%	6.60%	7.10%
Life insurance business	72	70	67
Mutual fund business	79	77	75
Discretionary account business	67	65	64
Value added by new sales	218	212	206

Assumptions

Embedded value accounting, in common with any valuation method based on projections of future earnings, necessarily involves a degree of subjectivity when establishing the assumptions to be used. Banca Fideuram, with the assistance of Tillinghast, has sought to employ appropriate assumptions, in a consistent fashion, for all its lines of business. Following common practice in traditional embedded value reporting, assumptions have been set in a deterministic fashion which does not therefore reflect the consequences of the natural volatility of certain experience assumptions, particularly those for investment returns.

The principal assumptions and bases used as at 31 December 2004 are given below:

- A risk discount rate of 6.60% (7.25% as at 30 June 2004 and 31 December 2003) was used for all lines of business.
- The gross market rate of investment return on benchmark Italian 10-year government bonds was taken to be 3.85% (4.5% as at 30 June 2004 and 31 December 2003), and total return on equities was taken to be 6.35% (7.0% as at 30 June 2004 and 31 December 2003). Liquidity was assumed to earn 2.0% (2.0% as at 30 June 2004 and 2.25% as at 31 December 2003). Equivalent benchmarks were used for other assets.
- The rate of return on assets backing life technical reserves was determined based on the actual asset duration and mix, allowing for investment policies currently in place, using the benchmarks shown above. In particular, projected market rates of return on unit-linked life insurance, before management charges, vary by fund according to the asset composition at the valuation date, and are on average 4.35% (4.95% as at 30 June 2004 and 31 December 2003) for guaranteed funds, 4.25% (4.8% as at 30 June 2004 and 4.85% as at 31 December 2003) on asset allocation funds.
- The market rates of return on mutual funds and private banking business vary by product. The product-level asset allocation was set by reference to the average in the 12 months prior to the valuation date of the composition of each comparto underlying each mutual fund or private banking product. On this basis, the average projected returns, before charges, on BF Network mutual funds and discretionary accounts were 4.55% (5.0% as at 30 June 2004 and 31 December 2003) and 4.6% on Sanpaolo Invest asset management business (5.1% as at 30 June 2004 and 5.2% as at 31 December 2003).
- Projected profits in Italy have been subjected to a tax charge (allowing for the aggregate impact of Ires and Irap) at an average rate of 38.25%. Profits projected to arise in foreign subsidiaries have been taxed at normal local rates, allowing for the impact of taxation on profits remitted to Italy.



- For Irish domiciled companies, the aggregate tax charge (local taxation plus tax on dividends to be received) is 13.9%.
- Future experience for mortality, annuity take-up rates, lapse, surrender, and other exits, including rates of total and partial withdrawals on unit-linked and asset management business has been based on recent analysis of the operating experience of the Banca Fideuram Group, including SPI, supplemented by market knowledge where necessary.
 - General and administrative expenses associated with the life insurance and asset management business, at the consolidated level, have been subdivided by line of business, and fully allocated into investment, acquisition and maintenance expenses. Projected future maintenance expenses make allowance for inflation at 2.5% per annum.
 - Commissions and other payments to Private Bankers in respect of life and asset management business have been based on the recent operating experience of the Banca Fideuram Group, including SPI, on a consolidated line of business basis. Allowance has been made in the value added by new business and by migration and transformation for the cost of expected incentive payments.
 - Life business contract charges, terms and conditions, including surrender value bases, policyholder profit participation, management fees, and other charges, have been assumed to remain unaltered at the levels prevailing at the valuation date.
 - Commissions and other charges on asset management business have been projected assuming that the prevailing rates at the valuation date are maintained. Average asset management fees have been determined in a fashion consistent with the asset allocation used in setting the investment returns.
- All infragroup arrangements in force on 31 December 2004 are assumed to remain unchanged.

FINANCIAL RESULTS

SCOPE OF CONSOLIDATION

During 2004 Fideuram Vita and Fideuram Assicurazioni ceased to be included in the consolidation following the implementation of the project to reorganise the insurance business of our parent company Sanpaolo IMI.

In the first phase of this project, our holding in Fideuram Assicurazioni was sold to subsidiary Fideuram Vita for €20.2m, paving the way for the spin-off of our insurance division to Sanpaolo IMI. In the second phase of the project, Fideuram Vita was spun off to Sanpaolo IMI with legal effect from 30 November 2004.

Holdings consolidated on a line-by-line basis as at 31.12.2004

Name	Reg. Office	Ownership		
		% direct	% indirect	% total
Banca Fideuram	Rome	-	-	-
Sanpaolo Invest SIM	Rome	100.00	-	100.00
Banque Privée Fideuram Wargny	Paris	-	94.90	94.90
Fideuram Asset Management	Dublin	100.00	-	100.00
Fideuram Bank (Luxembourg)	Luxembourg	99.99	-	99.99
Fideuram Bank (Suisse)	Zurich	-	99.94	99.94
Fideuram Fiduciaria	Rome	100.00	-	100.00
Fideuram Investimenti Sgr	Rome	99.50	-	99.50
Fideuram Gestions	Luxembourg	99.94	-	99.94
Fideuram Wargny Active Broker	Paris	-	94.90	94.90
Fideuram Wargny Gestion	Paris	-	94.86	94.86
Financière Fideuram	Paris	95.00	-	95.00
Sogesmar	Paris	-	94.63	94.63
Fideuram Wargny Gestion Sam	Munich	-	94.86	94.86
Sanpaolo Invest (Ireland)	Dublin	100.00	-	100.00
W.D.W.	Paris	-	94.78	94.78

ANALYSIS OF THE STATEMENT OF INCOME

Consolidated net earnings for 2004 were €243m, up 38.4% on the €175.6m achieved in 2003.

The main statement of income items for the 2004 financial year are analysed below and compared with those for the previous year.

Financial margin (€m)

	Q1	Q2	Q3	Q4	Total
Mark to Market of Banca Fideuram and Sanpaolo IMI shares	(4.1)	2.1	(13.7)	13.2	(2.5)
Income from Fideuram Wargny securities trading	2.3	3.1	1.7	2.0	9.1
Other	14.1	12.3	12.6	13.9	52.9
2004	12.3	17.5	0.6	29.1	59.5
Mark to Market of Banca Fideuram shares	(10.8)	15.5	3.6	(4.4)	3.9
Income from Fideuram Wargny securities trading	3.9	4.6	1.9	1.7	12.1
Other	17.3	15.8	12.5	15.2	60.8
2003	10.4	35.9	18.0	12.5	76.8
Difference	1.9	(18.4)	(17.4)	16.6	(17.3)

The **financial margin** was €59.5m, down 22.5% on the previous financial year. This was due to the following phenomena:

- The valuation of own shares and Sanpaolo IMI shares held, with losses of €2.5m in 2004 compared to gains of €3.9m in 2003.
- A €3m decrease in Fideuram Wargny's income from bond trading for institutional customers. This activity generated net revenues of €9.1m in 2004 compared to €12.1m in 2003.
- A reduction in free capital (principally due to investments linked to the Network loyalty schemes) and a fall in interest rates, which had a negative impact on investments with a duration of between six and twelve months.

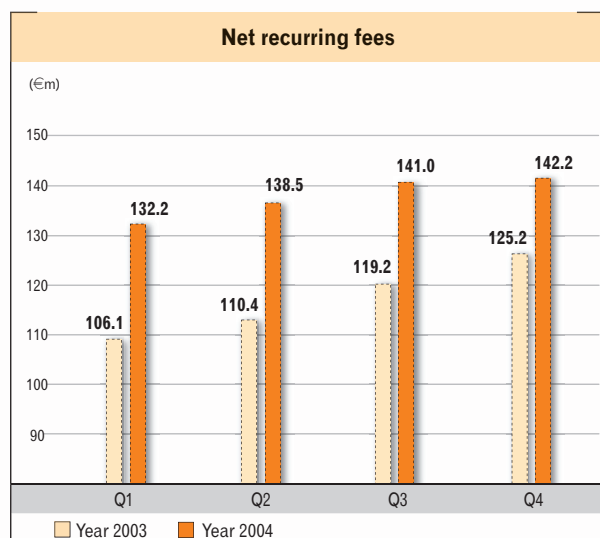
Net commission income was €550.9m, up €72.3m (+15,1%) on the previous year.

Commission income is considered in greater detail below.

**Net recurring fees (€m)**

Year	Q1	Q2	Q3	Q4	Total
2004	132.2	138.5	141.0	142.2	553.9
2003	106.1	110.4	119.2	125.2	460.9
Difference	26.1	28.1	21.8	17.0	93.0

Net recurring fees totalled €553.9m, an increase of €93m (+20.2%) on 2003. This increase was due to substantial growth in average assets under management with recurring fees, which rose from €36bn to €40.3bn (+11.9%), to the higher proportion of shares within them (which rose from 33% to 36%), as well as to an even stronger product mix and prices being adjusted in line with market averages.

**Net front-end fees (€m)**

Year	Q1	Q2	Q3	Q4	Total
2004	21.0	16.0	13.4	17.5	67.9
2003	18.3	19.1	20.7	29.7	87.8
Difference	2.7	(3.1)	(7.3)	(12.2)	(19.9)

Net front-end fees totalled €67.9m, down €19.9m on the previous financial year, largely due to lower inflows into insurance products and a fall in securities dealing. There was however an improvement in the fourth quarter (+€ 4.1m), helped by placement fees related to public offerings.

Net incentive commissions and other commissions (€m)

Year	Q1	Q2	Q3	Q4	Total
2004	(18.5)	(19.6)	(14.6)	(18.2)	(70.9)
2003	(17.0)	(17.8)	(12.8)	(22.5)	(70.1)
Difference	(1.5)	(1.8)	(1.8)	4.3	(0.8)

Net commission and other commissions were a negative balance of €70.9m, substantially in line with the previous year. These incentives also included the expenses of the loyalty scheme for the networks totalling €16.9m.

Income from investments carried at equity (€m)

Year	Q1	Q2	Q3	Q4	Total
2004	24.3	16.0	14.8	10.9	66.0
2003	5.7	12.7	7.9	10.7	37.0
Difference	18.6	3.3	6.9	0.2	29.0

Income from investments carried at equity totalled €66m, up €29m (+78.4%) on the previous financial year, notwithstanding the fact that the insurance companies' results were only included in the consolidated statement of income for 11 months due to the spin-off completed on 30 November 2004. This was principally a result of the financial performance of the companies concerned, which benefited from gains on the sale of shares and fixed-income securities.

Administrative costs (€ m)

Year	Q1	Q2	Q3	Q4	Total
2004	81.0	82.9	74.7	81.8	320.4
<i>including: non-recurring expenses</i>	-	6.6	-	2.7	8.7
2003	79.8	84.7	76.9	80.2	321.6
Difference	1.2	(1.8)	(2.2)	1.6	(1.2)

Administrative costs remained practically unchanged notwithstanding the significant impact of non-recurring expenses.

Payroll costs accounted for €143.4m of the total, down €3.9m from €147.3m. This decrease was due to a fall in staff numbers (-47) and lower bonuses for Fideuram Wargny personnel as a result of decreased revenues from securities dealing.

Other administrative costs and indirect taxes totalled €177m, an increase of 1.5% on 2003, largely as a result of the consultancy costs incurred by Banca Fideuram

regarding the Fideuram Vita spin-off and the costs of the transition to the IAS/IFRS (principally for software upgrades), which were recorded in full in the accounts for the financial year. Net of these non-recurring costs (€8.7m), the total for these items was down €6m.

Other net revenues (€m)

Year	Q1	Q2	Q3	Q4	Total
2004	6.1	6.5	5.0	7.4	25.0
2003	7.5	5.8	7.1	5.5	25.9
Difference	(1.4)	0.7	(2.1)	1.9	(0.9)

Other net revenues, principally comprising amounts recharged to customers for indirect taxes, came to €25m, which was substantially in line with the figure for 2003.

Operating amortisation and depreciation (€m)

Year	Q1	Q2	Q3	Q4	Total
2004	8.6	9.1	9.8	10.5	38.0
2003	9.0	10.2	10.3	13.1	42.6
Difference	(0.4)	(1.1)	(0.5)	(2.6)	(4.6)

Operating amortisation and depreciation totalled €38m, down 10.8% on 2003, and largely concerned write-downs of software.

Adjustments, write-backs and provisions (€m)

	Q1	Q2	Q3	Q4	Total
Adjustments to goodwill and goodwill arising on consolidation	(0.6)	(0.6)	(0.5)	(14.5)	(16.2)
Adjustments to loans and provisions for guarantees and commitments	(0.2)	(0.9)	(0.8)	(0.6)	(2.5)
Adjustments to financial fixed assets	-	-	-	(1.9)	(1.9)
Write-backs of loans and provisions for guarantees and commitments	0.3	-	0.3	5.5	6.1
Write-backs of financial fixed assets	-	-	-	-	-
Provisions for risks and charges	(9.5)	(13.6)	(6.0)	(0.8)	(29.9)
2004	(10.0)	(15.1)	(7.0)	(12.3)	(44.4)
Adjustments to goodwill and goodwill arising on consolidation	(1.6)	(1.7)	(1.6)	(1.5)	(6.4)
Adjustments to loans and provisions for guarantees and commitments	(0.2)	(0.7)	-	(3.4)	(4.3)
Adjustments to financial fixed assets	-	-	-	-	-
Write-backs of loans and provisions for guarantees and commitments	0.1	0.6	0.2	1.4	2.3
Write-backs of financial fixed assets	0.1	(0.1)	0.1	0.2	0.3
Provisions for risks and charges	(4.4)	(8.8)	(7.0)	(8.4)	(28.6)
2003	(6.0)	(10.7)	(8.3)	(11.7)	(36.7)
Difference	(4.0)	(4.4)	1.3	(0.6)	(7.7)

Adjustments, write-backs and **provisions** had a negative balance of €44.4m, an increase of 21% on the 2003 financial year.

In particular:

- Adjustments to goodwill arising on consolidation, totalling €16.2m, included the write-off of the residual goodwill regarding the Fideuram Wargny Group in accordance with a reassessment of the income prospects of the French subsidiaries.
- Provisions and net adjustments to loans and financial fixed assets had a positive balance of €1.7m, largely due to improved asset risk management.
- Provisions for risks and charges were up €1.3m, mainly as a result of increased risk control regarding our private banker networks, which was partially offset by utilisation of the provisions for risks and charges of subsidiary Fideuram Bank Luxembourg recorded under extraordinary income.

Extraordinary items, income taxes and net income (€m)

	Q1	Q2	Q3	Q4	Total
Operating income	77.8	67.8	68.7	84.3	298.6
Net extraordinary income	(0.3)	3.7	(0.3)	(6.9)	(3.8)
Income before taxes and minority interests	77.5	71.5	68.4	77.4	294.8
Income taxes	(10.5)	(12.3)	(10.5)	(19.5)	(52.8)
Minority interest in net income	0.1	0.3	0.2	0.4	1.0
Net income 2004	67.1	59.5	58.1	58.3	243.0
Operating income	36.2	60.5	64.6	56.1	217.4
Net extraordinary income	(0.5)	(3.8)	(1.8)	(0.9)	(7.0)
Income before taxes and minority interests	35.7	56.7	62.8	55.2	210.4
Income taxes	(6.6)	(13.3)	(14.7)	(1.4)	(36.0)
Minority interest in net income	0.2	0.2	0.3	0.5	1.2
Net income 2003	29.3	43.6	48.4	54.3	175.6
Difference	37.8	15.9	9.7	4.0	67.4

Extraordinary items had a negative balance of €3.8m compared to a negative balance of €7m in 2003.

Extraordinary expenses included the €1.4m cost of Banca Fideuram's tax amnesty.

Income taxes totalled €52.8m, €16.8m more than in 2003.



INCOME FROM CORE BUSINESS

The following table shows the normalised income of the Banca Fideuram Group, which is to say its income net of extraordinary and non-recurring cost or revenue items and the contribution of the insurance companies.

The main non-recurring items considered were as follows:

- The mark to market of the approximately 15 million own shares linked to our stock option plans and of the 1.1 million shares in parent company Sanpaolo IMI received as a result of the share swap forming part of the Fideuram Vita spin-off transaction.
- Extraordinary income from the sale of minority equity investments in 2003.
- Extraordinary allocations to the provisions for risks and charges made by Banca Fideuram in 2003.
- The expenses related to the tax amnesty regarding Banca Fideuram and Fideuram Capital for the years 1997 to 2002.

- The consultancy costs incurred by Banca Fideuram regarding the spin-off of Fideuram Vita.
- The consultancy costs incurred by Banca Fideuram for the transition to the new International Accounting Standards (IAS/IFRS).
- The following components attributable to Fideuram Wargny:
 - The cost of early retirement incentives and extraordinary expenses for restructuring Fideuram Wargny, recorded for the third and fourth quarters of 2003.
 - Lower tax, recorded in the fourth quarter of 2003, resulting from the favourable outcome of the tax inquiry regarding the deductibility of the write-down of the holding in Fideuram Wargny made in the fourth quarter of 2002.
 - The write-off of the goodwill in the Fideuram Wargny group.

Adjusted net income totalled €199.4m, having risen steadily throughout 2004 and having been substantially higher in all four quarters than in the corresponding periods of the previous financial year.

Quarterly trend of adjusted financial results (€m)

	Q4 2004 (*)	Q3 2004	Q2 2004	Q1 2004	Total 2004	Q4 2003	Q3 2003	Q2 2003	Q1 2003	Total 2003
Net income	58.3	58.1	59.5	67.1	243.0	54.3	48.4	43.6	29.3	175.6
Total adjustments for non-recurring items	+6.9	+8.6	+4.2	+2.6	22.3	-1.3	-1.0	-6.0	+7.0	-1.3
Losses (+) / gains (-) on valuation of own shares and Sanpaolo IMI shares	-13.2	+13.7	-2.1	+4.1	+2.5	+4.4	-3.6	-15.5	+10.8	-3.9
Gains (-) on sale of minority investments					-	-2.0				-2.0
Extraordinary allocations to provisions for risks and charges					-	+5.0				+5.0
Tax amnesty			+1.4		+1.4			+4.1		+4.1
Items relating to Fideuram Wargny	+13.9				+13.9	-6.2	+1.3			-4.9
Costs relating Fideuram Vita's spin-off			+6.6		+6.6					-
Costs relating to transition to IAS/IFRS	+2.1				+2.1					-
Tax Effects	+4.1	-5.1	-1.7	-1.5	-4.2	-2.5	+1.3	+5.4	-3.8	+0.4
Adjusted net income excluding non-recurring items	65.2	66.7	63.7	69.7	265.3	53.0	47.4	37.6	36.3	174.3
Net income of insurance Companies	10.9	14.7	16.0	24.3	65.9	10.7	7.9	12.7	5.7	37.0
Adjusted net income (excluding insurance companies)	54.3	52.0	47.7	45.4	199.4	42.3	39.5	24.9	30.6	137.3

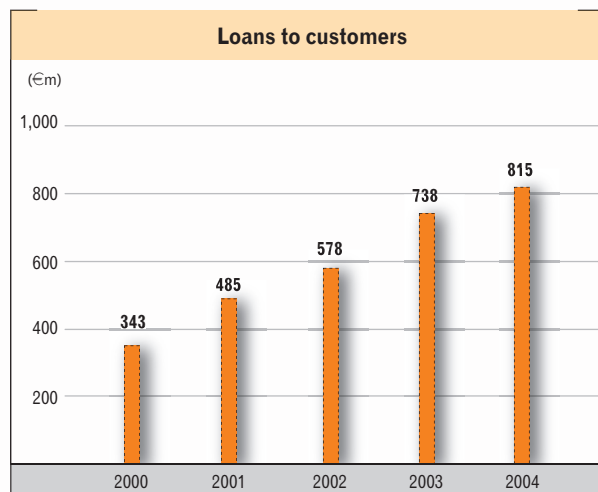
(*) To make a straight comparison of the quarters, it should be borne in mind that the 4th quarter of 2004 only received 2 months income from investments carried at equity, compared to 3 months income in each of the previous quarters.



ASSET AND LIABILITY MANAGEMENT

Loans to ordinary customers totalled €815m, including €697.3m in secured loans, up €77.5m on 31.12.2003.

Non-performing loans net of write-downs amounted to €3.5m (0.4% of the portfolio) compared to €2.5m at the end of 2003 (0.3% of the portfolio).



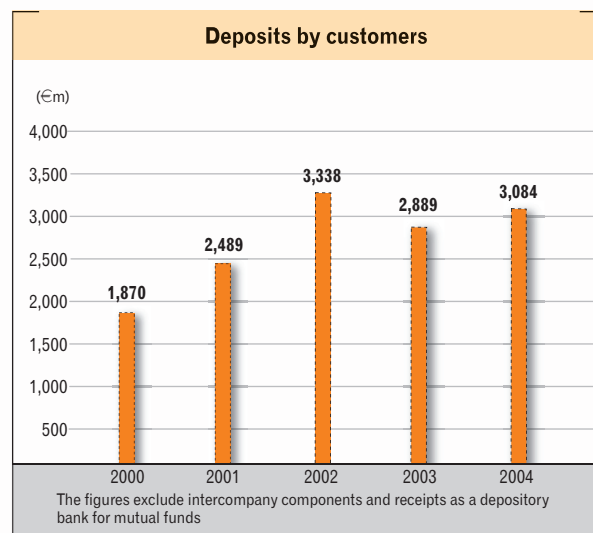
Deposits by customers totalled €3,864.6m, up €283.3m on the figure as at 31.12.2003.

Excluding the balances of companies in the Sanpaolo IMI Group and receipts as a depository bank for mutual funds, inflows totalled €3,084m compared to €2,889m as at 31.12.2003.

Dealing securities totalled €982.1m at the end of the 2004 financial year, down €99.7m on the figure as at 31.12.2003, and were composed almost entirely of fixed-income securities, approximately €464.2m of which were securities issued by Sanpaolo Bank S.A. and approximately €113m of which were government securities.

The duration of these securities was approximately 1 year.

Investment securities totalled €144.4m compared to €138m as at 31.12.2003.



The Group continued to be a net lender on the interbank market, with total deposits of €2,823.6m (€2,528.5m in 2003).

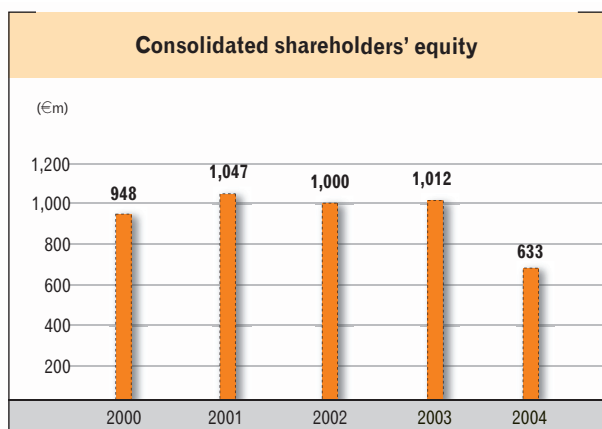
Credit risk

An analysis of the composition of the Banca Fideuram Group's assets shows low overall exposure to credit risk. A breakdown of the loan portfolio indeed shows that it predominantly comprises short-term interbank loans, mainly to leading banks in the euro-zone. Loans to customers, mainly demand loans directly linked to our private banking business, were supported by collateral or bank guarantees in 86% of cases and had a low overall risk level. Non-performing loans accounted for 0.4% of total loans. The bank's securities holdings consisted almost entirely of debt securities issued by euro-zone countries and leading credit institutions.

CONSOLIDATED SHAREHOLDERS' EQUITY

Consolidated shareholders' equity as at 31.12.2004 totalled €633.2m excluding own shares held amounting to €57.1m, down from €1,012.4m in the previous financial year. This decrease was mainly due to the spin-off of Fideuram Vita which reduced consolidated shareholders' equity by a total of €416.3m.

The changes in shareholders' equity are set out in the Notes to the Financial Statements while the reconciliation of Banca Fideuram's net income and shareholders' equity with the corresponding consolidated amounts is set out below.



Reconciliation of the parent company's shareholders' equity and results with those of the Group

(All figures in thousands of euros)

	2004		2003	
	Shareholders' equity	including: Net income for the year	Shareholders' equity	including: Net income for the year
Parent company financial statement balances	733,939	163,488	950,047	167,807
Statutory results of subsidiaries:				
- consolidated line-by-line	194,449	194,449	138,843	138,843
- carried at equity	-	65,932	36,229	36,229
Positive adjustments				
- current year	(16,243)	(16,243)	(6,429)	(6,429)
- previous year	(143,429)		(180,420)	
Excess over book value of:				
- Companies consolidated line-by-line	94,728		76,608	
- Companies carried at equity			222,609	
Negative goodwill upon consolidation and application of the equity method	9,870		9,870	
Reversal of write-down and provisions on equity investment in Financière Fideuram	42,621	42,621	9,899	9,899
Accrued dividends from group companies	(203,900)	(203,900)	(161,483)	(161,483)
Cash dividends		(1,564)		
Other adjustments:				
- deferred taxes on the income of subsidiaries	(418)	(164)	(254)	(3)
- Reversal of write-back of intra-group goodwill and related amortization; net of tax effects:				
Fideuram Vita			(3,170)	801
Fideuram Investimenti	(6,480)	810	(7,290)	(7,290)
Other differences	(14,861)	(2,416)	(1,243)	(2,760)
Consolidated financial statement balances	690,276	243,013	1,083,816	175,613
Own shares	(57,139)		(71,550)	
Consolidate shareholders' equity	633,137		1,012,266	

OWN SHARES AND PARENT COMPANY SHARES HELD

As at 31 December 2004, the bank held, exclusively as part of stock option plans, a total of 14,997,000 Banca Fideuram shares with a par value of €0.19, amounting to 1.5% of the share capital. These shares

were recorded in the balance sheet assets at their market value of €57.1m (unit value €3.81).

At the end of 2004, Banca Fideuram also held 1,120,276 Sanpaolo IMI shares with a par value of €2.8, received as a result of the share swap forming part of the Fideuram Vita spin-off transaction. These shares were recorded in the balance sheet assets at their market value of €11.9m (unit value € 10.59).



HUMAN RESOURCES, PRODUCTS AND SERVICES

PRIVATE BANKERS AND EMPLOYEES

The group's distribution structure saw a slight decrease in entrants during 2004 compared to the previous financial year, while the number of leavers remained substantially the same, most of them Private bankers with modest portfolios.

The group's distribution structure (Fideuram and Sanpaolo Invest Networks) totalled 4,313 private bankers at year-end compared to 4,543 as at 31.12.2003.

Banca Fideuram Private Bankers (Turnover)

	Beginning of period	in	out	net	End of period
1.1.2004-31.12.2004	3,413	69	238	(169)	3,244
1.1.2003-31.12.2003	3,520	108	215	(107)	3,413

Sanpaolo Invest Private Bankers (Turnover)

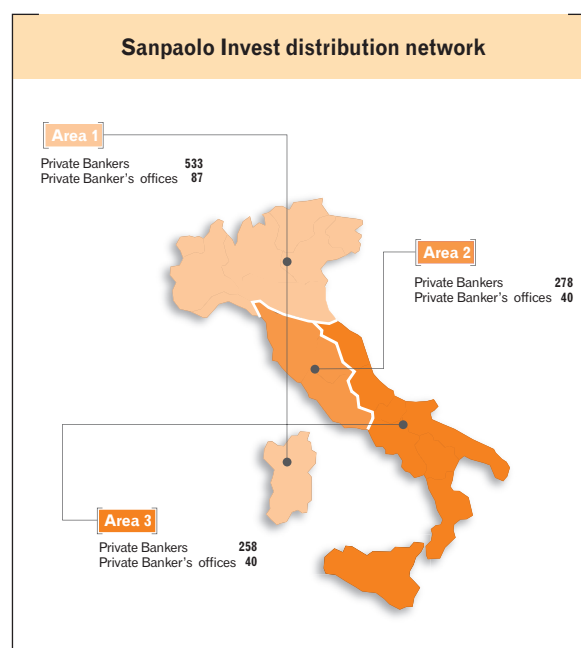
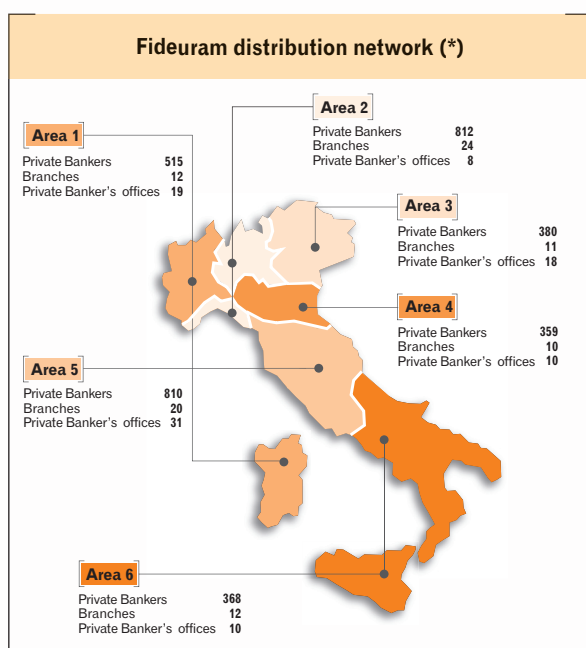
	Beginning of period	in	out	net	End of period
1.1.2004-31.12.2004	1,130	78	139	(61)	1,069
1.1.2003-31.12.2003	1,234	67	171	(104)	1,130

The Banca Fideuram Group's staff numbers fell from 1,995 as at 31.12.2003 to 1,824 as at 31.12.2004, a decrease of 171 (approximately 8.5%).

This decrease was mainly due to the Insurance Companies Fideuram Vita and Fideuram Assicurazioni no longer being included in the scope of consolidation of the Banca Fideuram Group (-124 staff), following the creation of the Sanpaolo IMI Group's Insurance Division, and - to a lesser extent - to the restructuring of our Fideuram Wargny subsidiaries in France (-31 staff).

The training activities carried out in 2004 involved the following:

- Focusing in particular on professional areas related to the bank's business (Managed Savings, Finance, Lending, Macroeconomics) and organisational behaviour (communications and dealing).
- Setting up an in-house training team with considerable professional experience and expertise.
- Developing a management training plan (class/e-learning) for Function Managers.
- Initiatives targeted at specific training needs (in particular, International Accounting Standards seminars, developing computer and foreign language skills).



* All the branches serve customers and private bankers of both Banca Fideuram and Sanpaolo Invest networks.



- Developing an e-learning platform both regarding corporate information matters (Money Laundering, Privacy, Data Protection, Italian Law 626) and organisational behaviour.
- Involving group companies in central training initiatives.

Total training activities amounted to 4,956 person days, 4,400 of which concerned training initiatives that were organised internally (2,855 class-based and 1,545 e-learning initiatives), while 556 were external initiatives (seminars, conferences and courses closely related to the Bank's business).

Employees

(turnover)

	31.12.2004	31.12.2003
Banca Fideuram	1,294	1,314
Fideuram Wargny Group (France) *	229	260
Sanpaolo Invest SIM	53	53
Insurance Company	-	124
Fideuram Vita	-	101
Fideuram Assicurazioni	-	23
Asset Management	248	244
Fideuram Asset Management (Ireland)	12	12
Fideuram Bank (Luxembourg)	74	75
Fideuram Bank (Suisse)	23	23
Fideuram Fiduciaria	3	4
Fideuram Investimenti SGR	111	107
Fideuram Gestions (Luxembourg)	25	23
TOTAL	1,824	1,995

* Number of Fideuram Wargny employees dedicated to private banking: 53 (43 as at 31.12.2003).

FIDEURAM ONLINE

Fideuram Online continued to attract growing usage in 2004.

A total of 142,000 customers enabled for the service accessed their accounts over the Internet (76% Banca Fideuram customers and 24% Sanpaolo Invest customers), an increase of over 10% on 2003. Transfers over the Internet (accounting for approximately 50% of all transfers by customers) increased by 100% compared to the previous year, while the number of instructions regarding funds increased by over 30%.

Fideuram Online was moreover once again the channel that the Bank's customers used most for trading in securities, with the Banca Fideuram Group's customers conducting approximately 50% of all their securities trading transactions over the Internet in 2004.

The range of services offered by Fideuram Online was extended with the introduction of the following new services: standing orders, cheque book requests, foreign transfers, direct debits, trading on the London Stock Exchange, current account and securities statements by text message and e-mail.

A number of further innovations are planned for 2005 to make the Fideuram Online service increasingly complete and easy to use.

These include the introduction of asset management top-up payments and the provision of more comprehensive information on the pension funds and products offered to customers. In addition, we will also be revising the navigation of the Fideuram Online website and including a new page to enable customers to view their asset situation online.

Last but not least, we shall be launching a series of dedicated initiatives in 2005 to further promote and incentivise the use of our online channel by Banca Fideuram Group customers.



RESEARCH AND DEVELOPMENT PRODUCTS AND ACTIVITIES

Development work in 2004 was focussed on extending our product range. At the same time, we also engaged in intense research activities to gain an in-depth understanding of the managed savings market and the Bank's customers.

Our product development activities focused in particular on opening to multibrand products. Our offer of third-party funds was launched in July and August with the distribution of JPMorgan Fleming, Pictet and Goldman Sachs sectors, which were joined by Crédit Agricole and Crédit Suisse funds in December.

The issue of Certificates (5 in the year) in collaboration with leading international investment houses continued with a view to selecting the best investment opportunities for customers with a high risk propensity.

Banca Fideuram's high net worth customers who meet the relevant criteria and have expressed an explicit interest are offered the opportunity of investing in Multimanager speculative hedge funds. Fideuram Alternative Investments Funds Defensive were sold from 7 January and Fideuram Alternative Investments Funds Defensive 2 from 18 May.

The insurance products offered were also extended during the year with the introduction of our new Financial Age Portfolio products. These unit-linked policies have been designed for customers who want the benefits of a pension product without, however, sacrificing the opportunities offered by the financial markets.

Our work in 2004 also included a number of projects for improving our customer knowledge. The Bank continued to take part in multiclient surveys carried out by renowned international research companies to monitor trends in the managed savings market. In addition, the Bank completed its first Customer Satisfaction survey in June, involving over 1,600 interviews.

Lastly, we continued our Network training activities. This saw the courses launched for improving our Network professionals' relationship-building skills and updating their knowledge of regulatory matters being joined by an on-line training project. Our distance learning portal provides a platform dedicated to our products that already offers complete information on the multibrand funds and banking services we offer.

Lastly, 150 study grants were made available in 2004 for those achieving €PFA certification.

SYSTEMS AND INFORMATION MANAGEMENT

The most important Systems and Information Management initiatives in 2004 concerned in particular the development of systems for supporting our Private Banker Networks by integrating the tools provided for Sanpaolo Invest and Banca Fideuram, developing new products and aligning the offer for both the Group Networks.

A programme was launched to rationalise our information systems in order to improve efficiency and contain costs, including through synergies with our parent company Sanpaolo IMI and the development of systems linked to the new accounting and regulatory standards.

Finally, we developed and implemented procedures and systems for monitoring our Private Banker Networks and corporate processes, as well as for further increasing our computer security.

These initiatives involved the following activities in particular:

- Completing the development and implementation of the systems supporting the marketing of Fideuram products by the Sanpaolo Invest Network (personalised fiduciary asset management portfolio and Luxembourg Mutual Funds) in accordance with the plan launched in 2003.



- Developing procedures to enable the Banca Fideuram Private Banker Network to sell and manage the multibrand investment products (prioritising foreign funds) already marketed by the Sanpaolo Invest network.
 - Completing a version of the Marketing Information System (MIS) deployed by Banca Fideuram for planning and monitoring its marketing activities, but in this case developed specifically for the Sanpaolo Invest Network's Network Management and individual private bankers under our strategy for integrating and rationalising the systems supporting our networks. This system enables the Sanpaolo Invest Network to monitor its marketing activities both regarding its multibrand products and the more recently-introduced Banca Fideuram products.
 - In line with the launch of Banca Fideuram products by the Sanpaolo Invest Network, the latter's private bankers were provided with similar IT tools to those already used by Banca Fideuram private bankers to manage their customers (the PB MIS and Acquisition systems in particular). The Sanpaolo Invest Network's use of these tools will gradually be extended to its multibrand products upon the completion of a common marketing IT infrastructure for both networks.
 - Launching a programme to implement the interventions required to bring our management and accounting procedures into line with the International Accounting Standards (IAS/IFRS). A Master Plan was put in place to this end and was partly implemented in the second half of 2004, with the remainder due for completion during the first half of 2005.
 - Where our administrative and audit systems were concerned, launching the activities to develop a new Audit Unit information system and system for calculating and managing commission for the Sanpaolo Invest Network and products, which are similar to those currently used by the Banca Fideuram Network.
 - Implementing initiatives for rationalising and improving the performance of the information systems for managing our Asset Management Funds.
 - Launching a project for upgrading Bank Fideuram's systems in preparation for the introduction of chip cards, planned for 2005. This project involves completely revising our card management and authentication software, together with upgrading all the bank's ATM terminals. This will be carried out together with Sanpaolo IMI, who will provide Banca Fideuram with a complete service.
 - Launching the plan for transferring our mainframe and departmental technology equipment to the Sanpaolo IMI site, which will enable significant cost reductions without any sacrifice in functionality and independence for Banca Fideuram. This project will, moreover, also allow us to upgrade our Disaster Recovery structures and Departmental Microsoft Server production environment.
 - Implementing an Information Technology management control system that is integrated with a new assets and liabilities cycle management procedure, and allows us to analyse our IT costs and, in particular, to prepare statements of income for any given IT product/service or internal/external customer.
- During 2005, we shall not only continue carrying out those projects already in progress and upgrading our systems in line with market developments and the growth of our range of products, but also launch all the various initiatives connected with our new industrial plan, which will draw on a large part of our available resources.
- In addition we plan to launch the following development activities:
- A Business Continuity plan to be formulated by the first half of 2005 and implemented by the beginning of the following financial year.
 - The development of an interface between Banca Fideuram's systems and the Assicurazioni Internazionali di Previdenza systems, outsourced to Universo Servizi, which will completely replace the Fideuram Vita systems.



- The development of a system for managing Unit Linked portfolios, which Fideuram Investimenti will receive by the end of 2005 from AIP (previously Fideuram Vita).
- The rationalisation of Fideuram Investimenti's management and advisory systems for fund portfolios (previous Fideuram Capital systems), implemented by transferring Banca Fideuram technologies and unifying the systems for the acceptance of instructions.

Lastly, in accordance with the provisions of Italian data protection legislation (Legislative Decree No 196 of 30 June 2003, "Codice in materia di protezione dei dati personali" - "Code regarding the protection of personal data"), our Security Programme Document, which is currently being finalised, will be completed by the deadline specified in said legislation (31 March 2005).

EXPANSION ABROAD

ACTIVITIES ABROAD

Our Swiss subsidiary, Fideuram Bank (Suisse), performed well overall, in terms both of customer relations and income.

The bank continued its local distribution of the Fideuram Fund Luxembourg asset management fund and is preparing an application to the Federal Banking Commission for authorisation to distribute the Fideuram Multimanager Fund in Switzerland, a Luxembourg fund that has attracted customer interest and demand.

Fideuram Bank (Luxembourg) further developed the functions it provides as a Depository Bank for Banca Fideuram's Luxembourg asset management funds, confirming its position as a leading local player with deposits of €34.5bn, an increase of 12.9% on the previous year.

The professionalism of the Luxembourg bank's staff and the quality of its procedures for settling and monitoring its transactions for 120 Funds/Sectors on the international markets, combined with the high standard of its network of correspondent banks have constantly distinguished its operations. In addition, during 2004, it extended the range of IT, administrative and back-office services offered to its affiliated companies outside Luxembourg, following its assumption of Global Sub-Custodian functions for the Group's Irish funds.

Fideuram Asset Management (Ireland) continued to act as the delegated manager of the group's Luxembourg and Irish mutual funds.

In France, the Fideuram Wargny Group continued to implement the plan for developing its Private Banking activities and rationalising its organisation with a view to improving operational efficiency.

The retail business saw it gradually integrating its historical Fideuram Wargny activities (asset

management and on-line trading) with its current Private Banking core business.

The number of private bankers in its network had increased to 53 as at 31 December 2004 (43 at the end of 2003) and net inflows for the year were positive to the tune of €96m (€134m from the Private Banker Network).

Assets under management as at 31 December 2004 totalled approximately €662m (€543m in 2003), €376.3m of which was linked to the activities of Fideuram Wargny's Private bankers, who achieved an average individual portfolio of €7.1m.

Customer numbers grew steadily, rising from 1,450 to 2,300 between the end of 2003 and end of 2004. Fideuram Wargny's brokerage activities for institutional customers saw extensive restructuring of its stockbroking business, with the closure both of its analysis and broking activities based in Lyon and its derivatives desk. Total trading volumes (shares and bonds) remained at the same levels as in 2003, generating revenues of approximately €20m.

Support and control activities were strengthened with the creation of a Risk Management unit, in line with corporate best practice and in accordance with the recommendations of the French Supervisory Authorities.

In consideration of the negative 2004 financial result, Banca Fideuram decided in February 2005 to increase the share capital of Financière Fideuram by €15m to support the growth of its Private Banking activities and ensure the required capital ratios were respected.

The business plan was updated in the light of the activities for rationalising and restructuring the business, and to reflect a cautious valuation of the income prospects of the Fideuram Wargny Group. The total amount of residual goodwill was consequently written off in Banca Fideuram's consolidated financial statements as explained in the analysis of the statement of income.

SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION, RELATIONSHIPS WITH GROUP COMPANIES AND TRANSACTIONS WITH RELATED PARTIES

Banca Fideuram is a subsidiary of Sanpaolo IMI SpA, the holding company of the banking group of the same name, which has a direct holding of approximately 73%.

Neither Banca Fideuram nor any of the other companies included in the consolidation bought shares in the bank or parent company Sanpaolo IMI during the period, either directly or through trust companies or third parties. Banca Fideuram was, however, the allottee of 1,120,276 Sanpaolo IMI shares as part of the Fideuram Vita spin-off transaction.

During the financial year, the bank transferred 3,000 own shares under its 2003 stock option plan out of the 15 million own shares held. Banca Fideuram therefore continues to hold 14,997,000 own shares under the 2004 stock option plan and 2005-2007 stock option plan.

Banca Fideuram has not engaged in any atypical and/or unusual transactions with other group companies, related parties or third parties in the period. There is a put option that Banca Fideuram sold to Banca Finnat Euramerica on 50% of the shares in Financière Fideuram which is exercisable in 2005 at 80% of the purchase price. At the same time Banca Fideuram holds a call option that was purchased from Banca Finnat Euramerica on the same amount of Financière Fideuram shares, which is also exercisable in 2005 at 150% of the purchase price.

During this period transactions were entered into with "ordinary" related parties (which were neither atypical nor unusual), as regulated and defined by



the regulations of the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB). These transactions, based on mutually-beneficial economic valuations in accordance with the law and the internal procedures established for the purpose, were conducted under arm's-length conditions.

In particular, Banca Fideuram's relations with its own subsidiaries, as well as its relations with Sanpaolo IMI and the latter's subsidiaries, may be considered to form part of its ordinary operations. These relations are set out in the related notes to the financial statements.

The financial year saw a number of significant transactions between group companies as part of the process of centralising the Sanpaolo Group's insurance companies in order to form a life and accident insurance division.

In particular:

- Banca Fideuram and Fideuram Vita completed the sale of Banca Fideuram's 100% stake in Fideuram Assicurazioni to Fideuram Vita.
- Banca Fideuram S.p.A. and Sanpaolo IMI S.p.A. signed a spin-off agreement on 19 November 2004 for the partial proportional spin-off Fideuram Vita

S.p.A. to Sanpaolo IMI S.p.A with effect from 30 November 2004 in accordance with the resolution of the Extraordinary Shareholders' Meeting of 29 June 2004; (this spin-off is described in greater detail in a dedicated section of this report).

In addition, Banca Fideuram transferred a tax credit of approximately €6.5m to the group company Sanpaolo Leasint S.p.A., availing itself of the procedure for the "transfer of corporate income tax (IRPEG) credit between group companies" provided for by the Italian tax regulations.

Banca Fideuram uses the brokerage services above all of its associate company Banca IMI for buying and selling securities, as well as those of Banca Finnat Euramerica, and entered into an agreement with the latter for the placement of securities as part of its asset management activities. All transactions are conducted under arm's-length conditions.

There were no transactions during the period with individuals performing director-level, management or auditing functions at Banca Fideuram, its parent company Sanpaolo IMI or any other companies in the banking group of that name.

The Banca Fideuram shares held by Directors and Auditors of the parent bank and other parties as per art. 79 of CONSOB resolution 11971/99 are detailed in the table below.

Shareholdings of Directors, Auditors and General Managers

(in compliance with article 79 of CONSOB resolution 11971 of 14th May 1999)

Name and Surname	Shareholding in	How held	Title to shares	Shares held as at 31.12.2003	Shares bought during 2004	Shares sold during 2004	Shares held as at 31.12.2004
Mario Prati Deputy chairman	Banca Fideuram	Indirect	Full	2,000	-	2,000	-
Franca Cirri Fignagnani Director	Banca Fideuram	Direct	Full	10,000	-	-	10,000
Bruno Mazzola Director	Banca Fideuram	Direct	Full	500	-	-	500
Vito Codacci-Pisanelli Statutory Auditor	Banca Fideuram	Direct	Full	146,000	-	5,000	141,000
Gian Paolo Grimaldi Statutory Auditor	Banca Fideuram	Direct	Full	-	10,000	-	10,000



On 19 October 2004, the Board of Directors of Banca Fideuram decided to avail itself of the "istituto del consolidato fiscale nazionale" tax consolidation regime introduced by Italian Legislative Decree 12/12/2003. This tax consolidation regime, which is governed by a special contract signed by the companies belonging to the Sanpaolo IMI Group, provides for the aggregation of the taxable income of all the subsidiary companies and a single payment of IRES corporate income tax by the Parent Company.

This tax consolidation regime offers the following benefits:

- The immediate offsetting of any losses (with the exception of those prior to 2004, which can only be offset by the individual companies that suffered them) against the income of other companies within the scope of consolidation.
- The de-rating of any dividends paid by the consolidated companies (otherwise taxed at 5% of their total).
- The possibility of transferring corporate assets under a tax-neutral regime.

INTERNAL AUDIT

The Audit Department underwent considerable reorganisation during 2004. It is currently divided into five teams dedicated respectively to auditing the Private Banker Networks, auditing the bank's and its subsidiaries' organisational structures, to EDP auditing activities, to auditing compliance with legal and sector requirements and to auditing the management of any complaints.

A plan was simultaneously launched for strengthening the department from both a qualitative and quantitative standpoint, which resulted in a net increase of its staff by 8 employees compared to 31.12.2003.

Upon the completion of this expansion programme in 2005, the number of people in the department will rise from its current figure of 69 to a total of 88.

Where organisational matters were concerned, the Audit Department launched a comprehensive process for updating its operating approach, orientating it more closely towards implementing preventive auditing and focusing more on the compliance component as well as on auditing IT processes.

The auditing systems were likewise strengthened with the implementation of our new IT system for the remote monitoring of the activities of our private bankers and employees.

There were no significant new developments concerning the investigations launched by the judicial authorities regarding certain of the Banca Fideuram Group's private bankers and a number of employees of its subsidiary Fideuram Bank (Suisse).

The cases are all for financial unlawful practice, consisting in the offer of investment services or financial products by someone who is not authorised to do so in Italy, with the exception of one private banker who no longer works with the bank, who is also charged with money laundering.

The Bank set up a special working party to carry out a rapid and rigorous fact-finding study, and collaborated as promptly and fully as possible with the Investigating Authorities.

TRANSITION TO INTERNATIONAL ACCOUNTING STANDARDS

The regulatory scenario

EU Regulation No. 1606/2002 (IAS Regulation) made it compulsory from 2005 for listed companies to prepare consolidated financial statements in accordance with the International Accounting Standards/ International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Commission. The said Regulation also allows European Union member states to extend the application of the IAS/IFRS to the individual



financial statements of listed companies and to the individual and consolidated financial statements of unlisted companies.

Community Law No. 306 of 2003, approved by the Italian Parliament on 31 October 2003, provides for the Government to be delegated with extending the requirement to apply the international accounting standards. A legislative decree was approved to this end on 25 February 2005, which amongst its other provisions makes it optional for companies issuing financial instruments that are listed on regulated markets, financial institutions with financial instruments held by the public and banks to prepare their company financial statements in accordance with the international accounting standards for financial years beginning in 2005, and compulsory for financial years beginning in 2006.

The impact of the IAS/IFRS

The international accounting standards differ from the current accounting standards in making more frequent use of fair value valuation criteria, especially for financial instruments, tangible fixed assets, assets and liabilities resulting from company acquisitions and intangible assets.

Where the liabilities items regarding employees and private bankers are concerned (e.g. pension funds, provisions for severance indemnities and other long-term commitments), the IAS/IFRS provide for an actuarial valuation that takes probability and the time when the amount will actually be paid into account.

The IAS Project

Banca Fideuram and its subsidiaries launched a project within the Sanpaolo IMI Group starting from 2003 to plan and implement the interventions required to achieve an effective transition to the new regulatory framework.

This project involves two main lines of activity:

- The study and analysis of the new international accounting standards and the main problems raised by their introduction.

- Implementation activities that in particular involve:

- Activities regarding information systems.
- Organisational activities regarding our administrative, valuation and accounting processes.
- Training activities.

Banca Fideuram and its subsidiaries incurred expenses totalling €2.3m in the 2004 financial year to carry out all the actions required for the transition to the IAS/IFRS, recorded in full in the statement of income for the year.

STOCK OPTION PLANS

The Shareholders' Meeting of 27.4.2001 passed a resolution authorising the purchase of own shares, to be used for stock option plans for private bankers and employees of Banca Fideuram or its Subsidiaries, and likewise at the subsequent Shareholders' Meetings of 29.4.2002, 28.4.2003 and 22.4.2004 extended said authorisation.

By virtue of said authorisation, Banca Fideuram purchased a total of 15,000,000 own shares on the market as part of its 2003, 2004 and 2005-2007 stock option plans.

The 2003 plan, approved by the Board of Directors on 16 December 2002, provides for assigning options to purchase Banca Fideuram shares to the private bankers and employees of the Banca Fideuram Group in the ratio of one share for each option, to be exercised in the period of June to December 2004 at a unit price that was originally set at €5.30 and recalculated as €4.3 with effect from 30 November 2004, the effective date of the Fideuram Vita spin-off.

The 2003 plan ended in December 2004, generally with the options having been exercised.

The 2004 plan, approved by the Board of Directors on 16 December 2003, provides for assigning options to purchase Banca Fideuram shares to the private bankers of the Banca Fideuram Group in the ratio

of one share for each option, to be exercised in the period June to December 2005 at a unit price of €4.43, recalculated following the spin-off of Fideuram Vita as €4.43. The total number of options was 3,557,695.

The Board of Directors' meeting of 16.3.2005 approved a new stock option plan for the 2005-2007 three-year period for the Banca Fideuram Group's Private Bankers, the main elements in which are as follows:

- The plan assigns stock options in the Bank's own shares in the ratio of one share per option for shares that were bought in accordance with the authorisations conferred by the resolutions passed at shareholders' ordinary meetings. Our estimates have led the number of own shares earmarked for the 2005-2007 plan to be cautiously set at approximately 8-10 million.
- The exercise price of the option for the 2005-2007 plan has been set at €4.074 for all participants.
- The number of options assigned to each participant has been linked to the three-year monetary bonus provided for in the 2005-2007 bonus scheme. In particular, the number of options assigned has been calculated so that when multiplied by the exercise price the total comes to 35% of the value of the bonus.
- All participants shall be entitled to exercise their stock options between 1.6.2008 and 23.12.2008 upon condition that they have:
 - met the individual three-year target required to receive their cash bonus;
 - are in the network upon the exercise date of the options.
- There are no provisions for loans or other facilities to be made available for participants to buy the shares.

SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

There were no significant events subsequent to the end of 2004 financial year.

2005 is the first year of the 2005-2007 Industrial Plan approved at the Board of Director's meeting of 23 February 2005.

Banca Fideuram's prime objective is to engineer a return to volume growth that is economically sustainable, while providing robust management of operational and reputational risks.

The 2005 consolidated financial result should not differ significantly from our 2004 result, taking into account the investments and incentives to support the new three-year plan and using the same scope of consolidation (which is to say excluding the contribution of the insurance companies that were spun off on 30 November 2004).

THE BOARD OF DIRECTORS

Rome, 16 March 2005



CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(All figures in thousands of euros)

ASSETS	31.12.2004	31.12.2003
10 Cash and deposits with central banks and post-office	24,554	23,109
20 Treasury securities and similar bills eligible for refinancing with central banks	65,549	177,200
30 Due from banks:	3,057,410	2,798,629
a) repayable on demand	775,007	1,128,078
b) other deposits	2,282,403	1,670,551
40 Loans to customers	815,011	737,510
50 Bonds and other debt securities:	1,043,915	1,036,124
a) public issuers	62,736	38,476
b) banks	834,556	844,085
c) financial institutions	30,816	31,465
d) other issuers	115,807	122,098
60 Shares, quotas and other equities	16,983	6,503
70 Equity investments	130	150
b) other	130	150
80 Investments in Group companies:	26	443,793
a) carried at equity	-	443,767
b) other	26	26
90 Goodwill arising on consolidation	-	16,243
100 Goodwill arising upon application of the equity method	-	-
110 Intangible fixed assets	27,465	39,847
120 Tangible fixed assets	44,892	52,600
140 Own shares (par value € 0.19)*	57,139	71,550
150 Other assets	381,039	435,668
160 Accrued income and prepaid expenses:	207,174	187,344
a) accrued income	9,957	10,176
b) prepaid expenses	197,217	177,168
TOTAL ASSETS	5,741,287	6,026,270

* The par value was €0.26 per share as at 31.12.2003.

Chairman of the
Board of Directors
Vincenzo Pontolillo

General Manager
Giuseppe Rosnati

Chief
Financial Officer
Paolo Bacciga

Consolidated balance sheet

(All figures in thousands of euros)

LIABILITIES AND SHAREHOLDERS' EQUITY	31.12.2004	31.12.2003
10 Due to banks:	233,848	270,145
a) repayable on demand	166,029	189,939
b) time or notice deposits	67,819	80,206
20 Due to customers:	3,864,572	3,581,268
a) repayable on demand	3,411,855	3,151,225
b) time or notice deposits	452,717	430,043
30 Securities issued:	3,689	3,285
c) other securities	3,689	3,285
50 Other liabilities	484,222	603,122
60 Accrued expenses and deferred income:	10,253	12,059
a) accrued expenses	10,153	11,865
b) deferred income	100	194
70 Severance fund	36,272	35,665
80 Provisions for risks and charges:	216,703	234,979
b) taxation	49,481	64,871
d) other provisions	167,222	170,108
110 Subordinated liabilities	200,547	200,547
120 Negative goodwill arising upon consolidation	9,870	9,870
130 Negative goodwill arising upon application of the equity method	-	-
140 Minority interests	905	1,384
150 Capital	186,255	254,876
160 Additional paid-in capital	-	52,737
170 Reserves:	242,352	578,466
a) legal reserve	37,251	50,975
b) reserve for own shares	57,139	71,550
d) other reserves	147,962	455,941
180 Revaluation reserve	8,786	12,254
200 Net income	243,013	175,613
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5,741,287	6,026,270

Guarantees and commitments

10 Guarantees given	93,803	98,592
including: other guarantees	93,803	98,592
20 Commitments	665,531	403,719

Chairman of the
Board of Directors
Vincenzo Pontolillo

General Manager
Giuseppe Rosnati

Chief
Financial Officer
Paolo Bacciga



Consolidated statement of income

(All figures in thousands of euros)

	2004	2003
10 Interest income and similar revenues	103,393	129,011
including from: - loans to customers	26,109	25,279
- debt securities	24,492	32,786
20 Interest expense and similar charges	(59,989)	(78,422)
including on: - deposits from customers	(49,659)	(62,584)
- securities issued	(6,040)	(7,007)
30 Dividends and other revenues:	35	1,047
a) from shares, quotas and other equities	34	12
b) from equity investments	1	1,035
40 Commission income	937,610	823,142
50 Commission expense	(386,653)	(344,553)
60 Dealing profits (losses)	16,055	26,168
70 Other operating income	25,003	25,955
80 Administrative costs:	(320,425)	(321,532)
a) payroll	(143,400)	(147,273)
including: - wages and salaries	(100,157)	(102,962)
- social security contributions	(30,791)	(31,647)
- severance indemnities	(5,692)	(5,566)
- pensions and other commitments	(3,132)	(2,641)
b) other administrative costs	(177,025)	(174,259)
90 Adjustments to intangible and tangible fixed assets	(54,240)	(48,993)
100 Provisions for risks and charges	(29,947)	(28,628)
110 Other operating expenses	(25)	(1,055)
120 Adjustments to loans and provisions for guarantees and commitments	(2,463)	(4,315)
130 Write-backs of loans and provisions for guarantees and commitments	6,115	2,245
150 Adjustments to financial fixed assets	(1,876)	(7)
160 Write-backs of financial fixed assets	37	309
170 Income (losses) from investments carried at equity	65,992	37,046
180 Operating income	298,622	217,418
190 Extraordinary income	14,991	10,400
200 Extraordinary expenses	(18,810)	(17,369)
210 Net extraordinary income	(3,819)	(6,969)
240 Income taxes	(52,791)	(36,013)
250 Minority interests	1,001	1,177
260 Net income	243,013	175,613

Chairman of the
Board of Directors
Vincenzo Pontolillo

General Manager
Giuseppe Rosnati

Chief
Financial Officer
Paolo Bacciga



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Part D - Other information

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FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements as at 31.12.2004 have been prepared in accordance with the law and regulatory provisions in force in Italy.

They comprise the accounts of Banca Fideuram and of those banking and finance companies operating in Italy and abroad in which it directly and/or indirectly holds majority voting rights. The agreement to spin off Fideuram Vita to Sanpaolo IMI was signed on 19 November 2004, with effect from 30 November. The 2004 consolidated statement of income therefore includes the results of the insurance companies until the date of legal effect of the transaction, while they are no longer included in the 2004 consolidated balance sheet from the same date, with a consequent reduction in the Group's shareholders' equity. The notes to the consolidated financial statements contain a list of the companies consolidated line-by-line, together with investments carried at equity and those valued at cost.

Consolidation principles

The consolidated financial statements are prepared in accordance with the following consolidation principles. The book value of investments involving an equity interest of more than 50% is offset against the corresponding portion of shareholders' equity. These eliminations are based on the book value of the investments at the time they are acquired.

The differences arising from these operations are classified as follows:

- They are classified as assets in the consolidated balance sheet if positive (book value of the investment exceeds the related shareholders' equity), and amortised in equal instalments over ten years starting from the date of acquisition, a period that is regarded as appropriate considering the activities and growth plans of the companies acquired. However, the residual goodwill arising from the acquisition of the investments in the French Fideuram Wargny group companies was

written off in the 2004 financial year to take the reassessment of the income prospects of the French subsidiaries into account.

- They are classified as equity the consolidated balance sheet if negative (book value of the investment lower than the related shareholders' equity).

Minority interests in shareholders' equity and in results for the period are classified separately.

Dividends recorded in the financial statements of the parent company in relation to investments consolidated line by line or using the equity method are eliminated.

Intra-group balances and transactions between consolidated companies (income and expense) are eliminated.

Where appropriate, deferred tax assets and liabilities are recorded in relation to the related consolidation adjustments.

The financial statement data of consolidated foreign companies outside the euro area are translated to euros at the period-end exchange rates. Differences arising from the translation of these companies' shareholders' equity into euro are classified as "Other reserves".

Minor investments (holdings of less than 20%) are recorded at cost.

Functional currency

In the consolidated financial statements all figures are expressed in thousands of euros.

Date of consolidation

The reference date of the consolidated financial statements is the accounting reference date for Banca Fideuram and the other consolidated companies.

Financial statements used

The consolidated financial statements are prepared using the financial statements as at 31.12.2004 approved by the Boards of Directors concerned. Where necessary these financial statements are adjusted to bring them into line with the Group's accounting policies.

PART A ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the provisions of Italian Legislative Decree No. 87 of 1992 and the requirements of the Bank of Italy's Regulations of 30 July 1992 and subsequent amendments. Any matters not governed by the special regulations followed the Italian Civil Code, also taking the provisions of Italian accounting policies into consideration.

The accounting policies adopted are the same as those used to prepare the financial statements as at 31.12.2003.

The accounting policies adopted to prepare the consolidated financial statements are the same as those used for our parent company Sanpaolo IMI.

A - SECTION 1

STATEMENT OF ACCOUNTING POLICIES

1. LOANS, GUARANTEES AND COMMITMENTS

Loans

Loans to customers are recorded in the financial statements at their estimated realisable value. This value is determined, with respect to the gross value of loans outstanding at year-end, by deducting estimated losses of principal and interest that take careful account of the solvency of specific non-performing and problem loans, as well as the general risk of default inherent in performing loans.

Amounts due from certain banks resident in Countries with high risk ratings are adjusted on a presumptive basis that takes the debt-servicing difficulties of the Country of residence into account.

Any increase in the value of loans with respect to their estimated realisable value at the end of the prior year is credited to the statement of income item "Write-backs of loans and provisions for guarantees and commitments".

Default interest accrued in the period is written off in the statement of income in that it is prudentially deemed to be irrecoverable.

Discounted notes not yet due are recorded at nominal value, while the related interest not yet earned at year end is classified as "Deferred income".

Guarantees and commitments

Guarantees given are recorded at the total value of the exposure, while commitments to pay out funds are recorded at the amounts to be paid. Guarantees and commitments involving the assumption of credit risk are valued on the basis described regarding loans. Securities receivable are recorded at the forward price contractually agreed with the issuer.

2. SECURITIES AND OFF-BALANCE-SHEET TRANSACTIONS (other than foreign currency transactions)

Securities transactions are recorded as at the time of settlement.

Investment securities

Investment securities are valued at their historical purchase cost. They are written down if there is a lasting deterioration in the solvency of the issuer or ability of the related country of residence to repay the debt. The original value is reinstated if the reasons for the write-down cease to apply. The difference between the purchase cost and related redemption price of fixed-income securities is classified as an adjustment to the interest earned by such securities. This adjustment is made on an accruals basis in relation to the residual period until the securities mature.

Dealing securities

Securities held for dealing and/or treasury management purposes are valued as follows:

- If listed on regulated markets, they are valued at the official year-end quoted prices.
- If unlisted, they are valued at whichever is the lowest of the daily moving weighted average cost or estimated realisable value, determined in



relation to the prices for similar securities quoted on regulated markets, and the current value of future financial flows, discounted at an appropriate market rate. This estimate also takes the solvency of the issuer into account.

The results of valuations performed using the above criteria are recorded in the statement of income item "Profits (losses) on financial transactions".

The issue discount of fixed-income securities is recorded on an accruals basis and credited as a balancing entry to the value of securities.

Repurchase agreements collateralised by securities issued by Sanpaolo Bank SA are recorded as spot purchases and forward sales of securities in the financial statements and therefore contribute to the change in securities holdings.

Repurchase agreements

Repurchase agreements that require the holder to resell the securities acquired when the agreement matures are recorded as loans and payables in the financial statements. The cost of borrowing and revenues from lending, represented by the interest coupons due on securities and the difference between the spot and forward prices, are recorded as interest on an accruals basis in the statement of income.

Off-balance-sheet transactions in securities

Purchase commitments are recorded on the same basis adopted to value the destination portfolio. Conversely, sale commitments are valued taking the contractual forward sale price into account as well.

Security derivatives

Derivative contracts are valued individually in accordance with the category to which they belong (hedging contracts or other contracts). Hedging contracts are valued in the same way as the assets or liabilities being hedged.

3. EQUITY INVESTMENTS

Equity investments not included in the consolidation are valued at LIFO cost, using annual layers. The

book value is written down when the loss in value of an equity investment is deemed to be permanent. The original value is reinstated if the reasons for any write-downs cease to apply.

Equity investments denominated in foreign currency are recorded using the exchange rates prevailing at the time they were purchased.

4. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES (including off-balance-sheet transactions)

Foreign currency transactions are recognised at the time they are settled.

Assets, liabilities and spot off-balance-sheet transactions still to be settled are translated to the functional currency using the year-end exchange rates. The effect of this valuation is reflected in the statement of income. Forward off-balance-sheet transactions entered into for hedging or trading purposes are valued, respectively, using the spot or forward exchange rates applicable at year-end. The effect of this valuation is reflected in the statement of income.

Assets/liabilities and foreign currency derivative contracts are valued separately. When they are linked, however, they are valued in the same way. The results of these valuations are recorded in the statement of income.

Trading contracts are valued using the forward exchange rates applicable at year end for the maturities of the contracts concerned. Hedging contracts are valued using the spot exchange rates applicable at year-end.

5. TANGIBLE AND INTANGIBLE FIXED ASSETS

Tangible fixed assets are recorded at purchase cost, including related expenses, as increased by the cost of improvements and the revaluations recorded in prior years in accordance with related legislation.

The book value is determined by deducting accumulated depreciation from the gross value defined above. This depreciation is calculated systematically on a straight-line basis over the residual useful lives of the assets concerned, starting





from the year they enter service.

In previous financial years Banca Fideuram calculated the monetary revaluation of tangible fixed assets (mainly buildings) in accordance with Italian law for the values set out in Part B, section 4.

Intangible fixed assets, including enjoyment rights and costs attributable to more than one year, are recorded with the prior agreement of the Board of Auditors, where required by law, and stated net of accumulated amortisation calculated systematically over their estimated useful lives, which do not exceed five years.

6. OWN SHARES

Own shares held are valued at their year-end market value at (see the notes to the Bank's financial statements for more detailed information).

7. OTHER INFORMATION

Provision for employee severance indemnities

The Provision for employee severance indemnities covers the entire liability to all employees, accrued in accordance with current legislation and employment agreements, net of amounts transferred to the pension and welfare fund of parent company Sanpaolo IMI in accordance with the agreements entered into by the companies and trade union representatives.

Provisions for risks and charges

The Provision for taxation is for current and deferred corporate income tax and regional business tax, including tax on units operating outside Italy.

Accounting policy No. 25 of the CNDCeR, the professional association for accountants in Italy (referred to in notice No. 99059010 of 30.7.1999 of the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB), and the Bank of Italy regulations dated 3.8.1999) has been applied, in accordance with which deferred tax assets and liabilities are recognised in accordance with the accruals principle. Deferred tax assets and liabilities reflect the tax effect of timing differences between the book value of assets and liabilities and their value for tax purposes.

The item "Income taxes" therefore consists of the sum of current taxes and changes in deferred tax assets and liabilities.

The item Other provisions covers known or likely liabilities and charges, the timing and amount of which cannot be determined with certainty at year end or by the date the financial statements are finalised. The provisions reflect the best estimates possible on the basis of the information available.

Revenues and expenses

Interest income and expense and other revenues and costs are recorded on an accruals basis in accordance with the matching principle, recording accrued expenses and deferred income and accrued income and prepaid expenses as appropriate.

A - SECTION 2

ADJUSTMENTS AND PROVISIONS FOR TAXES

Article 7, subparagraph 1, letters b) and c) of Italian Legislative Decree Number 37 of 6/2/2004 repealed articles 15, subparagraph 3 and 39, subparagraph 2 of Italian Legislative Decree 87/92, which allowed banks to "make adjustments and provisions solely for tax purposes".

However, neither Banca Fideuram nor its subsidiaries ever made adjustments or provisions solely for tax purposes, such that said repeal did not have any effects on the 2004 consolidated statement of income.

PART B

NOTES TO THE CONSOLIDATED BALANCE SHEET

B - SECTION 1

LOANS

Item 10 "Cash and deposits with Central Banks and post office"

31.12.2004

	31.12.2004			31.12.2003		
	Euro	Foreign currency	Total	Euro	Foreign currency	Total
Cash deposits	24,052	315	24,367	22,958	111	23,069
Deposits with post offices	153	34	187	7	33	40
Total	24,205	349	24,554	22,965	144	23,109

Item 30 "Due from banks"

a) On demand

Current accounts	100,662	5,085	105,747	60,606	4,231	64,837
Deposits on demand	656,957	7,716	664,673	1,028,336	23,449	1,051,785
Adjustments	4,587	-	4,587	11,456	-	11,456
Total on demand	762,206	12,801	775,007	1,100,398	27,680	1,128,078

b) Other loans

Deposits in central banks	67,197	-	67,197	26,834	-	26,834
Time deposits	420,672	144,000	564,672	477,807	136,732	614,432
Repurchase agreements	1,496,515	154,019	1,650,534	850,570	178,608	1,029,178
Total other loans	1,984,384	298,019	2,282,403	1,355,211	315,340	1,670,551
Total due from banks	2,746,590	310,820	3,057,410	2,455,609	343,020	2,798,629

1.1 Breakdown of item 30 "Due from banks"

	31.12.2004	31.12.2003
a) Due from Central Banks	67,197	46,356
d) Repurchase agreements	1,650,534	1,029,178

1.2 Analysis of loans to banks

	31.12.2004			31.12.2003		
	Gross value	Total adjustments	Net book value	Gross value	Total adjustments	Net book value
A. Doubtful loans	1,157	(347)	810	361	(108)	253
A1. Non-performing loans	-	-	-	-	-	-
A2. Problem loans	-	-	-	-	-	-
A3. Loans currently being restructured	-	-	-	-	-	-
A4. Restructured loans	-	-	-	-	-	-
A5. Unsecured loans exposed to country risk	1,157	(347)	810	361	(108)	253
B. Performing loans	3,056,600	-	3,056,600	2,798,376	-	2,798,376



1.3 Movements in gross doubtful amounts due from banks

31.12.2004

	Non-performing loans	Problem loans	Loans currently being restructured	Restructured loans	Unsecured loans exposed to country risk
A. Opening gross value	-	-	-	-	361
A.1. including: default interest	-	-	-	-	-
B. Increases	-	-	-	-	908
B.1 Transfers from performing loans	-	-	-	-	-
B.2 Default interest	-	-	-	-	-
B.3 Transfers from other categories of doubtful loans	-	-	-	-	-
B.4 Other increases	-	-	-	-	908
C. Decreases	-	-	-	-	112
C.1 Transfers to performing loan	-	-	-	-	-
C.2 Write-offs	-	-	-	-	-
C.3 Collections	-	-	-	-	112
C.4 Disposals	-	-	-	-	-
C.5 Transfers to other categories of doubtful loans	-	-	-	-	-
C.6 Other decreases	-	-	-	-	-
D. Closing gross value	-	-	-	-	1,157
D.1 including: default interest	-	-	-	-	-

1.4 Adjustments to loans

	Non-performing loans	Problem loans	Loans currently being restructured	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Opening total adjustments	-	-	-	-	108	-
A.1. including: default interest	-	-	-	-	-	-
B. Increases	-	-	-	-	239	-
B.1 Adjustments	-	-	-	-	239	-
B.1.1 including: default interest	-	-	-	-	-	-
B.2 Use of provisions for loan losses	-	-	-	-	-	-
B.3 Transfers from other categories of loans	-	-	-	-	-	-
B.4 Other increases	-	-	-	-	-	-
C. Decreases	-	-	-	-	-	-
C.1 Write-backs from year-end valuations	-	-	-	-	-	-
C.1.1 including: default interest	-	-	-	-	-	-
C.2 Write-backs following collections	-	-	-	-	-	-
C.2.1 including: default interest	-	-	-	-	-	-
C.3 Write-offs	-	-	-	-	-	-
C.4 Transfers to other categories of loans	-	-	-	-	-	-
C.5 Other decreases	-	-	-	-	-	-
D. Closing total adjustments	-	-	-	-	347	-
D.1 including: default interest	-	-	-	-	-	-

Item 40 "Loans to customers"

	31.12.2004			31.12.2003		
	Euro	Foreign currency	Total	Euro	Foreign currency	Total
Current accounts	693,193	95	693,288	596,497	15,178	611,675
Mortgage loans	70,373	-	70,373	70,264	-	70,264
Other grants	15,576	2,246	17,822	25,757	3,166	28,923
Non-performing loans	3,525	-	3,525	2,514	-	2,514
Other	26,447	2,574	29,021	23,165	-	23,165
Repurchase agreements	982	-	982	969	-	969
Total	810,096	4,915	815,011	719,166	18,344	737,510

1.5 Breakdown of item 40 "Loans to customers"

	31.12.2004	31.12.2003
a) Bills eligible for refinancing with Central Banks	-	-
b) Repurchase agreements	982	969
c) Securities loaned	-	-

1.6 Secured loans to customers

	31.12.2004	31.12.2003
a) Mortgages	67,294	65,538
b) Pledged assets:	623,862	553,251
1. cash deposits	2,993	27,525
2. securities	619,606	522,021
3. other instruments	1,263	3,706
c) Guarantees given by:	6,186	3,697
1. Governments	-	-
2. other public entities	-	-
3. banks	5,485	2,446
4. other operators	701	1,251

1.7 Analysis of loans to customers

	31.12.2004			31.12.2003		
	Gross value	Total adjustments	Net book value	Gross value	Total adjustments	Net book value
A. Doubtful loans	14,026	(10,501)	3,525	12,079	(9,565)	2,514
A1. Non-performing loans	14,026	(10,501)	3,525	12,079	(9,565)	2,514
A2. Problem loans	-	-	-	-	-	-
A3. Loans currently being restructured	-	-	-	-	-	-
A4. Restructured loans	-	-	-	-	-	-
A5. Unsecured loans exposed to country risk	-	-	-	-	-	-
B. Performing loans	814,486	(3,000)	811,486	743,741	(8,745)	734,996



1.8 Movements in gross doubtful loans to customers

31.12.2004

	Non-performing loans	Problem loans	Loans currently being restructured	Restructured loans	Unsecured loans exposed to country risk
A. Gross value	12,079	-	-	-	-
A1. including: default interest	2,122	-	-	-	-
B. Increases	4,216	-	-	-	-
B.1 Transfers from performing loans	3,351	-	-	-	-
B.2 Default interest	309	-	-	-	-
B.3 Transfers from other categories of doubtful loans	-	-	-	-	-
B.4 Other increases	556	-	-	-	-
C. Decreases	2,269	-	-	-	-
C.1 Transfers to performing loans	-	-	-	-	-
C.2 Write-offs	1,057	-	-	-	-
C.3 Collections	1,212	-	-	-	-
C.4 Disposals	-	-	-	-	-
C.5 Transfers to other categories of doubtful loans	-	-	-	-	-
C.6 Other decreases	-	-	-	-	-
D. Gross value	14,026	-	-	-	-
D.1 including: default interest	2,172	-	-	-	-

1.9 Adjustments to loans

	Non-performing loans	Problem loans	Loans currently being restructured	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Total adjustments	9,565	-	-	-	-	8,745
A1. including: default interest	2,122	-	-	-	-	-
B. Increases	2,975	-	-	-	-	-
B.1 Adjustments	2,531	-	-	-	-	-
B.1.1 including: default interest	307	-	-	-	-	-
B.2 Use of provisions for loan losses	-	-	-	-	-	-
B.3 Transfers from other categories of loans	2	-	-	-	-	-
B.4 Other increases	442	-	-	-	-	-
C. Decreases	2,039	-	-	-	-	5,745
C.1 Write-backs from year-end valuations	349	-	-	-	-	5,018
C.1.1 including: default interest	-	-	-	-	-	-
C.2 Write-backs following collections	748	-	-	-	-	-
C.2.1 including: default interest	148	-	-	-	-	-
C.3 Write-offs	637	-	-	-	-	725
C.4 Transfers to other categories of loans	-	-	-	-	-	2
C.5 Other decreases	305	-	-	-	-	-
D. Total adjustments	10,501	-	-	-	-	3,000
D.1 including: default interest	2,172	-	-	-	-	-

B- SECTION 2

SECURITIES

Balance Sheet classification

	31.12.2004	31.12.2003
Treasury securities and similar bills eligible for refinancing with Central banks (item 20)	65,549	177,200
Bonds and other debt securities (item 50)	1,043,915	1,036,124
Shares, quotas and other equities (item 60)	16,983	6,503
Total	1,126,447	1,219,827

Analysis

	31.12.2004	31.12.2003
Investment securities	144,359	137,973
Dealing securities	982,088	1,081,854
Total	1,126,447	1,219,827

2.1 Investment securities

	31.12.2004		31.12.2003	
	Book value	Market value	Book value	Market value
1. Debt securities	144,359	151,528	137,973	135,953
1.1 Government securities	909	910	899	901
- listed	909	910	899	901
- unlisted	-	-	-	-
1.2 Other securities	143,450	150,618	137,074	135,052
- listed	6,548	6,557	18,326	18,330
- unlisted	136,902	144,061	118,748	116,722
2. Equities	-	-	-	-
- listed	-	-	-	-
- unlisted	-	-	-	-
Total	144,359	151,528	137,973	135,953

2.2 Changes in investment securities during the year

	31.12.2004	31.12.2003
A. Opening balance	137,973	19,776
B. Increases	20,782	123,599
B1. Purchases (*)	20,775	123,287
B2. Write-backs	7	312
B3. Transfers from dealing portfolio	-	-
B4. Other changes	-	-
C. Decreases	14,396	5,402
C1. Sales	-	150
C2. Redemptions	14,382	5,237
C3. Adjustments	6	11
including: permanent write-downs	6	-
C4. Transfers to dealing portfolio	-	-
C5. Other changes	8	4
D. Closing balance	144,359	137,973

(*) This item records Sanpaolo Invest SIM's purchase of policies issued by Fideuram Vita (now A.I.P.), used in the loyalty scheme for its Private Banker Network.

2.3 Dealing securities

	31.12.2004		31.12.2003	
	Book value	Market value	Book value	Market value
1. Debt securities	966,229	966,238	1,077,478	1,077,546
1.1 Government securities	112,994	112,994	224,597	224,597
- listed	112,994	112,994	224,597	224,597
- unlisted	-	-	-	-
1.2 Other securities	853,235	853,244	852,881	852,948
- listed	290,021	290,021	311,712	311,712
- unlisted	563,214	563,223	541,169	541,237
2. Equities	15,859	15,860	4,375	4,540
- listed	15,802	15,802	2,122	2,121
- unlisted	57	58	2,253	2,419
Total	982,088	982,098	1,081,854	1,082,085

The item "Other securities - unlisted" includes securities issued by Sanpaolo Bank SA totalling €464,153 thousand (€426,923 thousand as at 31.12.2003) already dealt for settlement under repurchase lending agreements with customers resident in Italy.

2.4 Changes in dealing securities during the year

	31.12.2004	31.12.2003
A. Opening balance	1,081,854	1,279,230
B. Increases	9,074,181	7,881,610
B1. Purchases	9,053,831	7,875,102
- Debt securities	9,032,758	7,861,372
- Government securities	5,735,744	3,730,347
- Other securities	3,297,074	4,131,025
- Equities	21,073	13,730
B2. Write-backs and revaluations	380	433
B3. Transfers from investment portfolio	-	-
B4. Other changes	19,970	6,075
C. Decreases	9,173,947	8,078,986
C1. Sales	9,170,710	8,076,565
- Debt securities	9,148,691	8,064,620
- Government securities	5,846,795	3,640,600
- Other securities	3,301,896	4,424,020
- Equities	22,019	11,945
C2. Adjustments	992	864
C3. Transfers to investment portfolio	-	-
C5. Other changes	2,245	1,557
D. Closing balance	982,088	1,081,854

"Other increases" (B4) included €12,709 thousand Sanpaolo IMI shares received in the Fideuram Vita spin-off transaction.

The item "Other changes" under decreases (C5) mainly comprises the issue discounts accrued at the end of the previous financial year.

B - SECTION 3

SUBSIDIARIES AND OTHER MINOR INVESTMENTS

3.1 Significant investments

Name	Type of relationship	Shareholders' equity (*)	Net income	Ownership Held by %		Voting rights at shareholders' meeting	Consolidated book value (thousand euros)
A. Companies consolidated line by line							
A.1 Line-by-line basis							
1. Banca Fideuram S.p.A. - Rome Capital €186,255,207.16 in shares of €0.19 each		€ 733,938	€ 163,487				-
2. Fideuram Bank (Luxembourg) S.A. - Luxembourg Capital €20,000,000 in shares of €1,000 each	1	€ 40,305	€ 11,365	BF	99.99%	99.99%	-
3. Fideuram Fiduciaria S.p.A. - Rome Capital €1,551,000 in shares of €517 each	1	€ 2,530	€ 482	BF	100.00%	100.00%	-
4. Fideuram Investimenti Sgr S.p.A. - Rome Capital €25,850,000 in shares of €517 each	1	€ 37,331	€ 9,109	BF	99.50%	99.50%	-
5. Fideuram Gestions S.A. - Luxembourg Capital €10,000,000 in shares of €100 each	1	€ 16,264	€ 784	BF	99.94%	99.94%	-
6. Fideuram Bank (Suisse) A.G. - Zurich Capital Chf 15,000,000 in shares of Chf 500 each	1	Chf 33,596	Chf 1,661	FBL	99.94%	99.94%	-
7. Fideuram Asset Management (Ireland) Ltd - Dublin Capital €1,000,000 in shares of €1,000 each	1	€ 189,934	€ 182,723	BF	100.00%	100.00%	-
8. Financière Fideuram S.A. - Paris (**) Capital €22,333,700 in shares of €25 each	1	€ 34,604	€ (4,164)	BF	95.00%	95.00%	-
9. Banque Privée Fideuram Wargny S.A. - Paris Capital €47,550,000 in shares of €40 each	1	€ 41,404	€ (16,696)	FF	94.90%	94.90%	-
10. Fideuram Wargny Gestion S.A. - Paris Capital €204,600 in shares of €15.5 each	1	€ 3,794	€ 107	BPFW	94.86%	94.86%	-
11. Fideuram Wargny Gestion S.A.M. - Munich Capital €2,500,000 in shares of €100 each	1	€ 5,254	€ 94	BPFW	94.86%	94.86%	-
12. Sogesmar S.A. - Paris Capital €147,645 in shares of €76.5 each	1	€ 326	€ 37	BPFW FWG	48.92% 45.71%	48.92% 45.71%	-
13. Fideuram Wargny Active Broker S.A. - Paris Capital €3,299,835 in shares of €15.4 each	1	€ 11,983	€ (2,684)	BPFW	94.90%	94.90%	-
14. W.D.W. - Paris Capital €38,250 in shares of €15.3 each	1	€ 35	€ (3)	BPFW	94.78%	94.78%	-
15. Sanpaolo Invest SIM S.p.A. - Rome Capital €14,980,000 in shares of €140 each	1	€ 20,866	€ 2,123	BF	100.00%	100.00%	-
16. Sanpaolo Invest Ireland Ltd - Dublin Capital €127,000 in shares of €1 each	1	€ 9,491	€ 8,959	BF	100.00%	100.00%	-
C. Other significant investments							
1. Studi e Ricerche Fiscali (Consortium) - Rome	8	€ n.a.	n.a.	BF	10.00%	10.00%	€ 26

n.a.: not available

Legend

Type of relationship:

1 = Control as per sub-paragraph 1, No. 1, art. 2359 of the Italian Civil Code (majority of voting rights at general meeting)

8 = Associated company

Held by:

BF= Banca Fideuram

FF= Financière Fideuram, BPFW= Banque Privée Fideuram Wargny

FBL= Fideuram Bank (Lux), FWG=Fideuram Wargny Gestion.

(*) Including the result shown in the next column and, for Banca Fideuram only, own shares held.

(**) Financière Fideuram's consolidated shareholders' equity adjusted for goodwill as at 31.12.2004 totalled €17,442 thousands.



3.2 Amounts due to and from Group companies

	Subsidiaries	Companies subject to considerable influence	Parent company	Companies controlled by the parent company	31.12.2004 Total	31.12.2003 Total
a) Assets					821,464	1,149,652
1. Due from banks	-	-	-	340,305	340,305	413,821
<i>including: subordinated</i>	-	-	-	-	-	-
2. Due from financial institutions	-	-	-	-	-	-
<i>including: subordinated</i>	-	-	-	-	-	-
3. Due from other customers	-	75	-	6,200	6,275	23,740
<i>including: subordinated</i>	-	-	-	-	-	-
4. Bonds and other debt securities	-	-	2,155	472,729	474,884	712,091
<i>including: subordinated</i>	-	-	-	-	-	9,930
b) Liabilities					186,812	232,919
1. Due to banks	-	-	284	289	573	18,012
2. Due to financial institutions	-	-	-	-	-	-
3. Due to other customers	-	-	-	186,239	186,239	212,907
4. Securities issued	-	-	-	-	-	-
5. Subordinated liabilities	-	-	-	-	-	2,000
c) Guarantees and commitments					140,008	32,132
1. Guarantees given	-	-	516	448	964	162
2. Commitments	-	-	-	139,044	139,044	31,970

3.4 Item 70 "Equity investments"

	31.12.2004	31.12.2003
a) Investments in banks	-	-
1. listed	-	-
2. unlisted	-	-
b) Investments in financial institutions	17	35
1. listed	-	-
2. unlisted	17	35
c) Other	113	115
1. listed	-	-
2. unlisted	113	115
Total	130	150

Investments carried at cost in assets item 70.b (other investments) are analysed below:

Name	Book value	Ownership (%)
A. Investments in banks	-	-
B. Investments in financial institutions	17	
- Graviere Gestion - Paris	17	4.78
C. Other investments	113	
- Istituto per l'Enciclopedia della Banca e della Borsa S.p.A. Rome	1	0.35
- Industrie Aeronautiche Meccaniche Rinaldo Piaggio S.p.A. Genoa ⁽¹⁾	-	3.86
- S.W.I.F.T. S.C. - Brussels	5	0.02
- Società Gestione Realizzo S.p.A. - Rome	97	0.63
- S.I.A. Società Interbancaria per l'Automazione S.p.A. Milan	3	0.02
- S.S.B. Società Servizi Bancari S.p.A. - Milan	1	0.02
- Idroenergia Società Consortile Aosta	1	0.07
- Patti Chiari Consorzio per la Gestione del Marchio - Rome	5	0.54
Total	130	

⁽¹⁾ Fully written down.

3.5 Item 80 "Investments in Group companies"

	31.12.2004	31.12.2003
a) Investments in banks	-	-
1. listed	-	-
2. unlisted	-	-
b) Investments in financial institutions	-	-
1. listed	-	-
2. unlisted	-	-
c) Other	26	443,793
1. listed	-	-
2. unlisted	26	443,793
Total	26	443,793

The investments in assets item 80 (Investments in group companies) are analysed below:

	31.12.2004	31.12.2003
a) Carried at equity	-	443,767
Fideuram Vita S.p.A.	-	434,305
Fideuram Assicurazioni S.p.A.	-	9,462
b) Other	26	26
Studi e Ricerche Fiscali (Consortium)	26	26
Total	26	443,793



3.6 Changes during the year in the equity investment portfolio

3.6.1 Investments in Group companies

	31.12.2004	31.12.2003
A. Opening balance	443,793	385,407
B. Increases	76,730	70,230
B1. Purchases	-	31,154
B2. Write-backs	-	-
B3. Revaluations	-	-
B4. Other changes	76,730	39,076
C. Decreases	520,497	11,844
C1. Sales	20,200	3,300
C2. Adjustments	-	-
C3. Other changes	500,297	8,544
D. Closing balance	26	443,793
E. Total revaluations	-	210,583
F. Total adjustments	-	-

The item Sales (C1) regards the equity investment in Fideuram Assicurazioni that Banca Fideuram sold to Fideuram Vita in March 2004.

The item Other decreases (C3) includes the effects of the spin-off of Fideuram Vita, completed on 30 November 2004.

3.6.2 Other equity investments

	150	144
A. Opening balance	150	144
B. Increases	409	6
B1. Purchases	-	6
B2. Write-backs	-	-
B3. Revaluations	-	-
B4. Other changes	409	-
C. Decreases	429	-
C1. Sales	428	-
C2. Adjustments	1	-
C3. Other changes	-	-
D. Closing balance	130	150
E. Total revaluations	46	46
F. Total adjustments	960	959

The item Sales (C1) regards the equity investment in Hogep Hoche Gestion Paris.

B- SECTION 4

TANGIBLE AND INTANGIBLE FIXED ASSETS

Item 120 "Tangible fixed assets"

	31.12.2004	31.12.2003
Immovable property used for operating purposes	29,383	33,658
Plant and equipment	9,689	12,222
Furniture and furnishings	5,820	6,720
Total	44,892	52,600

4.1 Changes in tangible fixed assets during the year

	31.12.2004	31.12.2003
A. Opening balance	52,600	58,910
B. Increases	4,837	8,146
B1. Purchases	4,637	7,666
B2. Write-backs	-	-
B3. Revaluations	-	-
B4. Other changes	200	480
C. Decreases	12,545	14,456
C1. Sales	254	60
C2. Adjustments	12,020	13,707
a) depreciation	12,020	13,707
b) permanent write-downs	-	-
C3. Other changes	271	689
D. Closing balance	44,892	52,600
E. Total revaluations	48,161	48,161
F. Total adjustments:	159,033	148,075
a) depreciation	159,033	148,075
b) permanent write-downs	-	-

The item "Total revaluations" under tangible fixed assets (mainly buildings) regards Banca Fideuram and resulted from applying Italy's monetary adjustment laws in 2000 and prior financial years.

Item 110 "Intangible fixed assets"

Software purchase costs	21,731	31,070
Improvements to leasehold branch properties	5,066	7,671
Other deferred expenses	668	1,106
Total	27,465	39,847

4.2 Changes in intangible fixed assets during the year

	39,847	46,527
A. Opening balance	39,847	46,527
B. Increases	17,093	23,723
B1. Purchases	17,091	23,652
B2. Write-backs	-	-
B3. Revaluations	-	-
B4. Other changes	2	71
C. Decreases	29,475	30,403
C1. Sales	262	238
C2. Adjustments	25,977	28,857
a) amortisation	25,977	28,857
b) permanent write-downs	-	-
C3. Other changes	3,236	1,308
D. Closing balance	27,465	39,847
E. Total revaluations	-	-
F. Total adjustments:	106,239	104,752
a) amortisation	106,239	104,752
b) permanent write-downs	-	-

B - SECTION 5**OTHER ASSETS****5.1 Item 150 "Other assets"**

	31.12.2004	31.12.2003
Clearing accounts and other receivables	36,068	57,069
Deferred tax assets	62,200	67,242
Commissions and fees receivable	60,334	64,170
Transactions in progress	18,022	16,931
Due from Private Bankers	99,975	113,406
Cash, cheques, coupons, prepaid stamp duty etc.	9,515	9,874
Withholding tax	33,068	19,911
Due from tax authorities	18,292	21,363
Unprocessed transactions relating to securities transactions	29,936	26,698
Effect of valuing off-balance-sheet transactions	9,303	13,774
Invoices issued	4,258	5,882
Other taxation	34	1,496
Tax credits relating to dividends	34	17,852
Total	381,039	435,668

5.2 Item 160 "Accrued income and prepaid expenses"

	9,957	10,176
Accrued income	9,957	10,176
Interest on securities	5,541	5,430
Interest on amounts due from banks	1,692	2,622
Interest from loans to customers	94	79
Other	2,630	2,045
Prepaid expenses	197,217	177,168
Network loyalty scheme (*)	110,435	106,873
Bonuses to quality/insurance inflow (**)	71,486	60,888
Commissions income on Unit Linked (***)	10,376	2,374
Subordinated liabilities	2,517	3,047
Rental expense	440	646
Invoices	1,589	1,716
Staff	371	373
Insurance	-	610
Other	3	641
Total	207,174	187,344

(*) Prepaid expenses relating to the costs of the Banca Fideuram and Sanpaolo Invest SIM network loyalty schemes, calculated for an estimated average Private Banker length of service.

(**) Prepaid expenses regarding Bonuses linked to the quality/insurance inflow targets set in the 2002/2003/2004 plans, linked to the average term of customer investments.

(***) Prepaid expenses calculated regarding commission expense paid to the Network and linked to commission income on the policies sold in 2004.

5.3 Adjustments to accrued income and prepaid expenses

No adjustments were made as balancing entries to the assets and liabilities items to which the accrued income and prepaid expenses relate.

5.4 Subordinated assets

	31.12.2004	31.12.2003
a) Due from banks	-	-
b) Loans to customers	-	-
c) Bonds and other debt securities	2	706
Total	2	706

B - SECTION 6**PAYABLES****Item 10 "Due to banks"**

	31.12.2004			31.12.2003		
	Euro	Foreign currency	Total	Euro	Foreign currency	Total
a) On demand						
Current accounts	150,129	15,223	165,352	169,708	114	169,822
Deposits on demand	677	-	677	20,117	-	20,117
b) Forward upon notice						
Time deposits	21,500	46,319	67,819	5,164	75,042	80,206
Repurchase agreements	-	-	-	-	-	-
Total	172,306	61,542	233,848	194,989	75,156	270,145

6.1 Breakdown of the item "Due to banks"

	31.12.2004	31.12.2003
a) Repurchase agreements	-	-
b) Securities loaned	-	-

Item 20 "Due to customers"

	31.12.2004			31.12.2003		
	Euro	Foreign currency	Total	Euro	Foreign currency	Total
a) On demand						
Saving deposits	76,687	9,989	86,676	71,666	8,598	80,264
Current accounts	947,161	240,685	1,187,846	874,192	166,872	1,041,064
"Moneta Attiva"	2,137,333	-	2,137,333	2,029,897	-	2,029,897
b) Forward upon notice						
Repurchase agreements	452,717	-	452,717	430,043	-	430,043
Total	3,613,898	250,674	3,864,572	3,405,798	175,470	3,581,268

6.2 Breakdown of the item "Due to customers"

	31.12.2004	31.12.2003
a) Repurchase agreements	452,717	430,043
b) Securities loaned	-	-

Item 30 "Securities issued"

	31.12.2004			31.12.2003		
	Euro	Foreign currency	Total	Euro	Foreign currency	Total
Other securities						
- Own bankers' draft	3,689	-	3,689	3,285	-	3,285
Total	3,689	-	3,689	3,285	-	3,285

B - SECTION 7

PROVISIONS

Item 70 "Provision for employee severance indemnities" - changes during the year

	31.12.2004	31.12.2003
Opening balance	35,665	33,159
Decreases:	4,778	4,884
- indemnities and advances paid	2,885	2,976
- other	529	1,386
- to Sanpaolo IMI Group pension fund (Italian Legislative Decree 124/1993)	1,364	522
Increases:	5,385	7,390
- provisions	5,385	5,566
- other	-	1,824
Closing balance	36,272	35,665

Subitem 80 b) "Provisions for risks and charges - taxation" - changes during the year

	31.12.2004	31.12.2003
Opening balance	64,871	62,998
Decreases:		
- utilisation	(49,188)	(38,143)
- other	-	(281)
Other:		
- provision for income taxes	33,798	40,297
- other	-	-
Closing balance	49,481	64,871

7.5 Changes in deferred tax liabilities in the year

	31.12.2004	31.12.2003
1. Opening balance	3,092	3,987
2. Increases		
2.1 Deferred tax liabilities arising in the year	3,385	2,638
2.2 Other increases	-	-
3. Decreases		
3.1 Deferred tax liabilities cancelled in the year	2,396	3,425
3.2 Other decreases	-	108
4. Closing balance	4,081	3,092

The provision for taxation covers direct taxes payable. Banca Fideuram and Fideuram Capital, which merged with the former, used the settlement option provided for by art. 9 of Italian law 289/2002 (the "condono tombale" tax amnesty) regarding those years still subject to assessment (1997 to 2002). The other group companies filed supplementary tax returns in accordance with art. 8 of the same law in order to avoid the two-year extension to the time limit for assessments by the Italian Inland Revenue.

Breakdown of "Deferred tax assets"

The breakdown of the item "Deferred tax assets", which has a balancing entry in the statement of income, was as follows:

	31.12.2004	31.12.2003
Adjustments to loans	578	824
Provisions for future charges	51,281	50,347
Adjustments to securities and equity investments	7,072	9,148
Other	3,269	6,923
Total	62,200	67,242

7.4 Change in "Deferred tax assets" in the year

	31.12.2004	31.12.2003
1. Opening balance	67,242	66,010
2. Increases		
2.1 Deferred tax assets arising in the year	12,616	25,140
2.2 Other increases	-	373
3. Decreases		
3.1 Deferred tax assets cancelled in the year	17,658	24,281
3.2 Other decreases	-	-
4. Closing balance	62,200	67,242

7.3 Subitem 80 d) "Provisions for risks and charges - other"

	31.12.2004	31.12.2003
Provision for legal disputes and claims from receivers	64,982	63,206
Provisions for contractual indemnities due to Private Bankers	38,286	35,758
Provisions for guarantees and commitments	77	77
Provisions for losses on commissions advanced	63,877	71,067
Total	167,222	170,108

The "Provision for legal disputes and claims from receivers" covers the Group companies' exposure to legal action and claims where the outcome is uncertain, and was determined following a detailed assessment of each case. This provision covers the liabilities and risks regarding disputes resulting from any misconduct by Private Bankers, as well as any claims from receivers brought against Group companies. It likewise takes into account the risks regarding complaints in connection with sales and securities trading activities with customers. Company policy requires routine complaint management procedures to be followed, based on verifying that the formal policies and standards of behaviour provided for by the reference legislation and rules have been respected, and this includes making a careful assessment of whether customers have made appropriate risk level and other choices.

The "Provision for contractual indemnities due to Private Bankers" was calculated using actuarial criteria that take the indemnities actually accrued into account, together with the composition of the Network and the indemnities paid to those Private Bankers that have left the Banca Fideuram Group in last 5 financial years. The Provision also includes the "meritocratic indemnity" set aside under the "new collective economic agreement for agents in the commerce sector" of 26 February 2002, which came into force on 2 April 2002.

The "Provisions for guarantees and commitments" were determined on the basis of a detailed estimate of potential losses on guarantees and commitments given.

The "Provisions for losses on commissions advanced" were calculated by estimating the additional costs that the group would incur if the volume of business brought in by private bankers during their initial period of operations were to be less than that corresponding to the advance commission they were paid for the same period.

Subitem 80 d) "Provisions for risks and charges other provisions" - changes during the year

	31.12.2004	31.12.2003
Opening balance	63,206	63,206
Decreases:		
- utilisation	8,555	1,631
- others	530	10
Increases:		
- provision	10,627	3,637
- others	234	532
Closing balance	64,982	38,286

	31.12.2004	31.12.2003
Opening balance	48,441	31,042
Decreases:		
- utilisation	1,731	1,479
- others	180	311
Increases:		
- provision	9,284	6,377
- others	7,392	129
Closing balance	63,206	35,758

Where interest on accrued interest is concerned, it should be emphasised that given the special business established by Banca Fideuram, loans to customers have been limited, especially in recent years, such that the potential effects of any capitalisation of interest due have been fairly small.

In consideration, moreover, of the negligible number of complaints received no provision was set aside for this purpose.



B - SECTION 8

CAPITAL, EQUITY RESERVES, RESERVE FOR GENERAL BANKING RISKS AND SUBORDINATED LIABILITIES

Item 90 "Goodwill arising on consolidation"

Item 120 "Negative goodwill arising upon consolidation"

	31.12.2004		31.12.2003	
	Goodwill on consolidation Positive (assets item 90)	Negative (liabilities item 120)	Goodwill on consolidation Positive (assets item 90)	Negative (liabilities item 120)
Sanpaolo Invest SIM	-	8,528	-	8,528
Fideuram Investimenti	-	693	-	693
Fideuram Fiduciaria	-	649	-	649
Financière Fideuram (*)	-	-	16,243	-
Total	-	9,870	16,243	9,870

(*) The write-off of goodwill arising on consolidation regarding Financière Fideuram was a result both of ordinary amortisation and the extraordinary write-off made to take account of a more cautious valuation of the future income prospects of the French group.

The changes in goodwill arising upon consolidation are analysed below:

Positive goodwill as at 31.12.2003	new differences	2004 Changes amortisation	other	Positive goodwill as at 31.12.2004
16,243	-	(2,320)	(13,923)	-

The changes in negative goodwill arising upon consolidation are analysed below:

Negative goodwill as at 31.12.2003	new differences	2004 Changes amortisation	other	Negative goodwill as at 31.12.2004
9,870	-	-	-	9,870

The balance of items 100 "Goodwill arising upon application of the equity method" and 130 "Negative goodwill arising upon application of the equity method" was zero both as at 31.12.2004 and as at 31.12.2003.

Item 140 "Minority interests"

	31.12.2004	31.12.2003
Minority interests	905	1,384

This item represents the minority interest in the shareholders' equity of companies consolidated on a line-by-line basis.

Item 150 "Capital"

980,290,564 ordinary shares with a par value of 0.19 euros each	186,255	254,876
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Item 160 "Additional paid-in capital"

	31.12.2004	31.12.2003
Additional paid-in capital	-	52,737

Statement of changes in consolidated shareholders' equity

	Capital	Additional paid-in capital	Legal reserve	Other reserves	Reserve for Sanpaolo IMI shares	Negative goodwill from consolidation	Net income of the year	31.12.2004 Total
Balance as at 31 December 2003	254,876	52,737	50,975	539,745	-	9,870	175,613	1,083,816
Allocation of net income:								
- reserves	-	-	-	18,767	-	-	(18,767)	-
- dividends	-	-	-	2,400	-	-	(156,846)	(154,446)
Spin-off transaction	(68,621)	(52,737)	(13,724)	(347,233)	-	-	-	(482,315)
Reserve for Sanpaolo IMI shares	-	-	-	(11,858)	11,858	-	-	-
Other changes	-	-	-	208	-	-	-	208
Net income	-	-	-	-	-	-	243,013	243,013
Balance as at 31 December 2004	186,255	-	37,251	202,029	11,858	9,870	243,013	690,276

Consolidated net income includes the income from insurance business up to the date when the spin-off took legal effect, totalling €66m.

To this end utilisation of Other reserves was recorded for the same amount, to be offset with the distribution of 2004 consolidated net income.

Statement of changes in consolidated shareholders' equity

	Capital	Additional paid-in capital	Legal reserve	Other reserves	Negative goodwill from consolidation	Net income of the year	31.12.2003 Total
Balance as at 31 December 2002	254,876	52,737	47,281	553,606	13,021	145,694	1,067,215
Allocation of net income:							
- reserves	-	-	3,694	15,764	-	(19,458)	-
- dividends	-	-	-	(28,210)	-	(126,236)	(154,446)
Other changes	-	-	-	(1,415)	(3,151)	-	(4,566)
Net income	-	-	-	-	-	175,613	175,613
Balance as at 31 December 2003	254,876	52,737	50,975	539,745	9,870	175,613	1,083,816

**Item 170 "Reserves"**

	31.12.2004	31.12.2003
Legal reserve	37,251	50,975
Other reserves:		
Reserve for own shares	57,139	71,550
Reserve for Sanpaolo IMI shares	11,858	-
Others	136,104	455,941
Total	242,352	578,466

The Legal Reserve and Reserve for Own Shares and Sanpaolo IMI shares relate to Banca Fideuram. The item Other reserves principally comprises the net income of the consolidated companies.

Item 180 "Revaluation reserve"

Surplus balance	8,786	12,254
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This is the surplus balance of the monetary revaluation resulting from the application of Italian Law 342/2000 net of substitute tax paid.

Item 200 "Net income"

Net income	243,013	175,613
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Item 110 "Subordinated liabilities"

The total for this item, amounting to €200,547 thousands almost entirely regards the subordinated loan issued by Banca Fideuram (see the notes to the Bank's financial statements for more detailed information).

B - SECTION 9**OTHER LIABILITIES****9.1 Item 50 "Other liabilities"**

	31.12.2004	31.12.2003
Due to Private Banker (*)	282,542	251,860
Amounts to be collected by customers	62,358	91,470
Clearing accounts and other payables	41,301	24,564
Due to suppliers	31,196	34,492
Payroll and contributions payable	19,938	31,908
Due to tax authorities	14,294	16,607
Effect of valuing off-balance-sheet transactions	4,239	2,748
Amounts relating to securities transactions	10,362	108,017
Due to social security institutions	11,061	5,787
Non-liquid balances from portfolio transactions	6,931	8,384
Due to Private Banker: Index Bonus (**)	-	27,285
Total	484,222	603,122

(*) The item "Due to Private Bankers" includes approximately €187m due under the Fideuram and Sanpaolo Invest Networks' loyalty scheme. The related amount for the year was recorded under item 50 "Commission expense" (incentives), while the amounts for future years were included in item 140 "Accrued income and prepaid expenses".

(**) The amount due under the Index Bonus scheme was settled in January 2004.

9.2 Item 60 "Accrued expenses and deferred income"

	31.12.2004	31.12.2003
Accrued expenses	10,153	11,865
Interest on amounts due to banks	2,358	167
Interest on amounts due to customers	1,252	4,227
Differentials on off-balance-sheet transactions	40	284
Subordinated liabilities	1,370	1,331
Other	5,133	5,856
Deferred income	100	194
Commissions	-	117
Other	100	77
Total	10,253	12,059

9.3 Adjustments to reflect accrued expenses and deferred income

No adjustments were made as balancing entries to the liabilities and assets items to which the accrued expenses and deferred income relate.

B - SECTION 10**GUARANTEES AND COMMITMENTS****10.1 Item 10 "Guarantees given"**

	31.12.2004	31.12.2003
a) Commercial guarantees	13,178	17,720
- guarantees	13,178	17,720
b) Financial guarantees	80,625	80,872
- guarantees	80,625	80,872
c) Assets lodged in guarantee	-	-
Total	93,803	98,592

10.2 Item 20 "Commitments"

a) Commitments to grant finance (certain to be called on)	656,035	395,337
- purchases of securities not yet settled	41,441	31,971
- deposits and loans to be made to banks	593,495	363,265
- deposits and loans to be made to customers	21,099	-
- mortgages to be paid out to customers	-	101
b) Commitments to grant finance (not certain to be called on)	9,496	8,383
- commitments to the Interbank Deposit Guarantee Fund	7,307	6,194
- put option on Financière Fideuram	2,189	2,189
Total	665,531	403,719

Commitments to grant finance (certain to be called on) for "Deposits and loans to be made to banks" regarded Banca Fideuram repurchase agreements totalling €520,657 thousands.

The item "Purchases of securities not yet settled" included commitments by Banca Fideuram to purchase Sanpaolo Bank SA bonds totalling €21,672 thousands under repurchase agreements with customers.

10.3 Assets lodged to guarantee Group liabilities

Securities lodged to guarantee:		
- borrowing repurchase agreements with customers	449,564	426,923
- banker's drafts	19,984	19,983
- other guarantee deposits	697	993
Total	470,245	447,899

10.4 Unused lines of credit available

a) Central Banks	67,197	26,834
b) Other banks	-	-
Total	67,197	26,834

10.5 Forward transactions

	31.12.2004			31.12.2003		
	hedging	dealing	other	hedging	dealing	other
1. Purchase/sale of						
1.1 Securities						
- purchases	-	41,441	-	-	31,971	-
- sales	-	511,084	-	-	496,750	-
1.2 Currency						
- currency against currency	53,317	24,547	-	14,979	43,925	-
- purchases against euro	554,600	280,930	-	404,206	119,251	-
- sales against euro	503,697	373,192	-	389,902	185,610	-
2. Deposits and loans						
- to be disbursed	93,937	-	520,657	34,261	-	329,105
- to be received	-	-	14,683	-	-	-
3. Derivative contracts						
3.1 With exchange of capital						
a) securities						
- purchases	-	-	6,295	-	-	6,295
- sales	-	-	-	-	-	-
b) currency						
- currency against currency	-	-	-	-	-	-
- purchases against euro	-	-	-	-	-	-
- sales against euro	-	-	-	-	-	-
c) other instruments						
- purchases	-	-	-	-	-	-
- sales	-	-	-	-	-	-
3.2 Without exchange of capital						
a) currency						
- currency against currency	-	-	-	-	-	-
- purchases against euro	-	-	-	-	-	-
- sales against euro	-	-	-	-	-	-
b) other instruments						
- purchases	-	-	136,581	-	-	118,748
- sales	-	-	136,581	-	-	118,748

The item "Derivative contracts without exchange of capital" comprised derivatives implicit in the policies written with A.I.P. as part of the Fideuram and Sanpaolo Invest Networks' loyalty scheme and in the corresponding amount due to Private Bankers that is index-linked to the returns on said policies. These policies are classified as investment securities in the balance sheet assets, while the amount due to the network is recorded under Other liabilities.

In 2003, currency swap transactions were reclassified from "Currency derivative contracts with exchange of capital" to "Purchase/sale of currency" in order to better reflect their nature.

B - SECTION 11**CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES****11.2 Distribution of loans to customers by category of borrower**

	31.12.2004	31.12.2003
a) Governments	-	2,976
c) Non-financial companies	180,307	153,757
d) Financial institutions	41,378	68,553
e) Family businesses	12,377	6,832
f) Other operators	580,949	505,392
Total	815,011	737,510

11.3 Distribution of loans to resident non-financial and family businesses

	31.12.2004	31.12.2003
Business sector:		
a) 1a - other, sales services	82,279	71,582
b) 2a - construction and public works	31,346	28,111
c) 3a - commerce, salvage and repairs	24,354	20,469
d) 4a - energy products	9,800	9,562
e) 5a - fashion products	9,147	8,093
f) Other sectors	35,758	22,772

11.4 Distribution of guarantees given by main category of counter-debtor

	31.12.2004	31.12.2003
a) Governments	-	-
b) Other public entities	-	-
c) Banks	964	1,395
d) Non-financial companies	35,937	33,778
e) Financial institutions	4,225	1,952
f) Family businesses	9,857	1,665
g) Other operators	42,820	59,802
Total	93,803	98,592

11.5 Geographical distribution of assets and liabilities

	Italy	Other UE countries	Other countries	31.12.2004 Total
1. Assets				
1.1 Due from banks	1,656,818	861,026	539,566	3,057,410
1.2 Loans to customers	782,512	31,831	668	815,011
1.3 Securities	288,915	782,190	55,342	1,126,447
2. Liabilities				
2.1 Due to banks	48,413	176,827	8,608	233,848
2.2 Due to customers	3,117,751	691,897	54,924	3,864,572
2.3 Securities issued	3,689	-	-	3,689
2.4 Other accounts	199,547	1,000	-	200,547
3. Guarantees and commitments	642,474	95,028	21,832	759,334

	Italy	Other UE countries	Other countries	31.12.2003 Total
1. Assets				
1.1 Due from banks	1,136,375	981,906	680,348	2,798,629
1.2 Loans to customers	691,368	46,139	3	737,510
1.3 Securities	372,923	755,430	91,474	1,219,827
2. Liabilities				
2.1 Due to banks	91,201	137,780	41,164	270,145
2.2 Due to customers	3,036,164	493,737	51,367	3,581,268
2.3 Securities issued	3,285	-	-	3,285
2.4 Other accounts	200,547	-	-	200,547
3. Guarantees and commitments	456,947	42,004	3,360	502,311





11.6 Maturities of assets and liabilities

Item / Residual maturity	Specified maturity							Unspecified maturity	Total
	On demand	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years		Over 5 years			
				Fixed rate	Floating rate	Fixed rate	Floating rate		
1. Assets	1,503,212	3,238,007	138,125	537,932	296,856	136,790	148,337	70,459	6,069,718
1.1 Treasury Securities eligible for refinancing	-	50,459	2	-	109	-	14,979	-	65,549
1.2 Due from banks	774,334	2,164,709	19,874	31,296	-	-	-	67,197	3,057,410
1.3 Loans to customers	714,195	781	13,789	13,624	32,089	86	37,185	3,262	815,011
1.4 Bonds and other debt securities	-	39,644	36,240	470,809	264,388	136,661	96,173	-	1,043,915
1.5 Off-balance-sheet transactions	14,683	982,414	68,220	22,203	270	43	-	-	1,087,833
2. Liabilities	4,030,044	609,084	57,271	491,658	202,371	5	56	-	5,390,489
2.1 Due to banks	168,298	59,050	6,500	-	-	-	-	-	233,848
2.2 Due to customers	3,337,401	488,902	38,269	-	-	-	-	-	3,864,572
2.3 Securities issued									
- bonds	-	-	-	-	-	-	-	-	-
- certificates of deposit	-	-	-	-	-	-	-	-	-
- other securities	3,689	-	-	-	-	-	-	-	3,689
2.4 Subordinated liabilities	-	-	-	547	200,000	-	-	-	200,547
2.5 Off-balance-sheet transactions	520,656	61,132	12,502	491,111	2,371	5	56	-	1,087,833

Item / Residual maturity	Specified maturity							Unspecified maturity	Total
	On demand	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years		Over 5 years			
				Fixed rate	Floating rate	Fixed rate	Floating rate		
1. Assets	2,094,133	2,185,715	201,410	529,369	308,150	163,125	93,283	32,014	5,607,200
1.1 Treasury Securities eligible for refinancing	3	85,293	91,896	-	-	8	-	-	177,200
1.2 Due from banks	1,128,078	1,613,610	20,000	10,000	-	-	-	26,941	2,798,629
1.3 Loans to customers	626,176	4,729	20,425	44,082	-	37,025	-	5,073	737,510
1.4 Bonds and other debt securities	5,617	31,035	13,530	474,489	292,283	125,966	93,204	-	1,036,124
1.5 Off-balance-sheet transactions	334,259	451,049	55,559	798	15,867	125	79	-	857,736
2. Liabilities	3,668,150	536,432	21,389	2,133	484,379	5	200,491	-	4,912,980
2.1 Due to banks	189,939	80,205	-	-	-	-	-	-	270,145
2.2 Due to customers	3,151,225	411,231	18,812	-	-	-	-	-	3,581,268
2.3 Securities issued									
- bonds	-	-	-	-	-	-	-	-	-
- certificates of deposit	-	-	-	-	-	-	-	-	-
- other securities	3,285	-	-	-	-	-	-	-	3,285
2.4 Subordinated liabilities	-	-	-	547	-	-	200,000	-	200,547
2.5 Off-balance-sheet transactions	323,701	44,996	2,577	1,586	484,379	5	491	-	857,736

11.7 Assets and liabilities denominated in foreign currencies

	31.12.2004	31.12.2003
a) Assets	317,033	369,827
1. Due from banks	310,820	343,020
2. Loans to customers	4,915	18,344
3. Trading securities	943	5,818
4. Equity investments	-	-
5. Other accounts	355	2,645
b) Liabilities	318,992	258,130
1. Due to banks	61,542	75,156
2. Due to customers	250,674	175,470
3. Securities issued	-	-
4. Other accounts	6,776	7,504

11.8 Securitisation transactions

The Group did not engage in any securitisation transactions as per Italian law 133/99, does not have any holdings in vehicle companies and does not act as a servicer or arranger for such transactions. Moreover, the Group does not hold any securities in securitisation transactions.

B - SECTION 12

ADMINISTRATION AND TRADING ON BEHALF OF THIRD PARTIES

12.1 Trading in securities

	31.12.2004	31.12.2003
a) Purchases	1,618,432	2,347,334
1. settled	1,613,164	2,339,254
2. not settled	5,268	8,080
b) Sales	1,924,816	2,452,980
1. settled	1,920,861	2,434,878
2. not settled	3,955	18,102

12.2 Asset management

Market value of assets under management	15,956,000	14,918,000
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The amount mainly regarded assets under the management of Fideuram Investimenti and Fideuram Bank (Luxembourg).

12.3 Custody and administration of securities

a) Third-party securities held on deposit	115,597,634	73,622,140
1. Securities issued by Banca Fideuram	43,495	45,672
- in custody	43,385	45,562
- as guarantees	110	110
2. Other securities	115,554,139	73,576,468
- in custody	114,416,435	72,630,000
- as guarantees	1,137,704	946,468
b) Third-party securities deposited with third parties	78,319,812	63,497,189
c) Portfolio securities deposited with third parties	1,086,789	1,104,153

12.4 Collection of receivables on behalf of third parties: credit and debit adjustments

	31.12.2004	31.12.2003
a) Debit adjustments (*)	5,559	5,342
1. current accounts	(55)	(12)
2. central portfolio	1,478	1,402
3. cash	94	13
4. other accounts	4,042	3,939
b) Credit adjustments (**)	5,559	5,342
1. current accounts	117	76
2. transferors of notes and documents	5,442	5,266
3. other accounts	-	-

(*) Debit adjustments regarded adjustments to assets items.

(**) Credit adjustments regarded adjustments to liabilities items.

12.5 Other transactions

Unused traveller's cheques	94	98
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PART C

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

C - SECTION 1

INTEREST**1.1 Item 10 "Interest income and similar revenues"**

	2004	2003
a) On amounts due from banks	52,623	69,883
including: deposits with Central Banks	1,491	1,319
b) On loans to customers	26,109	25,279
c) On debt securities	24,492	32,786
d) Other interest income	81	529
e) Positive differential on hedging transactions	88	534
Total	103,393	129,011

1.2 Item 20 "Interest expense and similar charges"

a) On amounts due to banks	4,289	8,552
b) On amounts due to customers	49,659	62,584
c) On securities issued	-	-
including: certificates of deposit	-	-
d) On third-party funds administered	-	-
e) On subordinated loans	6,040	7,007
f) Negative differential on hedging transactions	-	-
g) Other interest	1	279
Total	59,989	78,422

1.3 Breakdown of item 10 "Interest income and similar revenues"

a) On assets denominated in foreign currencies	4,160	3,448
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1.4 Breakdown of item 20 "Interest expense and similar charges"

a) On liabilities denominated in foreign currencies	1,258	1,107
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C - SECTION 2

COMMISSIONS

2.1 Item 40 "Commission income"

	2004	2003
a) Guarantees given	364	310
b) Derivatives on loans	-	-
c) Management, dealing and consultancy services	889,433	780,760
1. dealing in securities	20,601	23,800
2. dealing in currency	26	39
3. asset management	565,690	540,884
3.1 individual	359,075	350,609
3.2 collective	206,615	190,275
4. custody and administration of securities	16,571	12,503
5. depository bank	59,492	52,639
6. placement of securities	7,687	8,201
7. acceptance of instructions	30,716	34,609
8. consultancy services	2,332	3,220
9. distribution of services:	186,318	104,865
9.1 asset management:	44,420	51,399
a) individual	21,911	27,206
b) collective	22,509	24,193
9.2 insurance products	140,349	51,919
9.3 other products	1,549	1,547
d) Payment and collection services	4,840	4,411
e) Securitisation	-	-
f) Tax collection services	-	-
g) Other services	42,973	37,661
Total	937,610	823,142

2.2 Detail of item 40 "Commission income"

Products and services distribution network

a) own branches	-	-
1. asset management	-	-
2. placement of securities	-	-
3. products of third parties	-	-
b) outside	759,695	653,950
1. asset management	565,690	540,884
2. placement of securities	7,687	8,201
3. products of third parties	186,318	104,865
Total	759,695	653,950

2.3 Item 50 "Commission expense"

a) Guarantees received	-	-
b) Derivatives on loans	-	-
c) Management and dealing services	358,116	322,578
1. dealing in securities	2,338	3,203
2. dealing in currency	25	42
3. asset management	-	-
3.1 own portfolio	-	-
3.2 third parties portfolio	-	-
4. custody and administration of securities	2,971	4,425
5. placement of securities	3,490	3,583
6. outside offering of securities, financial products and services	349,292	311,325
d) Payment and collection services	2,674	2,287
e) Other services	25,863	19,688
Total	386,653	344,553

C - SECTION 3

DEALING PROFITS AND LOSSES

3.1 Item 60 "Dealing profits (losses)"

	2004	2003
Securities transactions		
A.1 Revaluations	474	4,336
A.2 Write-downs	(2,673)	(901)
B. Other profits (losses)	15,135	19,511
Total	12,936	22,946
1. Government securities	517	629
2. Other debt securities	14,139	17,774
3. Equities	(1,720)	4,543
4. Security derivatives	-	-
Currency transactions		
A.1 Revaluations	XXX	XXX
A.2 Write-downs	XXX	XXX
B. Other profits (losses)	3,119	3,222
Total	3,119	3,222
Other transactions		
A.1 Revaluations	-	-
A.2 Write-downs	-	-
B. Other profits (losses)	-	-
Total	-	-

The Write-downs of securities included €2.5m own shares and Sanpaolo IMI shares held.

C - SECTION 4

ADMINISTRATIVE COSTS

4.1 Average number of employees

	2004	2003
a) Executives	71	68
b) Supervisors	911	884
c) Other employees	859	920
Total	1,841	1,872

Number of branches

Number of branches	93	92
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The total as at 31.12.2004 comprised 89 branches of Banca Fideuram plus those of our foreign subsidiary banks in Zurich, Lugano, Luxembourg and Paris.

Item 80 "Administrative costs"

	2004	2003
a) Payroll costs:		
- Wages and salaries	100,157	102,962
- Social security contributions	30,791	31,647
- Severance indemnities	5,692	5,566
- Pensions and other commitments	3,132	2,641
- Others	3,628	4,457
Total	143,400	147,273
b) Other administrative costs		
IT costs	47,303	46,797
- Software maintenance and upgrades	14,407	17,314
<i>Including: regarding the IAS Project</i>	<i>1,008</i>	<i>-</i>
- Maintenance of furniture, plant and equipment	3,533	4,123
- Data transmission	8,209	7,669
- Data processing by third parties	15,576	12,456
- Data bank access fees	386	325
- Equipment rental	5,192	4,910
Property management costs	32,517	32,845
- Property rent	28,715	28,710
- Maintenance of rented property	627	637
- Maintenance of own property	263	253
- Security	988	1,153
- Cleaning	1,924	2,092
General expenses	49,236	50,752
- Postage and telegraphic expenses	4,482	4,002
- Office supplies	3,316	3,059
- Transport and counting of valuables	437	468
- Couriers and transport	2,092	1,923
- Seconded personnel expenses	305	411
- Other expenses (1)	38,604	40,889
Professional and insurance costs	31,333	24,104
- Consultancy	25,115	18,051
<i>Including: regarding the IAS Project</i>	<i>1,129</i>	<i>174</i>
- Legal advice and court fees	139	40
- Search and business information services	4,783	4,847
- Bank and customer insurance premiums	1,296	1,166
Utilities	6,202	8,009
- Power	2,121	2,283
- Telephone	4,081	5,726
Advertising and marketing expenses	3,342	4,453
- Advertising and entertainment	2,829	3,721
- Trade union dues and trade/professional association membership fees	513	732
Indirect personnel expenses	7,092	7,299
- Personnel training, travel, board and lodging expenses	7,092	7,299
Total	177,025	174,259
(1) Including: Indirect taxes	20,962	23,064
Administrative costs net of indirect taxes	156,063	151,195
Indirect taxes		
Stamp duty	17,461	16,752
Substitute tax (Presidential Decree 601/73)	50	40
Local council property tax	240	240
Tax on stock market contracts	760	920
Other indirect taxes	2,451	5,112
Total indirect taxes	20,962	23,064
Item 80 "Administrative costs"	320,425	321,532

C - SECTION 5**ADJUSTMENTS, WRITE-BACKS AND PROVISIONS****Item 90 "Adjustments to intangible and tangible fixed assets"**

	2004	2003
a) Intangible fixed assets amortisation of:	25,977	28,857
- improvements to leasehold properties	3,953	4,334
- software	21,650	22,779
- others	374	1,744
b) Tangible fixed assets depreciation of:	12,020	13,707
- immovable property	2,921	3,217
- furniture and furnishings	2,019	2,253
- others	7,080	8,237
c) Amortisation of purchased goodwill	16,243	6,429
Total	54,240	48,993

Item 100 "Provisions for risks and charges"

	2004	2003
- losses on commissions advanced	15,683	12,967
- legal disputes and claims from receivers	10,627	9,284
- contractual indemnities due to private bankers	3,637	6,377
Total	29,947	28,628

This item records the allocations made to align the corresponding provisions with the estimated potential risks of legal action against the Group, of severance indemnity payments to those private bankers who have accrued entitlements upon the termination of their agency relationships, and of the loss of advance commission paid to private bankers.

5.1 Item 120 "Adjustments to loans and provisions for guarantees and commitments"

	2004	2003
a) Adjustments to loans	2,463	4,315
including: - general adjustments for country risk	239	37
- other general adjustments	-	3,000
b) Provisions for guarantees and commitments	-	-
Total	2,463	4,315

Item 130 "Write-backs of loans and provisions for guarantees and commitments"

Write-backs due to:	2004	2003
- collection of loans previously written off	418	848
- collection of loans previously written down	182	124
- revaluation of loans previously written down	5,367	324
- collection of default interest previously written down	148	23
- guarantees and commitments	-	926
Total	6,115	2,245

Item 150 "Adjustments to financial fixed assets"

Write-downs of:	2004	2003
equity investments	1	1
other investment securities	1,875	6
Total	1,876	7

Item 160 "Write-backs of financial fixed assets"

Write-backs of:	2004	2003
other investment securities	37	309



C - SECTION 6

OTHER STATEMENT OF INCOME ITEMS

6.1 Item 70 "Other operating income"

	2004	2003
Taxes recharged to customers	16,966	18,709
Recovery of expenses	6,536	4,355
Rental income	214	88
Other income	1,287	2,803
Total	25,003	25,955

6.2 Item 110 "Other operating expenses"

Other	25	1,055
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Item 170 "Income from investments carried at equity"

Fideuram Vita S.p.A.	64,956	36,079
Fideuram Assicurazioni S.p.A.	1,036	967
Total	65,992	37,046

6.3 Item 190 "Extraordinary income"

	2004	2003
Out-of-period income and amounts not payable	9,634	7,312
Gains on the disposal of financial fixed assets	59	117
Reversal of tax provisions	93	11
Gains on the disposal of tangible assets	1	6
Transfer of shareholding	409	2,030
Utilisation of provisions for risks	3,309	-
Other income	1,486	924
Total	14,991	10,400

6.4 Item 200 "Extraordinary expenses"

Out-of-period expenses and amounts not collectible	15,335	12,231
Early retirement incentives	2,060	1,554
Charges for tax amnesty	1,415	3,584
Total	18,810	17,369

6.5 Item 240 "Income taxes"

Income tax costs were as follows:

1. Current taxes	46,760	37,659
2. Change in advance taxes	5,042	(859)
3. Change in deferred taxes	989	(787)
4. Income taxes	52,791	36,013

C - SECTION 7

OTHER INFORMATION ON THE CONSOLIDATED STATEMENT OF INCOME

7.1 Geographical distribution of revenues

The geographical distribution of revenues in relation to the different countries in which the Group companies are based was as follows:

	2004				2003			
	Italy	Other UE countries	Other countries	Total	Italy	Other UE countries	Other countries	Total
Interest income and similar revenues	86,131	17,189	73	103,393	109,895	19,062	54	129,011
Dividends and other revenues	35	-	-	35	1,009	38	-	1,047
Commission income	470,397	461,865	5,348	937,610	436,829	382,108	4,205	823,142
Dealing profits (losses)	5,790	10,061	204	16,055	13,287	12,777	104	26,168
Other operating income	24,534	447	22	25,003	25,569	386	-	25,955
Total operating income	586,887	489,562	5,647	1,082,096	586,589	414,372	4,363	1,005,323

Transactions with Group companies	2004				TOTAL
	SUBSIDIARIES (*)	COMPANIES SUBJECT TO CONSIDERABLE INFLUENCE	PARENT COMPANY	COMPANIES CONTROLLED BY THE PARENT COMPANY	
Item 10: Interest income and similar revenues	-	-	933	6,356	7,289
Item 20: Interest expense and similar charges	3,076	-	116	216	3,408
Item 30: Dividends and other revenues	-	-	-	-	-
Item 40: Commission income	115,844	-	309	45,629	161,782
Item 50: Commission expense	-	-	-	5	5
Item 60: Dealing profits (losses)	-	-	-	-	-
Item 70: Other operating income	1,240	-	-	83	1,323
Item 80: Administrative costs	2,155	-	2,917	47	5,119
Item 110: Other operating expenses	-	-	-	-	-
Item 180: Extraordinary income	-	6	-	-	6
Item 200: Extraordinary expenses	-	-	-	-	-

(*) Includes relations with the insurance companies Fideuram Vita and Fideuram Assicurazioni up until the date when the spin-off took legal effect (30.11.2004).

Transactions with Group companies					2003
	SUBSIDIARIES (*)	COMPANIES SUBJECT TO CONSIDERABLE INFLUENCE	PARENT COMPANY	COMPANIES CONTROLLED BY THE PARENT COMPANY	TOTAL
Item 10: Interest income and similar revenues	-	-	6,260	16,720	22,980
Item 20: Interest expense and similar charges	9,809	3	415	776	11,003
Item 30: Dividends and other revenues	-	-	-	996	996
Item 40: Commission income	100,765	-	331	31,836	132,932
Item 50: Commission expense	-	-	62	-	62
Item 60: Dealing profits (losses)	-	-	-	-	-
Item 70: Other operating income	1,134	-	-	354	1,488
Item 80: Administrative costs	813	-	1,675	23	2,511
Item 110: Other operating expenses	-	-	-	1,031	1,031
Item 180: Extraordinary income	-	-	-	13	13
Item 200: Extraordinary expenses	-	-	-	-	-

(*) Subsidiaries consolidated using the equity method.

PART D

OTHER INFORMATION

D - SECTION 1

DIRECTORS AND STATUTORY AUDITORS

1.1 Remuneration	2004	2003
a) Directors	1,314	2,039
b) Statutory Auditors	197	215

STATEMENT OF CONSOLIDATED CASH FLOWS

(All figures in thousands of euros)

	2004	2003
Funds generated from operations		
Net income	243,013	175,613
Minority interest in net income	(1,001)	(1,177)
Adjustments to tangible and intangible fixed assets	54,240	48,993
Net adjustments to loans	(3,652)	2,070
Adjustments to equity investments valued at cost	1,839	(302)
Extraordinary items, net	3,819	6,969
Change in reserve for general banking risks	-	-
Income from investments carried at equity	(65,992)	(37,046)
Change in provision for severance indemnities	607	2,506
Change in provision for taxation	(15,390)	1,873
Change in other provisions for risks and charges	(2,886)	16,417
Change in accrued expense and deferred income	(1,806)	(644)
Change in accrued income and prepaid expenses	(19,830)	(125,313)
FUNDS GENERATED FROM OPERATIONS	192,961	89,959
Funds used in investment activities		
Change in tangible and intangible fixed assets	(17,907)	(28,480)
Change in equity investments	507,941	(21,044)
Change in dealing securities	99,766	197,377
Change in investment securities	(6,386)	(118,198)
Change in own shares	14,411	(3,900)
Change in bank deposits	396,377	519,550
Change in loans	14,883	7,075
Change in reverse repurchase agreements	(621,369)	(186,515)
Change in other investment activities	(71,711)	(24,522)
FUNDS USED IN INVESTMENT ACTIVITIES	316,004	341,342
Funds generated from financing activities		
Change in reverse repurchase agreements	22,674	(427,878)
Change in securities issued	404	215
Change in other borrowings	224,333	139,955
Dividends paid	(154,447)	(154,446)
Change in other liabilities	(118,900)	20,207
Change in minority interests	522	274
Change in shareholders' equity accounts	(482,106)	(4,566)
FUNDS GENERATED FROM FINANCING ACTIVITIES	(507,520)	(426,239)
Increase (decrease) in cash and liquid assets	1,445	5,063
Cash and liquid assets - Opening balance	23,109	18,046
CASH AND LIQUID ASSETS		
CLOSING BALANCE	24,554	23,109



A graphic consisting of four squares arranged in a 2x2 grid. The top-left square is blue and contains two white arrows pointing in opposite directions (up and down). The top-right square is light gray. The bottom-left square is medium gray. The bottom-right square is dark gray. To the right of the squares, the year '2004' is written vertically in a light gray font. A thin orange bracket is on the left side of the top-left square.

INDEPENDENT AUDITORS' REPORT

2004

INDEPENDENT AUDITORS' REPORT
pursuant to article 156 of Legislative Decree of February 24, 1998, n. 58
(Translation from the original Italian text)

To the Shareholders
of Banca Fideuram S.p.A.

1. We have audited the consolidated financial statements of Banca Fideuram S.p.A. as of and for the year ended December 31, 2004. These financial statements are the responsibility of Banca Fideuram S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

The audits of the financial statements of certain consolidated subsidiaries, which respectively represent approximately 3% of consolidated total assets and approximately 15% of consolidated "interest income and similar revenues" and "commission income", are the responsibility of other auditors.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes as required by the law, reference should be made to the auditors' report dated March 27, 2004, issued by other auditors.

3. In our opinion, the consolidated financial statements of Banca Fideuram S.p.A. comply with the Italian regulations governing consolidated financial statements; accordingly, they present clearly and give a true and fair view of the consolidated financial position of Banca Fideuram S.p.A. as of December 31, 2004, and the consolidated results of its operations for the year then ended.

- 4 As part of the reorganization of the insurance activities of the SANPAOLO IMI Group, on 29 June 2004 the Extraordinary Shareholders' Meeting of Banca Fideuram S.p.A. approved the demerger of its equity investment in Fideuram Vita S.p.A. to SANPAOLO IMI S.p.A.. The accounting effects and impact on the balance sheet of such operation, which was formally completed on November 19, 2004 with effect from November 30, 2004, are detailed in the report on operations and in the notes to the financial statements.

Rome, April 5, 2005

Reconta Ernst & Young S.p.A.
signed by: Guido Celona, partner

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SANPAOLO IMI GROUP