

ANNUAL REPORT



Professionalism, social responsibility
and innovation: growth through quality

2005



Mission

To increase our customers' quality of life with financial and insurance services that help them make informed, strategically sound choices about the management of their assets and savings. In pursuit of this mission, Banca Fideuram has from the very outset shown uncommon dedication to meeting each customer's needs with effective solutions carefully matched to their risk profile.

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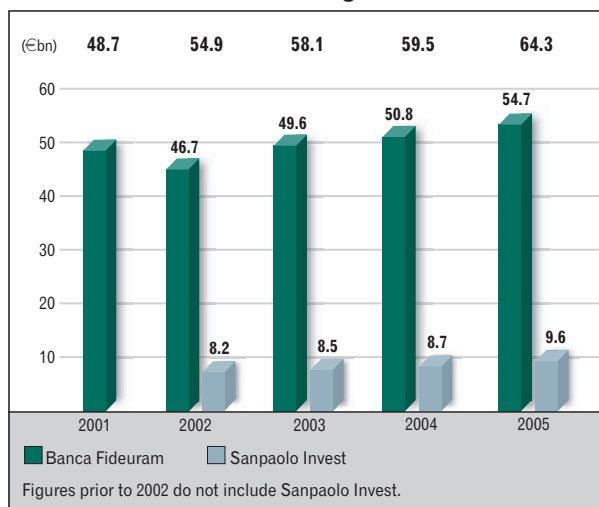
Assets Under Management (AUM)

Assets Under Management (AUM)

(€bn)

	2005	2004	% change
Mutual funds	18.8	16.8	+12
Private banking	17.3	16.0	+8
Insurance / Pension funds	14.2	13.6	+4
Securities / Current accounts	14.0	13.1	+7
Total	64.3	59.5	+8

Assets Under Management trend



Net Inflows and Network

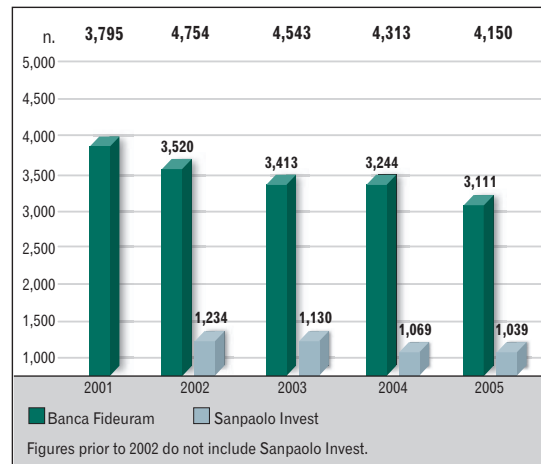
Net inflows (€bn)

	2005	2004
Mutual funds	0.4	(1.1)
Private banking	0.2	0.6
Insurance / Pension funds	0.3	0.9
Securities / Current accounts	0.3	(1.2)
Total	1.2	(0.8)

Network

	2005	2004	% change
Private Bankers	4,150	4,313	-4

Network



Highlights

Financial highlights

(€m)

	2005	2004 (*)	% change
Net commission income	586.9	534.3	+10
Total income from financing activities	655.2	588.3	+11
Operating expenses	303.0	300.6	+1
Income/loss before tax on current operations	280.2	253.8	+10
Net income	190.8	173.3	+10
Embedded value	2,709	2,488	+9
R.o.E. (%)	28.5	28.1	
E.V.A.	153.9	142.1	+8
Cost/income ratio (%)	46.3	50.8	

(*) Takes the reclassifications and adjustments provided for by IAS 32 and IAS 39 into account, does not include the results of the Insurance companies and reflects the consolidation of Fideuram Wargny in accordance with IFRS 5.





PROFESSIONALISM, SOCIAL RESPONSIBILITY AND INNOVATION - GROWTH THROUGH QUALITY

I have always seen Banca Fideuram as a Group that changed the history of managed savings for Italian families, changing it as a true leader - not simply because of its size, but through its tradition, professionalism and capacity for innovation. It has been a great honour for me to join such a proud, highly-motivated institution with such ambitious objectives.

I am delighted to report that 2005 saw us reach important goals, and I would like to thank our Private Bankers, employees and every one of you whose commitment took us to achieve such positive results: results that leave us looking to the future and its new challenges with confidence.

2005

The performance of the international stock markets was generally positive in 2005, although there were significant differences between different geographical areas. The European stock market indices in particular performed well, making steady progress throughout the year. The Italian Blue Chips reference index, S&P/MIB, rose by over 15% notwithstanding the widely-reported affairs involving the Italian banking sector, which impacted on the image of the financial system in our country.

Banca Fideuram achieved strong operating and financial results within this scenario. Our operating results in 2005 were distinguished by good net inflows and sustained growth in assets under management:

- The combined net inflows of Banca Fideuram and Sanpaolo Invest were positive to the tune of €1.2bn, with positive net inflows in all business areas, marking an important reversal of the trend in 2004, when there was a net outflow of €0.8bn. Inflows into managed savings totalled €930m, including €555m into mutual funds and private banking, and €375m into life insurance, while net inflows into non-discretionary savings totalled €292m. The second half of the year in particular not only saw us achieve an acceleration in inflows but equally a significant improvement in the inflow mix, with a substantial increase in managed savings.
- Assets under management were up 8.1% on the figure at the end of 2004, having risen to €64.3bn as at 31 December 2005, with managed savings accounting for 78% of this total.

Consolidated net income came to €190.8 m, an increase of more than 10% on 2004. ROE continued to be excellent at 28.5%. The share of profits distributed to shareholders was in line with the high levels achieved in prior years at €0.17 per share, which equated to a *payout ratio* of approximately 87%.

Banca Fideuram's business in 2005 saw us strengthening our position and innovating successfully on many different fronts:

- Our range of products underwent substantial expansion with the introduction of important new management styles, which saw total return, flexible and protected capital products joining our traditional benchmark managed products. In line with our strategy of selecting the best third-party funds in their respective asset classes and markets, we considerably extended our multibrand range with a selection of over 300 mutual investment funds and SICAVs from five renowned international investment houses. This expansion of our range is just the first stage in a process that will lead to significant new developments in 2006.

- Our recruitment activities, which were muted at the beginning of the year, were stepped up steadily and substantially, focusing on high-level professionals not just from the banking profession but from competitor networks as well. This saw a total of 172 new Private Bankers recruited in the year, including 115 in the second half alone.
- These activities saw us strengthen our resources in key areas to increase the Bank's competitiveness, extending the management team that heads our marketing department with a special focus on our key customers, making our internal audit systems more incisive, creating a Risk Management department and adding new Asset Management competencies.
- Banca Fideuram also focused its attention on the general public during the year with a new press and radio advertising campaign in Italy, centred on the twin strengths of our Private Bankers and Bank staff.

The Eurizon Financial Group and Banca Fideuram

One of the most important developments for Banca Fideuram in 2005 was joining the Eurizon Financial Group, the new holding company at the centre of Sanpaolo IMI's project to reorganise its financial, pensions and insurance services, leveraging its leading competencies and resources in these sectors. Joining this momentous project represents an opportunity for Banca Fideuram to strengthen its creative leadership, confirming its unique business model founded on the professionalism of our Private bankers, while maintaining the same wide spectrum of activities. What is more, the internal synergies that Eurizon makes possible will generate new opportunities for growth and enable a significant acceleration towards ambitious growth targets and outstanding operating efficiency.

Beyond 2005

We are now on the threshold of a momentous change, having entered a new phase in history in which each individual saver has to take responsibility for building their future security. A phase in which no one will do it for them any more. But, at the same time, a phase in which the need to evaluate and manage the risks connected with investing one's savings makes it more complicated than ever before to take charge of these matters. In recent years investors have tried to maintain both high yields and low risks, as they were accustomed to in the days of high inflation not that many years ago, investing in financial instruments, including the innovative instruments that emerged after the speculative bubble of 2001. However, the yields of these products are below inflation today and customers need to be aware that they have to assume some level of risk if they want to obtain positive real returns on any type of financial instrument. Customers therefore need to make informed choices with the strong support of a professional consultancy that is dedicated to understanding and identifying with both their investment risk profile and the medium-to-long term objectives that they want to achieve. In addition to this, there is the pressing need for Italians to direct their savings towards forms of long-term investment that are able to cover emerging needs such as supplementing their state pensions and, more generally, supporting their future standard of living. This situation requires us to offer managed savings and pensions services that deliver real added value, and to enhance our role still further in the area of social responsibility.

During 2006, Banca Fideuram will therefore be consolidating a service approach that begins with an analysis of each customer's needs in order to identify the product or group of products that provides them with the most appropriate solution. This business approach will require the increasingly active partnership of our Private Bankers, who will need to provide our customers with exemplary guidance in the informed, strategically sound management of their financial and pension arrangements to support their quality of life with effective solutions that suit every risk profile.

Only a few, substantial and expert players like Banca Fideuram will be able to make the investments needed to develop the tools and professional skills required to compete successfully on this market.

Professionalism, team spirit, a sense of responsibility for our customers, innovation and a focus on growth - these are the strengths that will enable us to work as effectively as possible to meet our commitments and surpass your expectations.

Messino Angeli





Board of Directors

Vincenzo Pontolillo*	Chairman
Salvatore Maccarone*	Deputy Chairman
Massimo Arrighi*	Managing Director
Franca Cirri Fignagnani*	Director
Mario Greco*	Director
Riccardo Faini	Director
Giuseppe Fontana	Director
Giorgio Forti	Director
Giampietro Nattino	Director

* Members of the Executive Committee

Antonio Cangeri	Secretary of the Board of Directors
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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
Alberto Maria Maturi**	Deputy General Manager

** effective as at 1.9.2005

Audit Committee

Salvatore Maccarone	Chairman
Franca Cirri Fignagnani	Director
Giorgio Forti	Director

Remuneration Committee

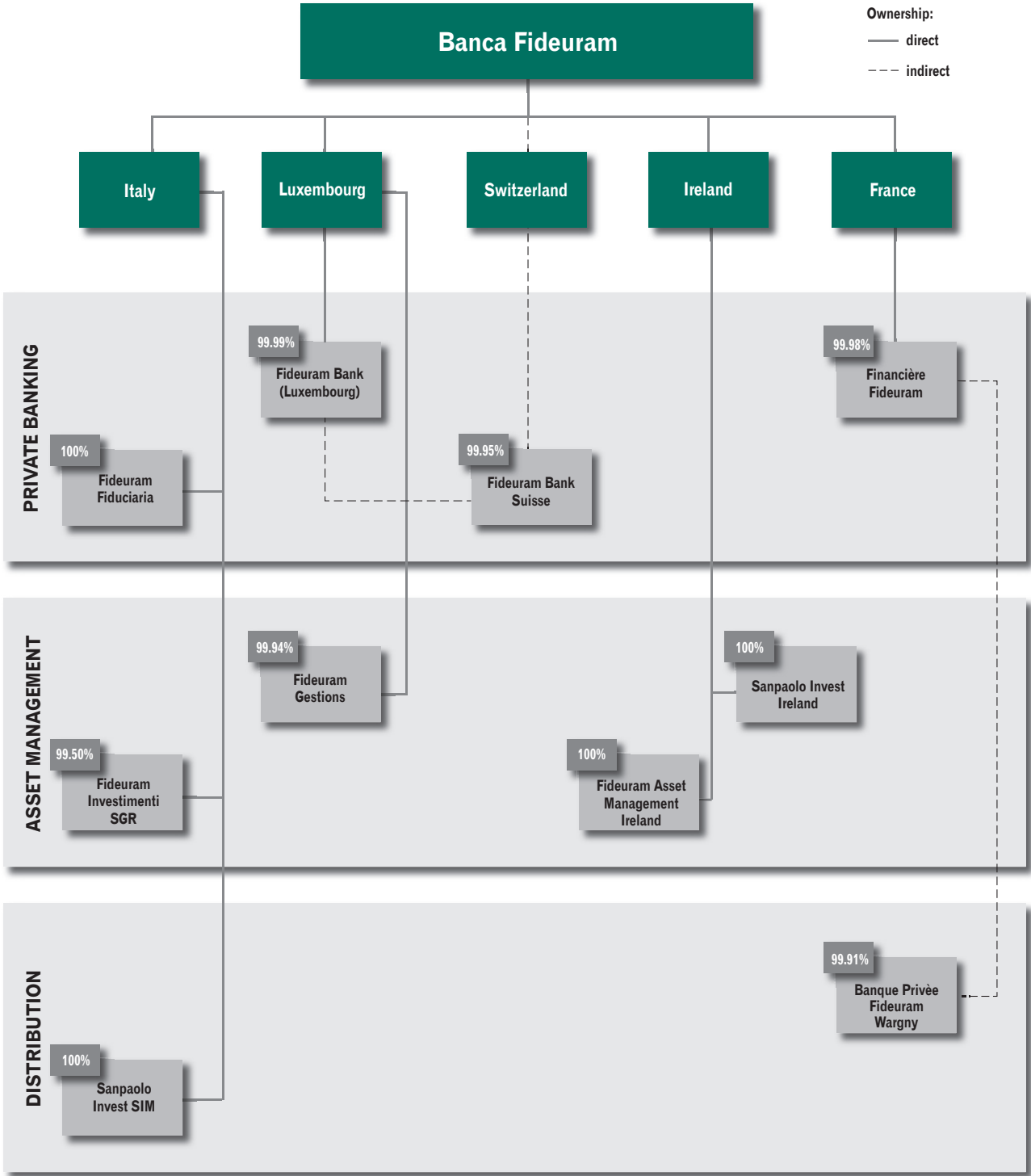
Giuseppe Fontana	Chairman
Mario Greco	Director
Giampietro Nattino	Director

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 55.





Managed savings environment

Assets (source Bank of Italy)

(€bn)

	2004	2003	2002	2001	2000
Household financial assets in Italy (HFA)	3,140	2,896	2,777	2,742	2,758
Managed savings (MS)	1,175	1,090	950	911	887
- Mutual funds	400	404	361	404	450
- Private banking	449	418	403	410	392
- Life insurance technical reserves (*)	313	272	228	196	167
- Pension funds (*)	31	29	27	60	78
- Adjustments	(18)	(33)	(69)	(159)	(200)
MS as % of HFA	37%	38%	34%	33%	32%

Flows (source Bank of Italy)

(€bn)

	2004	2003	2002	2001	2000
Household financial assets in Italy (HFA)	128	104	118	127	115
Managed savings (MS)	59	71	43	35	34
- Mutual funds	(15)	11	(12)	(20)	(7)
- Private banking	14	5	4	27	33
- Life insurance technical reserves (*)	41	44	32	32	33
- Pension funds (*)	2	2	1	(9)	3
- Adjustments	17	9	18	5	(28)
MS as % of HFA	46%	68%	36%	28%	30%

(*) Life insurance and Pension funds of 2004 are estimated.





Key ratios

	2005	2004	2003	2002 pro-forma (*)	2001
CUSTOMER FINANCIAL ASSETS					
Net inflows into managed savings (€m)	930	434	3,559	(1,154)	339
Total net inflows (€m)	1,222	(798)	1,203	2,055	3,671
Assets Under Management (€m)	64,312	59,469	58,129	54,883	48,662

OPERATING STRUCTURE

Private Bankers (no.)	4,150	4,313	4,543	4,754	3,795
Employees (no.)	1,866	1,824	1,995	2,007	1,771
Private Bankers' offices (no.)	257	263	261	267	99
Branches (no.)	91	89	88	87	82

Rating (Standard & Poor's) Long term: A+ Short term: A-1 Outlook: Positive

	2005	2004 (**)
CONSOLIDATED FINANCIAL RESULTS		
Consolidated net income (€m)	190.8	173.3
Consolidated shareholders' equity (€m)	692.7	646.0
Consolidated net earnings per share (€)	0.1946	0.1768
Diluted consolidated net earnings per share (€)	0.1975	0.1796
Dividend (€)	0.17	0.16

PROFITABILITY RATIOS

R.O.E. (%)	28.5	28.1
Cost / Income ratio (%)	46.3	50.8
Staff costs / total income from financing activities (%)	20.8	20.8
Net income / Average Assets Under Management (%)	0.31	0.29
E.V.A. (€m)	153.9	142.1
Embedded value (€m) (***)	2,709	2,488

(*) The pro-forma 2002 figures were calculated assuming that Sanpaolo Invest was acquired with effect from 1.1.2002.

(**) In order to enable comparison of the results on a homogeneous basis, the figures for 2004 were recalculated to reflect the effects of IAS 32 and IAS 39, the deconsolidation of the insurance companies, which was completed in November 2004 and the consolidation of Fideuram Wargny in accordance with IFRS 5.

(***) The embedded value for 2004 was recalculated to take the spin-off of Fideuram Vita into account.

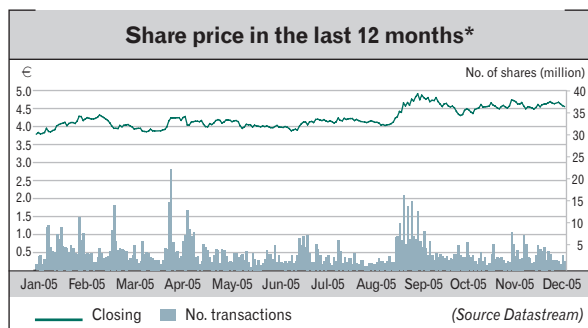
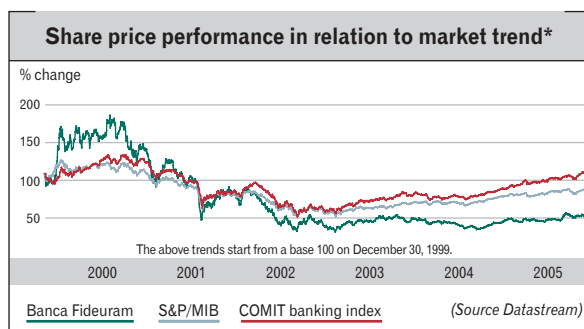
Banca Fideuram Share Information

	2005	2004 ⁽¹⁾	2003	2002	2001	2000
Share price ⁽²⁾						
- end period (€)	4.590	3.810	4.710	4.480	9.006	14.765
- maximum (€)	4.945	4.394	5.765	9.687	15.752	19.754
- minimum (€)	3.811	3.029	3.333	3.472	5.025	9.805
Market capitalisation (€m)	4,500	3,735	4,617	4,392	8,189	13,425

(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)

	2005	1.1.2005 (*)	change amount	%
ASSETS				
Cash and cash equivalents	21.7	22.7	(1.0)	-4.4
Financial assets (other than loans and financial assets held to maturity)	761.1	665.1	96.0	+14.4
Financial assets held to maturity	4.7	4.7	-	n.s.
Due from banks	4,624.0	3,484.9	1,139.1	+32.7
Loans to customers	1,125.5	808.1	317.4	+39.3
Tangible assets	51.1	55.4	(4.3)	-7.8
Other intangible assets	24.7	25.8	(1.1)	-4.3
Tax assets	68.3	79.1	(10.8)	-13.7
Non-current assets and groups of assets held for sale	170.6	135.7	34.9	+25.7
Other assets	416.3	264.1	152.2	+57.6
TOTAL ASSETS	7,268.0	5,545.6	1,722.4	+31.1
LIABILITIES				
Due to banks	287.5	203.7	83.8	+41.1
Due to customers	5,138.6	3,796.7	1,341.9	+35.3
Debt securities in issue	353.5	199.8	153.7	+76.9
Financial liabilities held for trading	3.3	31.3	(28.0)	-89.5
Tax liabilities	40.9	50.7	(9.8)	-19.3
Liabilities associated with groups of assets held for sale	164.0	119.1	44.9	+37.7
Other liabilities	365.7	339.2	26.5	+7.8
Provisions for risks and charges	221.6	158.9	62.7	+39.5
Minority interests	0.2	0.2	-	n.s.
Shareholders' equity	692.7	646.0	46.7	+7.2
TOTAL LIABILITIES	7,268.0	5,545.6	1,722.4	+31.1

(*) Reflects the consolidation of Fideuram Wargny in accordance with IFRS 5.

n.s.: not significant

Consolidated Income Statement

(Reclassified - €m)

	2005	2004 (*)	change	
			amount	%
NET INTEREST INCOME	45.5	39.9	5.6	+14.0
Net commission income	586.9	534.3	52.6	+9.8
Net gains or losses on financial assets	22.8	14.1	8.7	+61.7
TOTAL INCOME FROM FINANCING ACTIVITIES	655.2	588.3	66.9	+11.4
Net adjustments for impairment losses	(0.9)	3.3	(4.2)	n.s.
NET GAINS OR LOSSES ON FINANCING ACTIVITIES	654.3	591.6	62.7	+10.6
Staff costs	(136.6)	(122.4)	(14.2)	+11.6
Other administrative costs	(140.0)	(139.0)	(1.0)	+0.7
Other operating income/expense	0.8	(3.6)	4.4	n.s.
Net adjustments to tangible and intangible assets	(27.2)	(35.6)	8.4	-23.6
OPERATING EXPENSES	(303.0)	(300.6)	(2.4)	+0.8
Net provisions for risks and charges	(71.1)	(37.2)	(33.9)	+91.1
INCOME/LOSS BEFORE TAX ON CURRENT OPERATIONS	280.2	253.8	26.4	+10.4
Income taxes for the period on current operations	(53.5)	(51.0)	(2.5)	+4.9
Income/losses after tax on non-current assets held for sale	(35.8)	(29.4)	(6.4)	+21.8
Minority interests in net income/loss	(0.1)	(0.1)	-	n.s.
NET INCOME	190.8	173.3	17.5	+10.1

(*) Takes the reclassifications and adjustments provided for by IAS 32 and IAS 39 into account, does not include the results of the Insurance companies and reflects the consolidation of Fideuram Wargny in accordance with IFRS 5.

n.s.: not significant



THE ECONOMIC SCENARIO

World economic growth continued to be strong in 2005, notwithstanding a sharp rise in energy prices and profound disparities between different geographical areas.

In the **U.S.A.**, the economy continued to grow at a stable pace and consumer spending remained strong despite the impact of rising inflation on family disposable income. The savings ratio turned negative, however, and the trade deficit hit new highs.

Notwithstanding the deteriorating balance of trade, the dollar rose steadily against both the euro and yen. Rising oil prices and their impact on inflation and the solidity of growth led the Federal Reserve to increase interest rates throughout 2005, taking them from 2.25% to 4.25% at the end of the year.

The macroeconomic scenario in **Asia** remained favourable, with the Chinese economy continuing to grow strongly despite a number of imbalances, while the Japanese economy showed signs of structural recovery.

After an uneven first quarter, economic activity in the **eurozone** consolidated at around the growth rates of the third quarter. Consumption remained disappointing. Conversely, investing activities and exports accelerated in the wake of recovered competitiveness resulting from the weakening exchange rate. These trends were reflected in a recovery in business confidence during the last part of the year. The Italian economy showed some signs of climbing out of a recessionary phase toward the end of 2005, with economic activity having remained at the same levels as 2004 throughout the year.

The improving economic scenario and fears of inflation led the European Central Bank to increase interest rates by 25 basis points in early December and then a further 25 basis points to 2.5% in early March.

The performance of the international stock markets varied by geographical area in 2005. The American stock market did not follow any clear trend during the year although profits did not disappoint, and only showed any clear improvement in November, with the S&P500 reaching the highs of June 2001 in mid-December. The Japanese stock market accelerated sharply from the middle of the year, with the Nikkei index reaching the highs of 2000 at the end of the year. The European stock market performed positively on the whole, making constant progress throughout the year. Where the bond market was concerned, the Federal Reserve's ongoing restrictive monetary policy continued to have no effect on bond rates in the USA, and ten-year treasury bond yields did not follow any clear trend in 2005. In the eurozone, on the other hand, the weak macroeconomic scenario helped prolong the fall in market rates that began in 2004 and only ended with a change in the European Central Bank's monetary policy.

THE NEW STRUCTURE OF THE FINANCIAL STATEMENTS IN ACCORDANCE WITH THE INTERNATIONAL ACCOUNTING STANDARDS

The growth and globalisation of the financial markets in recent years led the European Commission to launch a process of convergence for the standards governing the preparation of financial statements and corporate financial information. This process aims to make the accounting information provided by listed companies comparable and of high quality to promote competition and protect savers.

To this end, the Commission issued Regulation No. 1606 in July 2002, which requires European listed companies to prepare their consolidated financial statements as of 2005 in accordance with the accounting standards issued by the International Accounting Standards Board (IASB) and approved by the European Union, and also provides the option for member states to extend this to the individual financial statements of unlisted companies as well.

In Italy, the Government approved Legislative Decree No. 38 on 28 February 2005, incorporating the new standards into Italy's regulations and also extending the application of the IAS/IFRS to the individual financial statements (optional for 2005 and obligatory from 2006) of listed companies, banks and other regulated financial institutions, as well as to the consolidated financial statements of banks, regulated financial institutions and unlisted insurance companies.

In addition, the Legislative Decree also addressed the harmonisation of civil and tax provisions required in order to apply the new standards to individual financial statements. Taken as a whole, these provisions aim to ensure that uniform accounting standards are used both for consolidated financial statements and individual enterprise financial statements, which is an essential condition for accounting information to be intelligible.

Within this regulatory framework, the Banca Fideuram Group considered it appropriate to adopt the new

accounting standards as of the Half-Year Report as at 30 June 2005.

Since the Group opted not to adopt IAS 32 and 39 with retroactive effect, the 2004 financial results have been restarted in this Directors' Report to make the figures comparable, in some instances using estimates, to take the adoption of all the IAS/IFRS into account, including IAS 32 and 39.

In addition, and again with regard to the Directors' Report, the comments on the financial results were made with respect to the figures as at 1 January 2005, which - because they also reflect the impact of IAS 32 and IAS 39 - are comparable in terms both of classification and valuations with the figures as at 31 December 2005.

OVERVIEW OF CONSOLIDATED OPERATING RESULTS

The Banca Fideuram Group achieved **consolidated net income** of €190.8m in the 2005 financial year, up 10.1% on the pro-forma result for the previous financial year (€173.3m), notwithstanding the effect of a number of one-off negative items.

R.O.E. was 28.5%, up slightly from the pro-forma figure of 28.1% for 2004.

The results for 2004 are, for the purposes of comparison, stated not only taking the above-mentioned IAS/IFRS adjustments into account, but also excluding the income of the insurance companies (€66m), which ceased being included in the scope of consolidation of Banca Fideuram following the spin-off of Fideuram Vita completed in November 2004.

In addition, the results of our French subsidiaries were recognised in accordance with IFRS 5¹ for both the 2005 and 2004 financial years. Their contribution to the Group result is presented in summary form in the income statement at the lower of book value or fair value net of related costs, with a negative impact of €35.8m in 2005 compared to €29.4m in 2004 (-€6.4m).

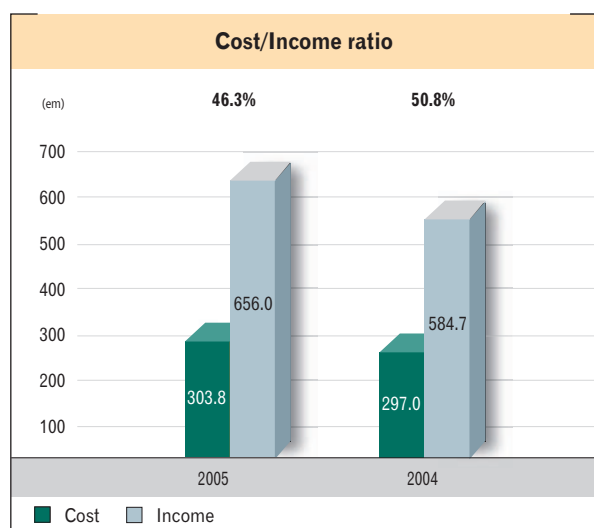
¹ See the section on Fideuram Wargny for further information.



The individual items in the reclassified income statement do not therefore include the results of the Fideuram Wargny Group.

Income from current operations before tax totalled €280.2m, up €26.4m on 2004 (+10.4%), largely due to strong growth in net commission income (+€52.6m), which more than offset the higher one-off provisions set aside to cover the risks connected with corporate bond brokerage activity (€21.2m).

The **Cost/Income ratio** improved by over 4 percentage points from 50.8% to 46.3% compared to the previous financial year, confirming that the Group's profitability benefited from the quality of revenues and attentive control of our operating expenses, notwithstanding the investments to support the 2005-2007 Industrial Plan.



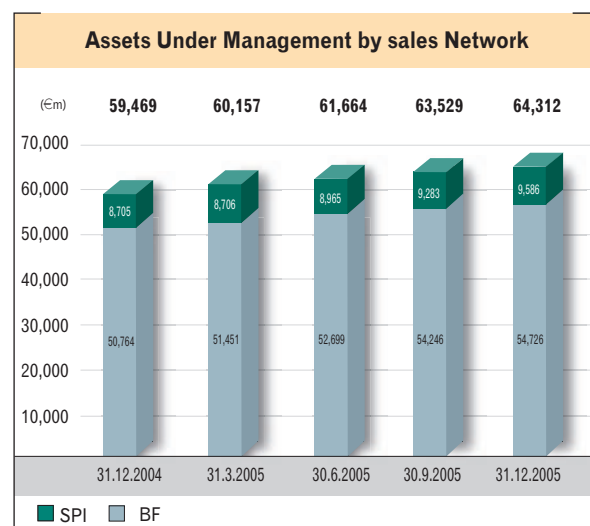
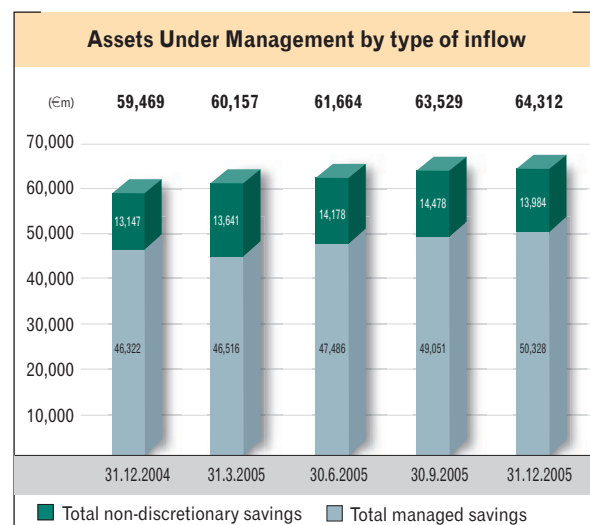
Main operating data

The Banca Fideuram Group's **Assets Under Management** totalled €64.3bn, as at 31.12.2005 up 8.1% on the figure as at 31.12.2004 (€59.5bn), principally as a result of positive asset performance and, to a lesser extent, of total net inflows (€1.2bn).

Managed savings totalled €50.3bn as at 31.12.2005,

amounting to 78.3% of total assets under management, up 8.6% on the previous financial year (€46.3bn).

The graphs show the trend for assets under management, broken down by **type of inflow** and **sales network**.





Total net inflows in 2005 were positive to the tune of €1.2bn compared to a net outflow of €0.8bn in 2004. Managed savings contributed €0.9bn to this total, a €0.5bn improvement on 2004, while non-discretionary savings totalled €0.3bn compared to an outflow of €1.2bn in 2004.

As at 31.12.2005, there were 4,150 **Private Bankers** in the Fideuram and Sanpaolo Invest networks (4,313 as at 31.12.2004).

Total staff came to 1,632 employees at that date, compared to 1,595 as at 31.12.2004. This increase was principally a result of recruitments to increase the number and competencies of Banca Fideuram's staff (+32 personnel). This figure does not include the staff of the Fideuram Wagny Group, which comprised 234 personnel (229 as at 31.12.2004).

Bank branches and **Private Bankers' offices** totalled 91 and 257 respectively as at 31.12.2005, with Sanpaolo Invest SIM accounting for 161 of the latter.

The **total number of customers** was approximately 691,000, more than 159,000 of whom were subscribed to our online services.

EURIZON FINANCIAL GROUP

The Board of Directors of Sanpaolo IMI voted on 5 July 2005 to concentrate the asset-gathering business of Banca Fideuram and the insurance business of Assicurazioni Internazionali di Previdenza (A.I.P.) within the scope of consolidation of a newly-established company reporting directly to the Parent Company.

In accordance with this decision, the company New Step was established (subsequently renamed Eurizon Financial Group), to which the equity investments in A.I.P. and Banca Fideuram were transferred on 10 November 2005. As part of this

project, the Board of Directors of Sanpaolo IMI voted on 24 January 2006 to centralise the Group's entire Asset Management business in the Eurizon Financial Group, thereby launching the second part of the project to develop the Savings and Pensions Division.

This organisational configuration has been developed with the following objectives in mind:

- To improve the Group's strategic positioning through more widespread visibility of the value of its asset gathering and insurance and pensions management activities.
- To focus the Group's existing activities and structures, distinguished by similar competencies and common value-building opportunities, with the creation of a new-business and distribution platform that combines critical mass with high efficiency.

This corporate restructuring has also been conceived to bring the individual companies in the group positive strategic and business returns. Indeed, they will benefit from having contiguous new business and distribution activities that maximise their ability to provide their customers with prompt support, and will also improve their respective positioning as a result of belonging directly to a conglomerate with an integrated strategy focused on managed savings and pensions.

A programme has likewise been launched to promote synergies and achieve global cost reductions within the Division by rationalising its operating activities and gradually eliminating structural duplication by centralising these activities in an entity known as the Divisional Operating Engine (DOE), as approved by the Board of Directors of Banca Fideuram on 24 January 2006.

The operating activities concerned are as follows:

- Information Technology
- Back-office processing
- Call centre
- General and building management services.



The creation of the DOE and other concomitant initiatives will enable the Banca Fideuram Group to benefit from significant synergies generated by the centralised management of its services.

These will include the following in particular:

- Sharing an infrastructure with greater critical mass will enable increased overall efficiencies to be achieved.
- Transferring our banking platform's IT and back-office activities to an external structure will make it possible to reduce our administrative costs significantly and release the related resources.
- The enhanced trading focus with our suppliers will enable us to reduce our external costs.
- Centralising our investment management at Division level will allow us to create a multi-product, multi-channel and multi-"factory" platform.
- Improved investment management, including as a result of implementing "zero-based" budget strategies, will make it possible to optimise our investments and, consequently, amortisation and depreciation.

The Banca Fideuram division dedicated to the above operating activities will be transferred to the company Universo Servizi, which was used as a vehicle to establish the DOE. Upon this transfer, Universo Servizi will increase its share capital by issuing new ordinary shares reserved for Banca Fideuram.

The company division to be transferred is an organised complex of human resources, assets and contractual relations consisting of the following in particular:

- Approximately 560 employees currently in the Systems and Information Management and New Business Divisions.
- Information Technology assets, including hardware (servers, workstations and technical equipment, etc.) totalling approximately €3m and software (third-party applications and applications developed in house) totalling approximately €17m.

- Furnishings for workstations.
- Service or maintenance contracts entered into by third parties to provide support for the Systems and Information Management and New Business areas, and service contracts entered into by Banca Fideuram to provide support in these areas to other companies in the Group.

KPMG Advisory S.p.A. were commissioned to prepare a fairness opinion on the financial conditions of the transaction and valued the aforementioned company division.

The consultancy then valued the company division to be transferred at €2.4m Banca Fideuram anticipates receiving between 843,000 and 1,161,000 new-issue Universo Servizi shares upon the transfer, corresponding to between 4.5% and 6.1% of the share capital.

The transfer of this company division by Banca Fideuram and its operational integration in Universo Servizi is linked to the signing of a "Service Agreement" between the parties.

This agreement will be valid from the date that the deed of transfer comes into effect until 31 December 2008.

The fees will be calculated in relation to the total costs incurred by Universo Servizi and will amount to approximately €120m for 2006. The improvements in efficiency that it is planned will be achieved from 2007 (estimated to be 15% of the costs for 2006) will be to the benefit of Universo Servizi's customers, including Banca Fideuram.

The agreement will also include clauses worded specifically to ensure that the processes for transitioning to this external provision of company functions are in accordance with the Banking Supervision regulations.

The Bank will establish internal teams responsible for ensuring compliance with current regulations and implement procedures for this purpose.

FIDEURAM WARGNY

During 2005, the Board of Directors of Banca Fideuram commissioned the consultancy Banca Rothschild Italia to investigate the potential opportunities for disposing the French group.

The consultancy therefore embarked on this process, preparing the related *Information Memorandum* and making contact with counterparts potentially interested in the transaction.

Following this activity, a number of non-binding offers were received and brought to the attention of the Banca Fideuram Board of Directors' meeting of 10 November 2005.

The consultancy subsequently organised exploratory meetings with the counterparts potentially interested in the transaction to discuss the preliminary *Term Sheets* and establish binding offers. The latter are currently being drawn up and it is likely that the entire process could be completed by the end of 2006.

OPERATING RESULTS

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 2005.

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 2005 and the value added during 2005 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 traditional 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 for the purpose of embedded value reporting, 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 Fideuram Wargny.

Adjusted shareholders' net assets are defined as published net assets adjusted to reflect the market value of the underlying assets.

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 2005: Banca Fideuram Group

The following table shows the embedded value as at 31 December 2005, and, for comparative purposes, equivalent values as at 30 June 2005 and 31 December 2004.

Embedded value - Banca Fideuram Group (€ million)

	31.12.2005	30.06.2005	31.12.2004
Consolidated net assets ^{1, 2}	693	588	633
Adjustments to consolidated net assets	(54)	(49)	(41)
Adjusted net assets	639	539	592
Value of in-force life insurance business	656	670	632
Value of in-force mutual fund business	590	535	521
Value of in-force private banking business	824	752	743
Value of in-force business	2,070	1,957	1,896
Embedded value	2,709	2,496	2,488

¹ After minority interests.

² Determined on a IAS basis starting 30.06.2005

The total consolidated net assets are equal to those reported in the consolidated balance sheet net of minority interests at the respective valuation dates. 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 real estate, (ii) the elimination of intangible assets, (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 6.25% for the valuation as at 31 December 2005 (6.15% as at 30 June 2005 and 6.60% as at 31 December 2004).

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 2005 to the use of discount rates respectively 0.5% lower and higher than the central rate.

Embedded value as at 31 December 2005 - Banca Fideuram Group (€ million)

Discount rate	5.75%	6.25%	6.75%
Consolidated net assets	693	693	693
Adjustments to consolidated net assets	(55)	(54)	(53)
Adjusted net assets	638	639	640
Value of in-force life insurance business	671	656	642
Value of in-force mutual fund business	604	590	577
Value of in-force private banking business	843	824	805
Value of in-force business	2,118	2,070	2,024
Embedded value	2,756	2,709	2,664

Embedded value earnings

The following table shows the embedded value earnings in 2005 of the Banca Fideuram Group. For comparison, the table also shows the derivation of the embedded value earnings for the first half of 2005 and the full year 2004.

Embedded value earnings are equal to the sum of the change in the embedded value and dividends distributed in the period, net of other capital movements; the latter are related primarily to movements in the exchange rate used to convert the net assets of the subsidiary Fideuram Bank Suisse to Euro, and in 2004 to impacts related to the spin-off of Fideuram Vita. For consistency with the primary accounting treatment, the impact of the valuation at fair value of Fideuram Wargny has been excluded from the embedded value earnings for the year 2005.

Embedded value earnings - Banca Fideuram Group (€ million)

	Year 2005	1st half 2005	Year 2004
Change in embedded value in period	221	9	283
Dividends distributed in period	154	154	154
Other capital movements	(10)	(0)	(21)
Exclusion of Fideuram Wargny fair value impact	27	-	-
Embedded value earnings	392	163	416

The embedded value earnings for 2005, after the exclusion of the Fideuram Wargny fair value impact, 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;
 (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 Bankers. This comprises the migration of approximately €302 million from mutual funds and discretionary accounts to unit-linked policies, and the transformation of €40 million of traditional reserves to unit-linked policies; there was no migration of third party mutual funds and discretionary accounts to proprietary managed assets during the period.
- 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 which comprises new policies issued for €57 million of traditional products, €27 million of annualised recurrent unit-linked premiums and €562 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 €3,330 million of mutual funds (of which €1,024 million of third party funds) and €1,567 million of discretionary account business including offshore (of which €171 million of third party underlying assets).

The following table shows the components of embedded value earnings for 2005, with equivalent values for the first half of 2005 and the full year 2004.

Components of embedded value earnings (€ million)

	Year 2005	1st half 2005	Year 2004
Expected return	121	64	115
Experience variances	87	26	1
Changes in operating assumptions	-	-	(2)
Changes in economic and fiscal assumptions	8	6	(8)
Total before new sales and migration/transformation	216	84	106
Migration to life business	9	5	28
Life business transformations	4	3	46
Migration to proprietary underlying assets	-	-	24
Value added by migration and transformation	13	8	98
Life insurance	39	18	70
Mutual funds	69	33	77
Discretionary accounts	55	20	65
Value added by new sales	163	71	212
Embedded value earnings	392	163	416

The principal features of embedded value earnings for 2005 are described below.

Expected profits, based on the start-year assumptions amounted to €121 million, after allowing for the actual contribution of Fideuram Wargny to consolidate results in the year.

Variances from the assumptions used at the start of the year increased earnings in the period by €87 million in aggregate, which arise from numerous sources. The main positive variance, which contributed €98 million to earnings in the period, is related to investment performance exceeding the expectations on all lines of business. The movement to a greater equity content in the assets under management generated €29 million. The non-recurring increase in provisions related to the intermediation in prior years of bonds in default had an after-tax impact of €13 million.





Furthermore, a greater than expected effective tax charge, principally due to IRAP, had an impact of approximately €10 million. The remaining effects comprise a series of minor elements, both positive and negative.

Changes in assumptions gave rise in aggregate to an increase in value of €8 million, principally due to the increase in short-term interest rates in the second half of the year and the effect of the reduction in the discount rate, offset by the effect of the reduction in projected investment returns on longer dated assets.

The commercial initiatives of migration and transformation which were features of the last two years are near to their natural conclusion, generating €13 million in 2005.

New sales in 2005 added €163 million to embedded value earnings, of which €39 million related to life business, €69 million to mutual fund business and €55 million 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 2005 (€ million)

Discount rate	5.75%	6.25%	6.75%
Life insurance business	40	39	37
Mutual fund business	71	69	67
Discretionary account business	57	55	54
Value added by new sales	168	163	158

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 2005 are given below:

- A risk discount rate of 6.25% (6.15% as at 30 June 2005 and 6.60% as at 31 December 2004) 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 3.5% (3.4% as at 30 June 2005 and 3.85% as at 31 December 2004), and total return on equities was taken to be 6.0% (5.9% as at 30 June 2005 and 6.35% as at 31 December 2004). Liquidity was assumed to earn 2.4% (2.0% as at 30 June 2005 and 31 December 2004). 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 4.1% (3.85% as at 30 June 2005 and 4.35% as at 31 December 2004) for guaranteed funds, 4.45% (4.0% as at 30 June 2005 and 4.25% as at 31 December 2004) 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 return, before charges, on mutual funds



- and discretionary accounts was 4.45% (4.1% as at 30 June 2005 and 4.55% as at 31 December 2004).
- 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 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 2.25% per annum (2.5% as at 30 June 2005 and 31 December 2004).
 - 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, 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 or approved 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 2005 are assumed to remain unchanged.





ASSETS AND INFLOWS

Assets under management totalled €64.3bn as at 31.12.2005, an 8.1% increase on the figure as at 31.12.2004, helped - as explained above - by net inflows of €1.2bn, all above, the positive performance of the financial markets.

Assets Under Management

	31.12.2005	31.12.2004	change amount	%
Mutual funds	18,764	16,827	1,937	11.5
Private banking	17,336	15,956	1,380	8.6
Life insurance	14,067	13,414	653	4.9
<i>including: Unit linked</i>	<i>10,103</i>	<i>8,702</i>	<i>1,401</i>	<i>16.1</i>
Pension funds	161	125	36	28.8
Total managed savings	50,328	46,322	4,006	8.6
Total non-discretionary savings	13,984	13,147	837	6.4
<i>including: Securities</i>	<i>11,301</i>	<i>10,901</i>	<i>400</i>	<i>3.7</i>
Total AUM	64,312	59,469	4,843	8.1

Managed savings rose to €50.3bn (€46.3bn as at 31.12.2004), accounting for 78.3% of total assets under management (compared to 77.9% as at 31.12.2004). Shares remained stable as a component of assets under management with recurring fees (mutual funds, private banking and unit-linked policies), at around 36%.

Total net inflows for the year were therefore made up as follows:

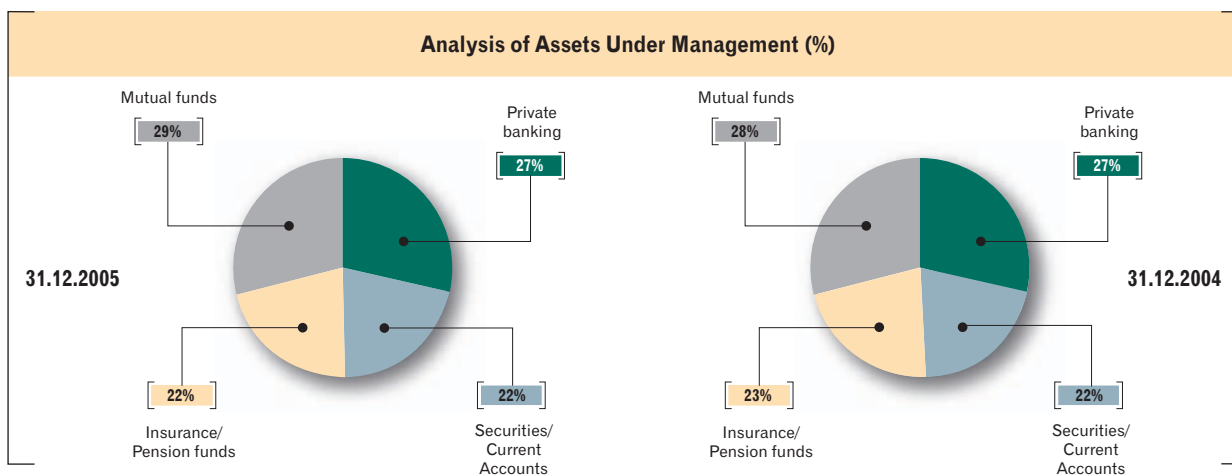
Net inflows (€m)

	2005	2004	change amount	%
Mutual funds	372	(1,102)	1,474	n.s.
Private banking	183	628	(445)	-70.9
Life insurance	350	885	(535)	-60.5
<i>including: Unit linked</i>	<i>598</i>	<i>1,225</i>	<i>(627)</i>	<i>-51.2</i>
Pension funds	25	23	2	8.7
Total managed savings	930	434	496	114.3
Total non-discretionary savings	292	(1,232)	1,524	n.s.
<i>including: Securities</i>	<i>(195)</i>	<i>(1,382)</i>	<i>1,187</i>	<i>-85.9</i>
Total net inflows	1,222	(798)	2,020	n.s.

n.s.: not significant

Net inflows from managed savings, which improved steadily and substantially in the second half of the year, came to €0.9bn compared to €0.4bn in 2004. Inflows into mutual funds were a particularly positive component of managed savings, totalling €0.4bn compared to a net outflow of €1.1bn in 2004.

Net inflows into non-discretionary savings, mainly securities and current accounts, were likewise positive to the tune of €0.3bn, compared to a net outflow of €1.2bn in 2004.



FINANCIAL RESULTS

ANALYSIS OF THE INCOME STATEMENT

Consolidated net income totalled €190.8m in 2005, up 10.1% on the pro-forma figure for the previous financial year (€173.3m), notwithstanding the effect of a number of one-off negative items.

(€m)

	2005	2004 (*)	change	
			amount	%
NET INTEREST INCOME	45.5	39.9	5.6	14.0
Net gains on financial assets	22.8	14.1	8.7	61.7
Net commission income	586.9	534.3	52.6	9.8
TOTAL INCOME FROM FINANCING ACTIVITIES	655.2	588.3	66.9	11.4
Net adjustments for impairment losses	(0.9)	3.3	(4.2)	n.s.
NET GAINS OR LOSSES ON FINANCIAL ACTIVITIES	654.3	591.6	62.7	10.6
Administrative costs	(276.6)	(261.4)	(15.2)	5.8
Other operating income/expense	0.8	(3.6)	4.4	n.s.
Net adjustments to tangible and intangible assets	(27.2)	(35.6)	8.4	-23.6
OPERATING EXPENSES	(303.0)	(300.6)	(2.4)	0.8
Net provisions for risks and changes	(71.1)	(37.2)	(33.9)	91.1
INCOME/LOSS BEFORE TAX ON CURRENT OPERATIONS	280.2	253.8	26.4	10.4
Income taxes for the period on current operations	(53.5)	(51.0)	(2.5)	4.9
Income/losses after tax on non-current assets held for sale	(35.8)	(29.4)	(6.4)	21.8
Minority interests in net income/loss	(0.1)	(0.1)	-	n.s.
NET INCOME	190.8	173.3	17.5	10.1

(*) Takes the reclassifications and adjustments provided for by IAS 32 and IAS 39 into account, does not include the results of the Insurance companies and reflects the consolidation of Fideuram Wargny in accordance with IFRS 5.

n.s.: not significant.

The main income statement items for 2005 are analysed and compared with the pro-forma results for 2004 below.

Net interest income came to €45.5m, up 14% on 2004, mainly as a result of increased average trading volumes. The average deposits of the Group's interest-bearing assets were indeed up 13.4% on 2004, principally due to cash investments growth.

Interest-bearing liabilities rose approximately 12.2% on average, largely as a result of ordinary customer deposits.

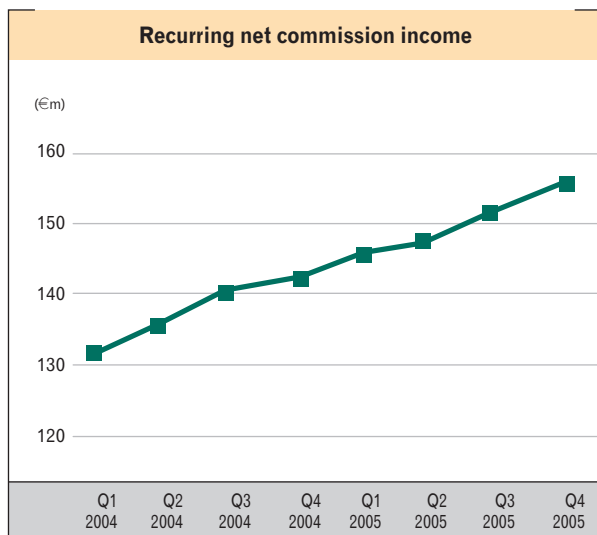
Net income from financing activities totalled €654.3m, up 10.6% from €591.6m in the previous financial year, mainly as a result of increased **net gains on financial assets** (+ €8.7m) and **net commission income** (+ €52.6m).

Net gains or losses on financial assets
(€m)

	2005	2004	% change
- net gains or losses on the sale of loans	3.6	3.9	-7.7
- gains on sales of Sanpaolo IMI shares	1.1	-	n.s.
- valuation of policies for Network Loyalty Schemes	17.5	7.2	143.1
- other	0.6	3.0	-80.0
Total	22.8	14.1	61.7

The increase in **net gains on financial assets** in particular was due to a combination of the following factors:

- Repurchase agreements with customers, which generated net income of €3.6m (€3.9m in 2004).
- The sale of Sanpaolo IMI shares received in the share swap forming part of the Fideuram Vita spin-off, which generated net income of €1.1m.
- The fair-value valuation of the insurance policies that the Banca Fideuram Group took out to insure the market yields of the Private Banker Networks' Loyalty Schemes (€17.5m). These gains were allocated almost entirely to the provisions for risks and charges since they are to be remitted to the Private Bankers in accordance with the provisions of the contract governing said Loyalty Schemes.



Net commission income rose to €586.9m from €534.3m in 2004 (+ 9.8%), as shown below:

Net recurring fees (€m)

Year	Q1	Q2	Q3	Q4	Total
2005	145.4	147.0	151.5	155.7	599.6
2004	131.4	137.5	140.3	141.3	550.5
Difference	14.0	9.5	11.2	14.4	49.1

Net recurring fees totalled €599.6m, up €49.1m (+8.9%) on 2004. This increase was principally due to growth in average assets under management with recurring fees, which rose from €40.3bn to €43.2bn (+7.2%).

Net front-end fees (€m)

Year	Q1	Q2	Q3	Q4	Total
2005	11.5	14.7	12.6	19.0	57.8
2004	19.7	14.5	12.3	16.7	63.2
Difference	(8.2)	0.2	0.3	2.3	(5.4)

Net front-end fees totalled €57.8m, down €5.4m on the previous year, mainly due to a fall in securities-related business and, to a lesser extent,

to a decline in the insurance sector, which was only partially offset by an increase in front-end fees on mutual funds. There was however an improvement in the fourth quarter of 2005 (+€6.4m), helped by placement fees.

Net commission income from incentives and similar fees (€m)

Year	Q1	Q2	Q3	Q4	Total
2005	(18.2)	(21.0)	(19.6)	(11.7)	(70.5)
2004	(21.3)	(20.3)	(16.5)	(21.3)	(79.4)
Difference	3.1	(0.7)	(3.1)	9.6	8.9

Net commission income from incentives and similar fees had a negative balance of €70.5m, a decrease of €8.9m (-11.2%) on the figure for 2004.

Administrative costs (€m)

	2005	2004	% change
Staff costs	136.6	122.4	11.6
Other administrative costs	140.0	139.0	0.7
Total	276.6	261.4	5.8

Administrative costs totalled €276.6m, up 5.8% on 2004 (€261.4m), mainly due to staff costs, which increased by €14.2m rising from €122.4m to €136.6m (+11.6%), mainly due to wage adjustments resulting from the renewal of the National Collective Bargaining Agreement in February 2005, and to recruitments to increase the number and competencies of our staff.

Other administrative costs totalled €140m, which was largely in line with the figure for the previous financial year (€139m).

Net adjustments to tangible and intangible assets (€m)

	2005	2004	% change
Adjustments to tangible assets	8.1	10.4	-22.1
Adjustments to intangible assets	19.1	25.2	-24.2
Total	27.2	35.6	-23.6

Net adjustments to tangible and intangible assets totalled €27.2m, down €8.4m on 2004,

principally due to the depreciation of tangible fixed assets having been completed in the previous financial year, while also being an effect of the new accounting treatment provided for by the IAS/IFRS.

Net provisions for risks and changes (€m)

	2005	2004	% change
Contractual indemnity payments due to Private Bankers	7.4	5.5	34.5
Legal disputes/claims from receivers/securities in default	36.8	9.3	n.s.
Network loyalty schemes	26.6	22.4	18.8
Other	0.3	-	n.s.
Total	71.1	37.2	91.1

Net provisions for risks and charges came to €71.1m, an increase of €33.9m on the figure for 2004 (€37.2m), largely due to the Group's initiatives to cover the risks related to the brokerage of corporate bonds. The net movements in provisions were as follows:

- €7.4m provisions, calculated using actuarial criteria, for contractual indemnities due to Private Bankers (€5.5m in 2004).
- €26.6m accrued costs regarding the Group's Private Banker Network Loyalty Schemes (€22.4m in 2004), including €16m linked to insurance policy returns (€7.2m in 2004) as described above in the comment on net income from financing activities.
- €36.8m provisions, mainly one-off provisions (€21.2m), for legal disputes and the risks connected with securities in default traded in prior years (€9.3m in 2004).

Income taxes totalled €53.5m, €2.5m more than in the previous financial year.

Losses after tax on non-current assets (€35.8m) reflect the impact of the contribution and valuation of the French subsidiaries in the Fideuram Wargny Group (€29.4m in 2004), as follows:

Losses after tax on non-current assets (€m)

	2005	2004	% change
Fideuram Wargny's contribution to consolidated result	(8.6)	(13.1)	-34.4
Net gains/losses on valuations of group of assets and associated liabilities	(27.2)	(16.3)	66.9
Total	(35.8)	(29.4)	21.8

ASSET AND LIABILITY MANAGEMENT

An analysis of the main balance sheet items is presented below, including - for the purposes of comparison - the pro-forma figures as at 1 January 2005, which take into account the application of all the International Accounting Standards (including IAS 32 and IAS 39), as well as the recognition of the Wargny Group in accordance with IFRS 5.

	31.12.2005	01.01.2005 (*)	change	
			amount	%
ASSETS				
Financial assets	765.8	669.8	96.0	14.3
Due from banks	4,624.0	3,484.9	1,139.1	32.7
Loans to customers	1,125.5	808.1	317.4	39.3
Tangible and intangible assets	75.8	81.2	(5.4)	-6.7
Other assets	676.9	501.6	175.3	34.9
TOTAL ASSETS	7,268.0	5,545.6	1,722.4	31.1
LIABILITIES				
Due to banks	287.5	203.7	83.8	41.1
Due to customers	5,138.6	3,796.7	1,341.9	35.3
Debt securities in issue and financial liabilities	356.8	231.1	125.7	54.4
Other liabilities	570.6	509.0	61.6	12.1
Provisions for risks and change	221.6	158.9	62.7	39.5
Minority interests	0.2	0.2	-	n.s.
Group Shareholders' equity	692.7	646.0	46.7	7.2
TOTAL LIABILITIES	7,268.0	5,545.6	1,722.4	31.1

(*) Reflects the consolidation of Fideuram Wargny in accordance with IFRS 5.
n.s.: not significant

Financial assets came to €765.8m, an increase of €96m on the figure of €669.8m as at 1 January 2005 (+14.4%), mainly as a result of the purchase of short-term securities that increased the Group's portfolio. This item largely comprised fixed-income securities and insurance policies taken out for our Private Bankers as part of the Network Loyalty Schemes.



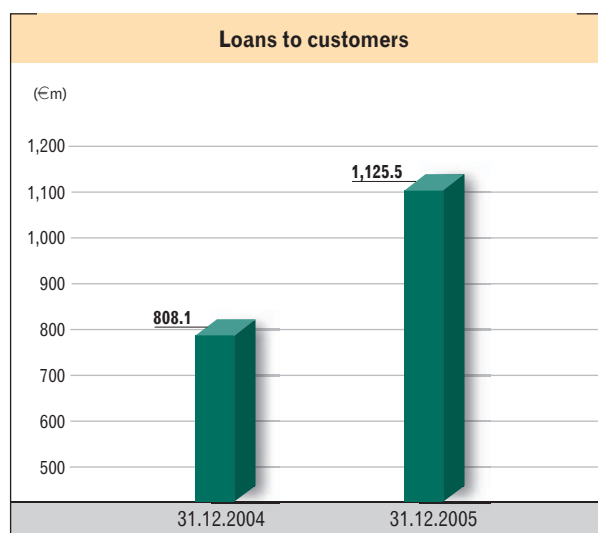
Due from banks included unlisted securities issued by Sanpaolo Bank S.A. totalling €704.9m (€467.5m as at 1.1.2005) that were mainly used for repurchase agreements and a floating-rate bond (with the latter accounting for €150m).

The Group continued to be a net lender on the interbank market, with total deposits of €4,336.5m, compared to €3,281.2m as at 1 January 2005.

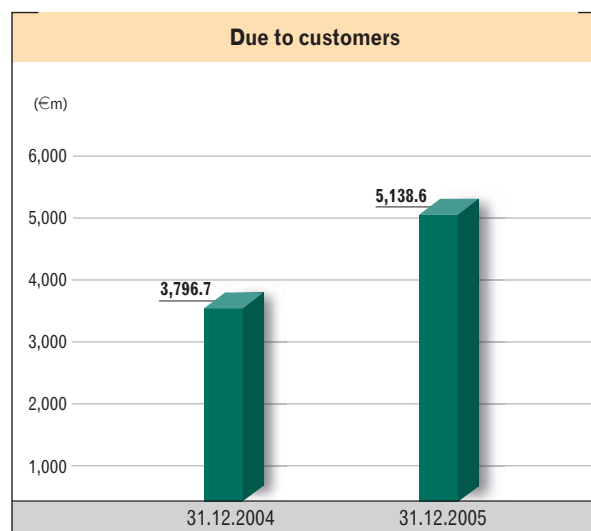
Loans to customers, totalled €1,125.5m, including €755.1m in secured loans, up €317.4m on the pro-forma figure for 1 January 2005 (€808.1m).

Net problem loans, including loans receivable/overdue by more than 180 days, totalled €8.4m at the end of December 2005 as follows:

- Non-performing loans came to €2.7m, a 3.8% increase on the figure of €2.6m as at 1.1.2005. The Group's non-performing loans coverage ratio was 81.4%.
- Loans receivable/overdue by more than 180 days totalled €5.7m. The coverage ratio was 7%.
- Presumptive adjustments to performing loans totalled €3.2m at the end of December 2005.



Due to customers totalled €5,138.6m, up 35.3% on the figure as at 1 January 2005, largely as a result of current accounts and deposits.



CONSOLIDATED SHAREHOLDERS' EQUITY AND OWN SHARES

Group shareholders' equity including net income for the year totalled €692.7m as at 31 December 2005. The changes in shareholders' equity are set out in 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 parent company's shareholders' equity and net income with those of the Group (€m)

	31.12.2005	
	Shareholders' equity	including: Net income
Parent company financial statement balances	500.5	153.8
Net income of Companies consolidated line-by-line	242.6	242.6
Effect of consolidation of subsidiaries	(38.0)	-
Dividend income from Group companies	-	(203.9)
Dividend income	-	(1.2)
Write-back of intra-group goodwill	(8.8)	-
Other differences	(3.6)	(0.5)
Consolidated financial statement balances	692.7	190.8



As at 31 December 2005, the bank held, exclusively for the purpose of stock option plans, a total of 12,655,273 Banca Fideuram shares with a par value of €0.19 each, amounting to 1.3% of the share capital (14,997,000 as at 31.12.2005).

In accordance with IAS 32, these shares were recorded at their historical values, resulting in a €54.4m adjustment to shareholders' equity.

The number of own shares fell in the second half of 2005, following the exercise of 2,341,727 stock options under the 2004 bonus scheme, which provided for assigning options to purchase Banca Fideuram shares to the Private Bankers of the Banca Fideuram Group in the ratio of one option per share, to be exercised in the period of June to December 2005 at a unit price of €4.43. After the stock options were exercised, a total of 2,341,727 own shares were sold and the surplus on the sale with respect to the book value was recorded under shareholders' equity as additional paid-in capital of €0.3m.

As at 31.12.2004, Banca Fideuram also held 1,120,276 Sanpaolo IMI shares with a par value of €2.8 each, received as a result of the share swap forming part of the Fideuram Vita spin-off transaction. The Bank sold these shares for €13m in the first half of 2005, making gains of €1.1m.

ACTIVITIES ABROAD

Fideuram Bank (Luxembourg) confirmed its leading role on the Luxembourg market in 2005. The bank's core business is the custody of assets and settlement of transactions for institutional customers, including in particular the management of the Banca Fideuram Group's Luxembourg and Irish funds, which totalled €39.6bn as at 31 December, an increase of 9.3% on the previous financial year.

In addition, the bank also provides important technological and organisational support to its

affiliated companies in other countries in the form of information technology, administrative and back-office services.

Our Swiss subsidiary, Fideuram Bank (Suisse), performed well overall, in terms both of increased customer business and profitability.

The bank's shareholders voted to reduce the reserves during the year in order to align them with its currently-identified future needs. This extraordinary transaction was authorised by the relevant Supervisory Authorities.

The bank continued its local distribution of the Fideuram Fund Luxembourg asset management fund and is preparing to handle the Swiss distribution of another Luxembourg fund, the Fideuram Multimanager Fund, while awaiting authorisation from the local Supervisory Authorities.

Foreign Asset Management continued to develop its role as the delegated manager of the Group's Luxembourg and Irish mutual funds in line with its activities in previous years.

RESULTS BY SECTOR OF ACTIVITY

Following the introduction of the International Accounting Standards/International Financial Reporting Standards, the Banca Fideuram Group has, this year, for the first time presented the segment information provided for by IAS 14.

The table below shows the Group's financial results,¹ operating data and main profitability indicators in relation to its different Business Segments:

- Managed financial savings
- Insurance savings
- Banking and other services.

These Segments, defined in relation to the main types of products that make up the Group's Savings and Pensions business, are analysed using data

¹ The figures do not reflect the results of Fideuram Wargny because the French subsidiaries have been consolidated in accordance with IFRS 5.





that show their contribution to Group income after consolidation adjustments.

Managed Financial Savings Segment

The Managed Financial Savings Segment covers the Group's private banking and mutual fund business, which totalled €36.1bn (56.1% of total assets under management) as at 31 December 2005. In 2005, this segment generated €393.5m net commission income and contributed €211.7m to income from current operations. The ratio between net commission income and average Assets Under Management was 1.14%, while the ratio between total gross income and Assets Under Management was 0.62%.

Insurance Savings Segment

This segment covers the Group's life insurance and pension funds business, which totalled €14.2bn as at 31 December 2005 (22.1% of total assets under management). The net commission income generated by this segment came to €139m and contributed €101.6m to income from current

operations. The ratio between net commission income and average Assets Under Management was 1%, while the ratio between total gross income and Assets Under Management was 0.73%.

Banking and Other Services Segment

The Banking and Other Services Segment covers the Group's banking and financial services, plus its central structures, holding activities and finance activities, as well as - generally speaking - the coordination and control activities for its other operating areas.

This segment includes non-discretionary savings, mainly comprised of securities and current accounts, which totalled €14bn as at 31 December 2005 (21.8% of total assets under management). The contribution of this segment to total income from current operations was negative to the tune of €11.9m, without taking into account the one-off provisions of €21.2m set aside to cover the risks related to brokerage of corporate bonds.

Business segmentation

(€m)

	Managed Financial Savings	Insurance Savings	Banking and other Services	Total for Banca Fideuram Group
Net interest income	-	-	45.5	45.5
Net commission income	393.5	139.0	54.4	586.9
Net gains or losses on financial assets and liabilities	-	-	22.8	22.8
Total income from financing activities	393.5	139.0	122.7	655.2
Operating costs net of recoupment of costs	(159.0)	(29.3)	(115.5)	(303.8)
Net-recurring items	-	-	(21.2)	(21.2)
Other	(22.8)	(8.1)	(19.1)	(50.0)
Total income from current operations	211.7	101.6	(33.1)	280.2
Average Assets Under Management	34,382	13,964	14,070	62,416
Assets under Management as at 31.12.2005	36,100	14,228	13,984	64,312
Key ratios				
Cost / Income Ratio	40.4%	21.1%	94.1%	46.4%
Total income/Average Assets Under Management	0.62%	0.73%	-0.24%	0.45%
Net commission income/Average Assets Under Management	1.14%	1.00%	0.39%	0.94%

HUMAN RESOURCES, PRODUCTS AND SERVICES

PRIVATE BANKERS

The Group's distribution structure (Fideuram and Sanpaolo Invest Networks) totalled 4,150 Private

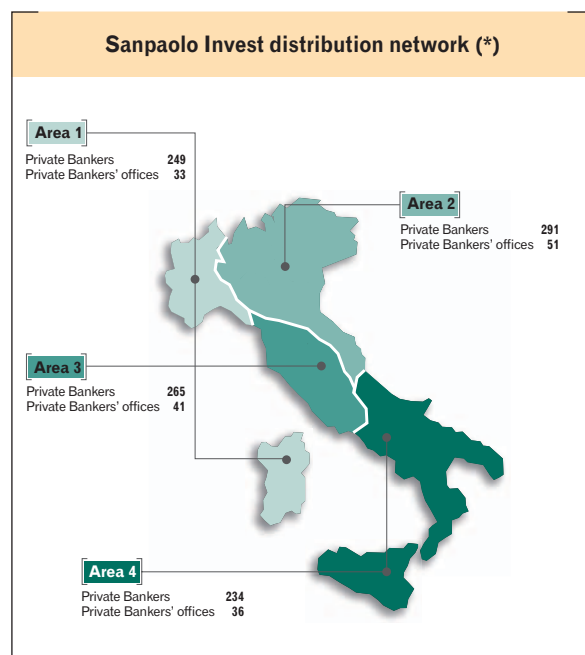
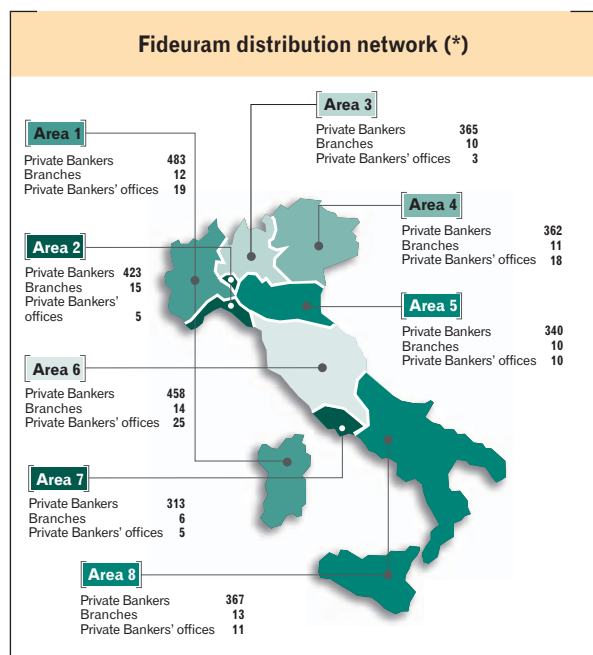
Bankers at the end of 2005 compared to 4,313 as at 31.12.2004, as shown below.

Banca Fideuram Private Bankers

	Beginning of period	in	out	net	End of period
1.1.2005 - 31.12.2005	3,244	101	234	(133)	3,111
1.1.2004 - 31.12.2004	3,413	69	238	(169)	3,244

Sanpaolo Invest Private Bankers

	Beginning of period	in	out	net	End of period
1.1.2005 - 31.12.2005	1,069	71	101	(30)	1,039
1.1.2004 - 31.12.2004	1,130	78	139	(61)	1,069



(*) Banca Fideuram has reorganised its Private Banker and branch coverage in 8 areas rather than the previous 6 and Sanpaolo Invest Network in 4 areas rather than previous 3. All branches serve the customers and Private Bankers of the Fideuram and Sanpaolo Invest Networks alike.





The Group's competitors undertook a number of substantial intrusive actions during the year. We stepped-up our recruitment activities in response to these actions, in line with our Three-Year Plan, which aims to bring in a final total of approximately 1,000 new Private Bankers. As a result of these activities, we recruited 172 Private Bankers in 2005 compared to 147 in 2004. A number of supporting initiatives were also launched to support these objectives, backed by dedicated investments.

Employees and training

The Banca Fideuram Group's staff, excluding the human resources in the Fideuram Wargny group, rose from 1,595 as at 31.12.2004 to 1,632 as at 31.12.2005, an increase of 37 (+2.3%).

This increase was mainly attributable to Banca Fideuram, which completed the process of renewing its directorship team during the year. The recruitments strengthened Banca Fideuram's various Divisions (in sales, audits and risk management), while also replacing staff who had left.

Employees (staff)

	31.12.2005	31.12.2004
Banca Fideuram	1,326	1,294
Sanpaolo Invest SIM	53	53
Private Banking	26	26
Fideuram Bank (Suisse)	23	23
Fideuram Fiduciaria	3	3
Asset Management	227	222
Fideuram Asset Management (Ireland)	13	12
Fideuram Bank (Luxembourg)	75	74
Fideuram Investimenti SGR	116	111
Fideuram Gestions	23	25
Total	1,632	1,595
Fideuram Wargny Group	234	229

The training activities carried out in 2005 involved the following:

- Focusing on the professional areas involved in Banca Fideuram's business and the related new legislation.
- Expanding our team of in-house training professionals.
- Initiatives targeting specific training needs (in particular: IAS, the Patti Chiari transparency project, Italian law 626/94 on the prevention and management of emergencies, IT competencies and the development of language skills).
- Developing our e-learning platform.

These training activities amounted to a total of 3,924 person days, 3,360 of which concerned training initiatives that were organised internally (2,780 class-based and 580 e-learning initiatives), while 564 involved attendance at external seminars, conferences and courses closely related to the Bank's business.

RESEARCH AND DEVELOPMENT PRODUCTS AND ACTIVITIES

Our product development activities in 2005 were focused on achieving the objectives and targets set out in our 2005-2007 Three-Year Plan and involved our entire product range (mutual funds, private banking services and insurance products).

These activities had the following goals:

- To promote existing products.
- To offer access to the best investment opportunities, with specialized products.
- To introduce new savings management approaches.
- To improve the segmentation of our product ranges, paying particular attention to the needs of high-profile customers.

During 2005 we launched a marketing campaign to support the excellent reputation of Banca Fideuram's current accounts, which have always stood out for their particularly attractive financial conditions.



Aiming to offer customers new investment opportunities, we completed the issues of 3 Certificates in mutual funds and 2 new structured bonds, while also launching the Crédit Agricole Funds multi-sector SICAV.

During the second half of the year we extended our range of mutual funds, launching the Fonditalia Flexible fund managed by Goldman Sachs. Fonditalia Flexible is the first fund in the Banca Fideuram range to adopt the innovative total return management approach, based on dynamic asset allocation rather than being tied to a reference benchmark.

A further development aiming to provide new savings-investment solutions, saw the Banca Fideuram range of insurance products grow with the launch of Fideuram Certa, a traditional life insurance policy offering a guaranteed minimum return, developed in conjunction with AIP.

Renewed attention was, as stated, devoted to high-profile customers, who were offered two dedicated products:

- GPF Capital, a total return asset management fund offering 5 different investment lines to suit different risk profiles, all benefiting from a particularly sophisticated risk management approach.
- Fideuram Alternative Investments Funds Opportunity, a new speculative funds fund, which allows customers to opt for a more aggressive risk/return ratio than the corresponding products launched in 2004.

All these product initiatives were developed for both the Banca Fideuram and Sanpaolo Invest SIM networks.

In addition to these new products common to both networks, the Sanpaolo Invest SIM network benefited from the following:

- The advancement of the process of alignment with the Banca Fideuram range, which saw the

network launch the placement of the Financial Age Portfolio and Fonditalia.

- The launch of dedicated products (a new investment line within GPF Profit and the launch of a multi-line personalised fiduciary asset management (GPF) product developed in conjunction with Symphonia).

Lastly, the Bank continued to take part in multiclient surveys during 2005, which were carried out by renowned international research companies to monitor trends in the managed savings market. In addition, aiming to gain a deeper understanding of the relationship between customers and online banking, Banca Fideuram joined the observatory set up by the Italian Banking Association (ABI) to research the behaviour and attitudes of existing and potential Internet banking customers.

Internet

Fideuram Online maintained its strong growth trend in 2005 regarding both the total number of customers (+12% on 2004) and total number of Internet transactions (over 1 million, including stock market instructions, transfers and instructions regarding funds - an increase of 28% on 2004).

More than 159,000 customers accessed their accounts over the Internet (76% Banca Fideuram customers and 24% Sanpaolo Invest customers).

Transfers over the Internet (accounting for approximately 60% of all transfers by customers) increased by 42% compared to the previous year, while the number of instructions regarding funds increased by over 36%.

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 over 55% of all their securities trading transactions over the Internet in 2005.





The range of services offered by Fideuram Online was updated and extended with the introduction of many new features, including asset management top-up payments, trading in bonds listed on the EuroMot, the launch of the text message on demand service, extended information on our main pension funds and products, the reorganisation of Fideuram Online's services and the introduction of a new area that offers each customer a one-page overview of their financial position.

SYSTEMS AND INFORMATION MANAGEMENT

The most significant activities of the Systems and Information Management Division in 2005 were focused on initiatives connected with the new industrial plan, which absorbed a significant part of the division's available resources. These activities regarded new internal products (Funds and Asset Management Funds) and external products (pension products in particular), as well as the implementation of a new approach to the advisory and sales services provided by the Private Bankers in the Fideuram and Sanpaolo Invest Networks, which will be completed in 2006.

The Division also continued and to a large extent completed the projects for rationalising our information systems to improve efficiency and contain costs, including through synergies with parent company Sanpaolo IMI, which included the following:

- Completing the plan for transferring our mainframe and departmental technology equipment to the Sanpaolo IMI site, which will enable significant cost reductions to be achieved 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.

- A project was launched for transferring our Bancomat ATM service and debit cards to Sanpaolo IMI, which now provides a complete service to Banca Fideuram with a view to upgrading the associated systems and procedures in preparation for the introduction of chip cards. This project involved completely revising our card management and authentication software, as well as upgrading all our ATM terminals.
- Fideuram Investimenti's fund portfolio management and advisory systems (previous Fideuram Capital systems) were rationalised by standardising the technologies transferred from Fideuram Capital with those of Banca Fideuram and unifying the systems for the acceptance of instructions.

In addition, the following activities were carried out to ensure compliance with the directives of the Bank of Italy and the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB), as well as with the International Accounting Standards:

- The programme to implement the interventions required to bring our management and accounting procedures into line with the International Accounting Standards (IAS/IFRS) was completed.
- A Business Continuity Plan which should be completed during 2006 was developed in conjunction with Sanpaolo IMI and notified to the Bank of Italy.
- An initial version of a system for classifying customers and evaluating the suitability of financial transactions was completed.
- The Division provided support for the activities carried out to ensure compliance with the Sarbanes Oxley Act (SOA) for all the Bank's areas of activity, and in particular carried out a dedicated analysis of the internal audits of the IT activities.



The Sanpaolo Invest administrative and internal audit systems saw work completed on implementing the new systems for the Audit Unit and for managing Network commission, which are the same as those used for the Banca Fideuram Network.

In addition, a system for managing the operating and financial data of the Banca Fideuram Group was also completed.

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 will be completed by the deadline of 31 March 2006 specified in said legislation.

The implementation of the new sales system supporting our Private Banker Networks will be completed in 2006, enabling then to offer customers an even higher standard of advisory and financial planning services.

During 2006 we also plan to transfer the provision of the entire Banca Fideuram banking IT platform and related back offices to our parent company, following the same model already adopted for the other Bank Networks in the Sanpaolo IMI Group. This will enable Banca Fideuram to achieve significant savings, extend its range of banking services and focus its financial and professional resources on its core business.

SUPPLEMENTARY INFORMATION

INTERNAL AUDIT

The Bank's internal audit activities are carried out by the Audit Department, which is 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. The Audit Department staff increased by 11 from the total at 31.12.2004, rising to 81 employees.

The Head of the Audit Department reports functionally to the Board of Directors and hierarchically to the Managing Director. In addition, the Head of the Audit Department is also required to inform the Internal Audit Committee about the department's activities on a monthly basis.

The Department's activities follow an annual programme approved by a specific resolution of the Board of Directors following examination by the Internal Audit Committee.

During the year the Department also completed extending the IT system for the remote monitoring of our Private Bankers' operations to the Sanpaolo Invest SIM network. This system is being used alongside the traditional guiding factors for headquarters and on-the-spot audits.

ADDITIONAL INFORMATION

In June 2005, the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) launched an investigation into the efficiency of Sanpaolo Invest SIM's management and internal audit processes.



Following the completion of said investigation in December 2005, the CONSOB began proceedings served on 4 January 2006 against Sanpaolo Invest as the responsible party, regarding the imposition of pecuniary penalties pursuant to article 195, sub-paragraph 9, of Italian Legislative Decree No. 58/1998, which may be imposed on the company representatives who received the Commission's formal notice concerning a number of alleged violations of regulatory provisions principally regarding internal audits. Sanpaolo Invest proceeded to formulate its own conclusions, highlighting amongst other matters the fact that its present procedures comply with the current regulations.

On 9 June 2005, following a series of meetings with Banca Fideuram management that were within the scope of its regulatory powers, the CONSOB informed Banca Fideuram of a number of shortcomings in the procedures regarding its investment and customer advisory services (as well as its internal audit systems).

The CONSOB also asked Banca Fideuram to take appropriate action to rectify the shortcomings identified, regarding which the Bank had moreover already launched a work plan to take the required corrective measures prior to the CONSOB's involvement. The Bank's Board of Directors therefore approved the measures for improving the aforementioned procedures, the implementation of which will be reported to the CONSOB at periodic intervals, focusing special attention on evaluating the initiatives launched.

SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

On 16 February 2006, the Board of Directors of Banca Fideuram voted to centralise the Bank's operating activities in a single entity and to subsequently transfer this Company Division to the company Universo Servizi¹ in order to promote the creation

of synergies within the Eurizon Financial Group and consequently in the Sanpaolo IMI Group. This transfer is linked to the signing of a long-term outsourcing agreement between the parties, the fees for which will be determined on the basis of the total costs borne by Universo Servizi, while the savings achieved will be entirely to the benefit of Banca Fideuram.

Net inflows were positive to the tune of €335m in the first two months of the year. At the end of February Assets Under Management totalled €65.3bn, up on the figures as at 31.12.2005, consolidating the positive trend that had already been established by the end of the year.

This positive performance of Assets Under Management combined with the cost containment initiatives in place make it likely that net income for 2006 will be higher than in 2005.

THE BOARD OF DIRECTORS

Milan, 16 March 2006

¹ See the section on Eurizon Financial Group for further information.



CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet

(All figures in thousands of euros)

	31.12.2005	31.12.2004	1.1.2005
ASSETS			
10. Cash and cash equivalents	21,673	24,402	24,402
20. Financial assets held for trading	588,237	1,039,165	489,334
30. Financial assets valued at fair value	172,754	-	207,302
40. Financial assets available for sale	126	-	130
50. Financial assets held to maturity	4,662	144,359	4,668
60. Due from banks	4,623,983	3,059,534	3,528,974
70. Loans to customers	1,125,489	833,620	832,767
80. Hedging derivatives	-	-	-
90. Adjustment of financial assets subject to generic hedging	-	-	-
100. Equity investments	26	156	26
110. Reinsurers' share of technical reserves	-	-	-
120. Tangible assets	51,138	56,044	56,044
130. Intangible assets	24,661	27,676	27,676
including: goodwill	-	-	-
140. Tax assets	68,292	79,159	79,522
a) current	2,098	15,030	15,030
b) deferred	66,194	64,129	64,492
150. Non-current assets and groups of assets held for sale	170,568	-	-
160. Other assets	416,424	318,324	294,777
TOTAL ASSETS	7,268,033	5,582,439	5,545,622

Chairman of the
Board of Directors
Vincenzo Pontolillo

General Manager
Massimo Arrighi

Deputy General Manager (CFO)
Alberto M. Maturi

Administration and
Reporting Director
Paolo Bacciga

Consolidated Balance Sheet

(All figures in thousands of euros)

	31.12.2005	31.12.2004	1.1.2005
LIABILITIES AND SHAREHOLDERS' EQUITY			
10. Due to banks	287,514	212,765	215,186
20. Due to customers	5,138,594	3,864,988	3,866,240
30. Debt securities in issue	353,496	203,689	199,767
40. Financial liabilities held for trading	3,348	-	31,270
50. Financial liabilities valued at fair value	-	-	-
60. Hedging derivatives	-	-	-
70. Adjustment of financial liabilities subject to generic hedging	-	-	-
80. Tax liabilities	40,915	47,083	50,888
a) current	39,427	35,062	35,062
b) deferred	1,488	12,021	15,826
90. Liabilities associated with assets held for sale	164,009	-	-
100. Other liabilities	365,653	392,279	372,192
110. Provision for employment termination indemnities	32,047	30,802	30,802
120. Provisions for risks and charges:	189,509	132,323	132,323
a) pensions and other commitments	-	-	-
b) other provisions	189,509	132,323	132,323
130. Technical reserves	-	-	-
140. Valuation reserves	18,941	16,083	16,083
150. Redeemable shares	-	-	-
160. Capital instruments	-	-	-
170. Reserves	350,891	261,399	274,355
180. Additional paid-in capital	301	-	-
190. Capital	186,255	186,255	186,255
200. Own shares (-)	(54,439)	-	(64,512)
210. Minority interests	214	905	905
220. Net profit (loss) for the year	190,785	233,868	233,868
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	7,268,033	5,582,439	5,545,622

Chairman of the
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Vincenzo Pontolillo

General Manager
Massimo Arrighi

Deputy General Manager (CFO)
Alberto M. Maturi

Administration and
Reporting Director
Paolo Bacciga





Consolidated Income Statement

(All figures in thousands of euros)

	2005	2004 (*)
10. Interest income and similar revenues	123,162	101,836
20. Interest expense and similar charges	(77,625)	(61,911)
30. Net interest income	45,537	39,925
40. Commission income	1,012,886	917,875
50. Commission expense	(425,996)	(383,526)
60. Net commission income	586,890	534,349
70. Dividends and similar income	1	35
80. Net gains or losses on trading activities	1,273	5,195
90. Net gains or losses on hedging activities	-	-
100. Income/loss from sale or repurchase of:	3,588	-
a) loans	3,588	-
b) financial assets available for sale	-	-
c) financial assets held to maturity	-	-
d) financial liabilities	-	-
110. Net gains or losses on financial assets and liabilities valued at fair value	17,906	-
120. Total net interest and trading income	655,195	579,504
130. Net adjustments/write-backs for impairment losses to:	(899)	3,314
a) loans	(888)	3,314
b) financial assets available for sale	-	-
c) financial assets held to maturity	-	-
d) other financial transactions	(11)	-
140. Net gains or losses on financing activities	654,296	582,818
150. Net premiums	-	-
160. Other income/expense from insurance operations	-	-
170. Net gains or losses on financing and insurance activities	654,296	582,818
180. Administrative costs:	(276,634)	(261,375)
a) staff costs	(136,622)	(122,440)
b) other administrative costs	(140,012)	(138,935)
190. Net provisions for risks and charges	(71,053)	(37,246)
200. Net adjustments/write-backs of tangible assets	(8,116)	(10,374)
210. Net adjustments/write-backs of intangible assets	(19,113)	(25,268)
220. Other operating income/expense	834	(3,618)
230. Operating costs	(374,082)	(337,881)
240. Income/losses on equity investments	-	-
250. Net gains or losses on the fair value valuation of tangible and intangible assets	-	-
260. Adjustments to goodwill	-	-
270. Income/losses on sale of investments	-	-
280. Income/loss before tax on current operations	280,214	244,937
290. Income taxes on current operations	(53,558)	(47,662)
300. Income/loss after tax on current operations	226,656	197,275
310. Income/loss after tax on groups of assets held for sale	(35,820)	36,639
320. Net profit/loss for the year	190,836	233,914
330. Minority interests in net income/loss for the year	(51)	(46)
340. Parent company interest in net income/(loss) for the year	190,785	233,868

(*) The 2004 results reflect the contribution of the Insurance Companies that ceased to be included in the consolidation after November 2004 following the spin-off of Fideuram Vita, and the consolidation of Fideuram Wargny in accordance with IFRS 5, in the item "Income/(loss) after tax on groups of assets held for sale".

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Paolo Bacciga



Statement of changes in consolidated shareholders' equity

(All figures in thousands of euros)

	Balance as at 31.12.2003 (*)		Change to opening balance	Balance as at 01.01.2004 (**)		Allocation of income for the previous year		Changes in the year										Shareholders' equity as at 31.12.2004 (***)				
	Group	Third parties		Group	Third parties	Group	Third parties	Changes in reserves (***)	Transactions involving shareholders' equity						Net profit (loss) for the year as at 31.12.2004		Group	Third parties				
									Group	Third parties	Group	Third parties	Issue of new shares	Purchase of own shares					Distribution of extraordinary dividends	Change in capital instruments	Derivatives based on own shares	Stock options
Group	Third parties	Group	Third parties	Group	Third parties	Group	Third parties	Group							Third parties	Group	Third parties	Group				
Capital:	254,876	-	-	254,876	-	-	-	(68,621)	-	-	-	-	-	-	-	-	-	-	-	186,255	-	
a) Ordinary shares	254,876	-	-	254,876	-	-	-	(68,621)	-	-	-	-	-	-	-	-	-	-	-	186,255	-	
b) Other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Additional paid-in capital	52,737	-	-	52,737	-	-	-	(52,737)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Reserves:	588,336	2,561	13,627	601,963	2,561	21,166	(1,177)	(362,802)	522	-	-	-	-	-	-	-	(1,072)	-	-	261,399	1,906	
a) from net income	475,368	2,561	13,627	488,995	2,561	21,166	(1,177)	(362,802)	522	-	-	-	-	-	-	-	(1,072)	-	-	148,431	1,906	
b) other	112,968	-	-	112,968	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	112,968	-	
Valuation reserves:	12,254	-	7,297	19,551	-	-	-	(3,468)	-	-	-	-	-	-	-	-	-	-	-	16,083	-	
a) available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
b) hedging of financial flows	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
c) other	12,254	-	7,297	19,551	-	-	-	(3,468)	-	-	-	-	-	-	-	-	-	-	-	16,083	-	
Capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Own shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net profit/loss for the year	175,613	(1,177)	-	175,613	(1,177)	(21,166)	1,177	(154,447)	(9,145)	-	-	-	-	-	-	-	-	-	243,013	(1,001)	233,868	(1,001)
Shareholders' equity	1,083,816	1,384	20,924	1,104,740	1,384	-	-	(154,447)	(496,773)	522	-	-	-	-	-	-	(1,072)	243,013	(1,001)	697,605	905	

(*) Balances resulting from the adoption of Italian GAAP.

(**) Balances resulting from the adoption of the IAS/IFRS, excepting IAS 32 and IAS 39.

(***) Include the effects of the spin-off of the Insurance Companies completed in November 2004.

Statement of changes in consolidated shareholders' equity

(All figures in thousands of euros)

	Balance as at 31.12.2004 (*)		Change to opening balance		Balance as at 01.01.2005 (**)		Allocation of income for the previous year		Changes in the year										Shareholders' equity as at 31.12.2005				
	Group	Third parties	Group	Third parties	Group	Third parties	Reserves		Dividends and other	Changes in reserves		Transactions involving shareholders' equity						Net profit (loss) for the year as at 31.12.2005		Group	Third parties		
												Group	Third parties	Group	Third parties	Group	Third parties					Issue of new shares	Purchase of own shares
Capital:	186,255	-	-	-	186,255	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	186,255	-	
a) Ordinary shares	186,255	-	-	-	186,255	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	186,255	-
b) Other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	-	-	-	-	301	-	-	-	-	-	-	-	-	-	-	301	-
Reserves:	261,399	1,906	12,956	274,355	1,906	79,421	(1,001)	-	(2,891)	(742)	-	-	-	-	-	-	-	6	-	-	350,891	-	
a) from net income	148,431	1,906	12,956	161,387	1,906	79,421	(1,001)	-	(2,891)	(742)	-	-	-	-	-	-	-	6	-	-	237,923	163	
b) other	112,968	-	-	112,968	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	112,968	-	
Valuation reserves:	16,083	-	-	16,083	-	-	-	-	2,858	-	-	-	-	-	-	-	-	-	-	-	-	18,941	-
a) available for sale	-	-	-	-	-	-	-	-	(1)	-	-	-	-	-	-	-	-	-	-	-	-	(1)	-
b) hedging of financial flows	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c) other	16,083	-	-	16,083	-	-	-	-	2,859	-	-	-	-	-	-	-	-	-	-	-	-	18,942	-
Capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Own shares (***)	-	-	(64,512)	(64,512)	-	-	-	-	-	-	10,073	-	-	-	-	-	-	-	-	-	-	(54,439)	-
Net profit/loss for the year (****)	233,868	(1,001)	-	233,868	(1,001)	(79,421)	1,001	(154,447)	-	-	-	-	-	-	-	-	-	-	190,785	51	190,785	51	
Shareholders' equity	697,605	905	(51,556)	646,049	905	-	-	(154,447)	(33)	(742)	10,374	-	-	-	-	-	-	6	190,785	51	692,734	214	

(*) Balances resulting from the adoption of the IAS/IFRS, excepting IAS 32 and IAS 39.

(**) Balances resulting from the adoption of the IAS/IFRS, including IAS 32 and IAS 39.

(***) Own shares was deducted from shareholders' equity at cost.

(****) Minority interests in the 2004 financial year included a loss of €1,047,000 with respect to the Fideuram Wargny group, which was reclassified in the 2004 income statement under "Income/(loss) after tax on groups of assets held for sale" in accordance with IFRS 5, and €46,000 minority interests in net income with respect to other companies consolidated line by line.



Group Cash Flow Statement

(All figures in thousands of euros)

	2005	2004
A. OPERATING ACTIVITIES		
1. Operations	360,154	309,270
Net profit/loss	190,785	233,868
Net gains or losses on financial assets held for trading and on assets/liabilities valued at fair value	(19,179)	(5,195)
Net gains or losses on hedging activities	-	-
Net adjustments/write-backs for impairment losses	888	(3,314)
Net adjustments/write-backs of tangible and intangible fixed assets	27,229	35,642
Net provisions for risks and charges and other costs/revenues	71,053	37,246
Uncollected net premiums	-	-
Uncollected other insurance income/expense	-	-
Unpaid taxes and levies	53,558	47,662
Net adjustments/write-backs of net value after tax of groups of assets held for sale	35,820	(36,639)
Other adjustments	-	-
2. Cash from/used in financing activities	(1,559,979)	(276,133)
Financial assets held for trading	452,201	(1,033,970)
Financial assets valued at fair value	(154,848)	1,081,662
Financial assets available for sale	(126)	-
Due from banks: demand deposits	(529,726)	353,071
Due from banks: other receivables	(1,034,723)	(613,513)
Loans to customers	(292,757)	(63,383)
3. Cash from/used in financial liabilities	1,245,444	(122,157)
Due to banks: demand deposits	15,582	(23,910)
Due to banks: other debts	59,167	(7,067)
Due to customers	1,273,606	225,290
Debt securities in issue	149,807	(143)
Financial liabilities held for trading	3,348	-
Financial liabilities valued at fair value	-	-
Other liabilities	(256,066)	(316,327)
Net cash from/used in operating activities	45,619	(89,020)
B. INVESTMENT ACTIVITIES		
1. Cash from	139,827	485,676
Disposal of subsidiaries	130	20
Dividend income in equity investments	-	-
Sale of financial assets held to maturity	139,697	-
Sale of tangible assets	-	-
Sale of intangible assets	-	5,250
Sale of subsidiaries and company divisions	-	480,406
2. Cash used in	(225,696)	(21,968)
Acquisition of subsidiaries	-	-
Acquisition of financial assets held to maturity	-	(6,386)
Acquisition of tangible assets	(3,210)	(15,582)
Acquisition of intangible assets	(16,098)	-
Acquisition of subsidiaries and company divisions	(206,388)	-
Net cash from/used in investing activities	(85,869)	463,708
C. FUNDING ACTIVITIES		
Issue/purchase of own shares	(54,439)	71,550
Issue/purchase of capital instruments	-	-
Distribution of dividends and other	91,960	(444,945)
Net cash from/used in funding activities	37,521	(373,395)
NET CASH FROM/USED IN THE YEAR	(2,729)	1,293

Reconciliation

Cash and cash equivalents at beginning of year	24,402	23,109
Net cash generated/used in the year	(2,729)	1,293
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at end of year	21,673	24,402



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Part A - Accounting policies

A.1 – General

- Section 1 – Declaration of compliance with the international accounting standards
- Section 2 – General accounting policies
- Section 3 – Scope and methods of consolidation
- Section 4 – Subsequent events

A.2 – Main financial statement items

- Section 1 – Financial assets held for trading
- Section 2 – Financial assets available for sale
- Section 3 – Financial assets held to maturity
- Section 4 – Loans
- Section 5 – Financial assets valued at fair value
- Section 7 – Equity investments
- Section 8 – Tangible assets
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- Section 11 – Current and deferred tax assets and liabilities
- Section 12 – Provisions for risks and charges
- Section 13 – Debts and debt securities in issue
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Part B – Notes to the consolidated balance sheet

ASSETS

- Section 1 – Cash and cash equivalents – Item 10
- Section 2 – Financial assets held for trading – Item 20
- Section 3 – Financial assets valued at fair value – Item 30
- Section 4 – Financial assets available for sale – Item 40
- Section 5 – Financial assets held to maturity – Item 50
- Section 6 – Due from banks – Item 60
- Section 7 – Loans to customers – Item 70
- Section 10 – Equity investments – Item 100
- Section 12 – Tangible assets – Item 120
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- Section 14 – Tax assets and tax liabilities – assets Item 140 and liabilities Item 80
- Section 15 – Non-current assets and groups of assets held for sale and associated liabilities – assets Item 150 and liabilities Item 90
- Section 16 – Other assets – Item 160

LIABILITIES

- Section 1 – Due to banks – Item 10
- Section 2 – Due to customers – Item 20
- Section 3 – Debt securities in issue – Item 30
- Section 4 – Financial liabilities held for trading – Item 40
- Section 10 – Other liabilities – Item 100
- Section 11 – Provision for employment termination indemnities – Item 110
- Section 12 – Provisions for risks and charges – Item 120
- Section 15 – Group equity – Items 140, 160, 170, 180, 190, 200 and 220
- Section 16 – Minority interests – Item 210

Other information



Part C – Notes to the consolidated income statement

- Section 1 – Interest – Items 10 and 20
- Section 2 – Commission income and expense – Items 40 and 50
- Section 3 – Dividends and similar income – Item 70
- Section 4 – Net gains or losses on trading activities – Item 80
- Section 6 – Income/loss from sale and repurchase – Item 100
- Section 7 – Net gains or losses on financial assets/liabilities valued at fair value – Item 110
- Section 8 – Net adjustments/write-backs for impairment losses – Item 130
- Section 11 – Administrative costs – Item 180
- Section 12 – Net provisions for risks and charges – Item 190
- Section 13 – Net adjustments/write-backs of tangible assets – Item 200
- Section 14 – Net adjustments/write-backs of intangible assets – Item 210
- Section 15 – Other operating income and expense – Item 220
- Section 20 – Income taxes for the year on current operations – Item 290
- Section 21 – Income (loss) after tax on groups of assets held for sale – Item 310
- Section 22 – Minority interests in net income (loss) for the year – Item 330
- Section 24 – Earnings per share

Part D – Segment Reporting

- A. Primary format
- B. Secondary format

Part E – Information on risks and related hedging policies

- 1.1 Credit risk
- 1.2 Market risk
- 1.3 Liquidity risk
- 1.4 Operational risk

Part H – Transactions with related parties

Part I – Payment agreements based on own equity instruments

PART A

ACCOUNTING POLICIES

A.1 - GENERAL

SECTION 1

DECLARATION OF COMPLIANCE WITH THE INTERNATIONAL ACCOUNTING STANDARDS

The Consolidated Financial Statements of the Banca Fideuram Group were prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as approved by the European Commission up until 31 December 2005, following the procedure provided for by EC Regulation No. 1606/2002.

In addition, with a view to adopting effective guidelines for the interpretation and adoption of the new accounting standards, this Report was prepared in accordance with the interpretations provided by the International Financial Reporting Interpretations Committee (IFRIC), as well as the documents supporting the introduction of the IAS/IFRS in Italy prepared by the Italian accounting standards body (Organismo Italiano di Contabilità - OIC) and the interpretation documents prepared by the Italian banking Association (Associazione Bancaria Italiana - ABI).

SECTION 2

GENERAL ACCOUNTING POLICIES

The Consolidated Financial Statements of the Banca Fideuram Group for the 2005 financial year were prepared in accordance with the provisions of EC

Regulation No. 1606/2002 and Bank of Italy Circular No. 262 of 22 December 2005, taking into account the transitional provisions issued on 30 December 2005.

The Consolidated Financial Statements comprise the compulsory statements provided for by IAS 1 (namely a balance sheet, income statement, statement of changes in equity and cash flow statement) and the present Notes to the Consolidated Financial Statements. These are completed by the Directors' Report.

The Notes to the Financial Statements present all the information provided for by the regulations, taking the aforementioned derogations into account, together with the transitional provisions considered necessary to provide a faithful and proper representation of the Group's position. The compulsory tables and details required by the Bank of Italy are identified separately using the numbering specified by said Supervisory Authority.

The results as at 31 December 2005 have been presented alongside the figures for the previous financial year for the purposes of comparison. In accordance with the provisions of IFRS 1, the figures were restated to take the application of the IAS/IFRS international accounting standards into account from the date of transition, namely 1 January 2004, with the sole exception of the items concerning financial instruments, regarding which the Group availed itself of the option not to provide comparative information as per IAS 32 and 39. The accounts as at 31 December 2004 did not therefore include the effects of the application of these standards. A detailed analysis of these items for the 2004 financial year as influenced by IAS 32 and 39 can be found in the Financial Statements for the previous year.

These Financial Statements include an appendix containing the information on the transition to the international accounting standards published during the preparation of the Half-Year Report at 30.6.2005, which continues to be accurate in all respects.

The Banca Fideuram Group's Consolidated Financial

Statements and the parent company's separate financial statements are audited by Reconta Ernst & Young S.p.A., in accordance with the resolution of the shareholders' meeting of 22 April 2004, which appointed said company as independent auditors for the 2004-2006 three-year period.

The report uses the euro as its functional currency. The figures in this Report are stated in thousands of euros unless specified otherwise.

SECTION 3

SCOPE AND METHODS OF CONSOLIDATION

The table below lists the companies included in the consolidation of Banca Fideuram S.p.A. at 31 December 2005.

All the companies in question, with the exception of those in the French Fideuram Wargny group, were consolidated line by line, meaning all the assets and liabilities of the subsidiaries were consolidated and their carrying value was consequently offset by the corresponding share of shareholders' equity held by the Group.

Name	Type of relationship	Shareholders' equity (*)		Net income/loss		Ownership Held by		%
1. Banca Fideuram S.p.A. - Rome Capital Eur 186,255,207.16 in shares of Eur 0.19 each		Euro	500,463	Euro	153,839			
2. Fideuram Bank (Luxembourg) S.A. - Luxembourg Capital Eur 20,000,000 in shares of Eur 1,000 each	1	Euro	44,724	Euro	10,285	BF	99.995	
3. Fideuram Fiduciaria S.p.A. - Rome Capital Eur 1,551,000 in shares of Eur 517 each	1	Euro	2,555	Euro	452	BF	100.000	
4. Fideuram Investimenti SGR S.p.A. - Rome Capital Eur 25,850,000 in shares of Eur 517 each	1	Euro	38,672	Euro	9,701	BF	99.500	
5. Fideuram Gestions S.A. - Luxembourg Capital Eur 10,000,000 in shares of Eur 100 each	1	Euro	16,664	Euro	839	BF	99.939	
6. Fideuram Bank (Suisse) A.G. - Zurich Capital Chf 15,000,000 in shares of Chf 1,000 each	1	Chf	29,307	Chf	4,334	FBL	99.953	
7. Fideuram Asset Management (Ireland) Ltd - Dublin Capital Eur 1,000,000 in shares of Eur 1,000 each	1	Euro	219,310	Euro	209,376	BF	100.000	
8. Sanpaolo Invest SIM S.p.A. - Rome Capital Eur 14,980,000 in shares of Eur 140 each	1	Euro	23,063	Euro	1,014	BF	100.000	
9. Sanpaolo Invest Ireland Ltd - Dublin Capital Eur 127,000 in shares of Eur 1 each	1	Euro	8,832	Euro	8,241	BF	100.000	
10. Financière Fideuram S.A. - Paris (**) Capital Eur 36,761,600 in shares of Eur 25 each	1	Euro	20,130	Euro	(28,902)	BF	99.984	
11. Banque Privée Fideuram Wargny S.A. - Paris (**) Capital Eur 72,530,240 in shares of Eur 40 each	1	Euro	27,859	Euro	(27,729)	FF	99.911	
12. Fideuram Wargny Gestion S.A. - Paris (**) Capital Eur 204,600 in shares of Eur 15.5 each	1	Euro	4,413	Euro	647	BPFW	99.970	
13. Fideuram Wargny Gestion S.A.M. - Monaco (**) Capital Eur 2,500,000 in shares of Eur 100 each	1	Euro	5,385	Euro	131	BPFW	99.952	
14. Fideuram Wargny Active Broker S.A. - Paris (**) Capital Eur 3,299,835 in shares of Eur 15.4 each	1	Euro	5,504	Euro	(6,432)	BPFW	100.000	
15. W.D.W. S.A. - Paris (**) Capital Eur 38,250 in shares of Eur 15.3 each	1	Euro	32	Euro	(3)	BPFW	99.920	

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)

(*) Including the result shown in the next column.

(**) The French subsidiaries in the Fideuram Wargny Group have been consolidated in accordance with IFRS 5.

Held by

BF= Banca Fideuram
FF= Financière Fideuram
BPFW= Banque Privée Fideuram Wargny
FBL= Fideuram Bank Lux



This offsetting of equity investments and shareholders' equity is based on the figures at the date when the equity investments were first included in the consolidation.

The differences resulting from said comparison are recognised as goodwill under intangible assets if positive, following the allocation of any components to the assets and liabilities of the equity investments. If negative, they are recognised in the income statement.

Goodwill is subject to a period test on the appropriateness of its carrying value. If the recoverable value of the goodwill is less than the carrying value, the difference is recognised in the income statement.

All relations with respect to assets and liabilities, all off-balance-sheet transactions, all income and expenses and all profits and losses resulting from significant transactions between consolidated companies are eliminated.

The financial statements used for the line-by-line consolidation were those as at 31 December 2005, as approved by the competent bodies of the subsidiary undertakings, adjusted where necessary to align them with Group accounting policies.

The financial statements stated in currencies other than those of the EMU countries were translated to euro using the period-end exchange rates. Any exchange rate differences arising from the conversion of the shareholders' equity items of consolidated companies at said exchange rates were included in the consolidated reserves.

The companies in the Fideuram Wargny group were treated as provided for by IFRS 5 regarding "Non-current Assets Held for Sale and Discontinued Operations". This was a result of the fact that the Board of Directors of Banca Fideuram voted in June 2005 to commission a consultancy to investigate the potential opportunities for selling the French group. The process launched by the consultancy led to a number of offers being

formalised that make it highly likely that the entire restructuring process will be completed by the end of 2006. Adopting IFRS 5 in the 2005 financial year also made it necessary to restate the 2004 income statement in accordance with the same principles.

SECTION 4

SUBSEQUENT EVENTS

On 16 February 2006, the Board of Directors of Banca Fideuram voted to centralise the Bank's operating activities in a single entity and to subsequently transfer this Company Division to the company Universo Servizi in order to promote the creation of synergies within the Eurizon Financial Group and consequently in the Sanpaolo IMI Group. This transfer is linked to the signing of a long-term outsourcing agreement between the parties, the fees for which will be determined on the basis of the total costs borne by Universo Servizi, while the savings achieved will be entirely to the benefit of Banca Fideuram (see the section on the Eurizon Financial Group in the Directors' Report).

A.2 - MAIN FINANCIAL STATEMENT ITEMS

The accounting policies adopted to prepare the financial statements are set out below.

SECTION 1

FINANCIAL ASSETS HELD FOR TRADING

Financial assets held for trading include the following:

- Debt securities and equities purchased principally to obtain short-term profits.
- Derivative contracts excepting for those designated as hedging instruments.

Financial assets held for trading are initially recognised in the balance sheet at their fair value, which is usually their purchase price.

They are subsequently valued at their fair value with a balancing entry in the income statement.

Securities and derivatives for which the fair value cannot be determined reliably are carried in the financial statements at cost, adjusted for any losses from declines in value.

The fair value of financial instruments listed on active markets is taken to be their market value. In the absence of an active market, the fair value is determined on the basis of the prices of recent transactions and the market values of similar financial instruments, taking the results of valuation models (mainly based on objective financial variables) into account.

Derivatives are treated as assets in the financial statements if the fair value is positive and as liabilities if the fair value is negative.

SECTION 2

FINANCIAL ASSETS AVAILABLE FOR SALE

These are financial assets that cannot be classified as loans, financial assets held to maturity or financial assets held for trading. Where the Banca Fideuram Group is concerned, they are mainly equity investments that cannot be classified as subsidiary undertakings, associate companies or joint controlling interests.

Financial assets available for sale are initially recognised in the balance sheet at their fair value, which is usually their purchase price plus any transaction costs, if material and determinable, directly attributable to them. They are subsequently valued at fair value as a balancing entry for a specific shareholders' equity reserve.

Certain unlisted equities, the fair value of which cannot be calculated in a reliable or verifiable manner, are recognised in the financial statements at cost and written down in those cases where a loss due to decline in value is verified.

The valuations recorded in the specific shareholders' equity reserve are recognised in the income statement upon disposal or when a loss due to decline in value is verified.

Situations in which a loss due to a decline in value is deemed to have occurred are verified by the Group on the basis of its valuation experience using all the information at its disposal, based on observable data of events that have already occurred at the valuation date.

Losses due to the decline in value of equities cannot lead to write-backs in the income statement when the reasons for the write-downs cease to apply. Any such write-backs are therefore made with respect to the specific shareholders' equity reserve.

Conversely, write-backs of debt securities are recorded in the income statement.

SECTION 3

FINANCIAL ASSETS HELD TO MATURITY

Investments held to maturity are non-derivative financial instruments that have fixed or determinable payments and fixed maturities, which the group intends and has the ability to hold to maturity.

When initially recognised, financial assets held to maturity are recognised in the balance sheet at their fair value, which is usually their purchase price plus any transaction costs directly attributable to their purchase.

They are subsequently valued at their amortised cost, calculated using the effective interest method.

Gains and losses on financial assets held to maturity are recognised in the income statement when these assets are written off or when their value decreases, as well as through the amortisation process.

Losses due to decreases in value are calculated as the difference between the asset's book value and the present value of estimated future financial flows, discounted at their original effective interest rate.

Write-backs of financial assets held to maturity are recorded in the income statement up to the amortised cost the assets would have had if they were not written down.

SECTION 4

LOANS

Loans include non-derivative financial assets, including debt securities, that have fixed or determinable payments and do not have a quoted price on an active market and are not designated from purchase as assets available-for-sale.

Loans are recorded in the financial statements upon disbursement. When initially recognised, loans are recorded in the balance sheet at their fair value, which is usually their purchase price plus any transaction costs, if material and determinable, directly attributable to their disbursement.

They are subsequently valued at their amortised cost, calculated using the effective interest method.

The book value of loans is periodically checked for any decline in value that could lead to a reduction in their estimated realisable value, considering both the solvency of any specific debtors with payment difficulties and the debt servicing difficulties of debtors' market sectors or countries of residence, also taking into account any collateral and negative economic trends regarding comparable categories of loans.

The classification criteria used, based on the related Bank of Italy regulations, are set out below:

- Non-performing loans: loans to parties that are insolvent or in a substantially equivalent situation.
- Doubtful loans: loans to parties that are in a situation that is objectively one of temporary difficulty which they are likely to overcome in an appropriate period of time.
- Restructured loans: loans in which a pool of banks (or a single-lender bank) grant a deferment of a debt and renegotiate the loan at interest rates that are below market rates.
- Overdue loans: loans to parties who have loans that are overdue/past due by more than 180 days at period end.



- Country risk: unsecured loans to residents of countries with debt-servicing difficulties.
- Performing loans: loans to parties that do not currently present any specific insolvency risks.

The decision to designate a loan as an impaired loan is taken by the bank's operating structures in conjunction with its central credit control functions.

The losses in value of performing loans and overdue loans are determined on a collective basis, adopting a historical/statistical approach that aims to estimate the impairment in value of the loans that is considered to have effectively been incurred at the reference date without the amount as yet being known at the time of valuation.

The determination of the estimated realisable value of impaired loans, which is formalised in decisions by senior management and other administrative functions that have been conferred with specific decision-making powers, is based on the present value of the expected financial flows of the principal and interest of the loans.

The core elements used to calculate the present value of the flows are the estimated collections (expected financial flows) and related due dates, together with the discount rate to apply.

The estimated collections and related due dates of the impaired loan inflow plans are based on the analytical assumptions formulated by the functions responsible for valuing the loans and, if none have been formulated, on the estimated and presumptive values obtained from internal historical series and sector studies. The discount rate applied by Banca Fideuram to the estimated collections in impaired loan inflow plans has generally been the rate in effect when the loans were reclassified from performing loans to problem loans.

The write-downs, which are analytical and collective, are made in accordance with the above principles and

are reinstated by write-backs relating to the income statement item for net write-downs to loans if the reasons for the write-downs cease to apply or the amounts recovered exceed the original write-downs.

Considering the method used to calculate the estimated realisable value of impaired loans, the simple passing of time, with the consequent approach of the deadlines for recovery, will result in an automatic reduction in the implicit financial charges previously deducted from the value of the loans.

SECTION 5

FINANCIAL ASSETS VALUED AT FAIR VALUE

The Banca Fideuram Group has mainly adopted the Fair Value Option for the insurance policies taken out to insure the market yields for the Private Banker Networks' Loyalty Schemes.

This was in accordance with IAS guidelines since they constitute a group of financial assets valued at fair value.

The recognition and valuation methods adopted are the same as those set out in section 1 regarding financial assets held for trading.

SECTION 7

EQUITY INVESTMENTS

Minority interests are classified in the categories provided for by IAS 39. In particular, investments that are not held for trading are included in available-for sale financial assets.

SECTION 8

TANGIBLE ASSETS

Tangible assets include:

- land
- immovable property used for operating purposes
- technical plant and equipment
- furniture, plant and equipment
- works of art.

Immovable property used for operating purposes is defined as buildings owned (or leased under financial leasing contracts) that are used for the production and supply of services or for administrative purposes, and which have a useful life that is longer than a financial year.

Tangible assets are initially recognised at cost, with the later understood to mean both the purchase price and any related direct charges incurred for the purchase or commissioning of the asset.

Any expenses subsequent to purchase increase the book value of the asset or are recorded as separate assets only when they lead to an increase in the future economic benefits resulting from the use of the investments. Other expenses incurred subsequent to purchase are recorded in the income statement in the financial year when they are incurred. Subsequent to their initial recognition, tangible fixed assets are recognised at cost, deducting any depreciation and loss in value.

The depreciable value is distributed systematically over the useful life of the asset on a straight-line basis with the exception of for the following:

- Land, which has an indefinite useful life and is not, therefore, depreciable. The value of land, moreover, also needs to be accounted for separately from the value of buildings, even when they are purchased together. This splitting of the value of land and the value of buildings is carried out on the basis of a

survey by independent experts solely for buildings held on a “ground-to-roof” basis.

- Works of art, since their useful life cannot be estimated and their value is not normally likely to decline over time.

The useful life of tangible assets subject to depreciation is verified periodically. In the event of adjustments to the initial estimates being required, the depreciation rate is consequently also changed. In addition, at every accounting reference date, the bank also verifies whether there are any signs of an asset having suffered an impairment loss. If this is the case, the bank proceeds to calculate the recoverable value of the asset, which is the higher of net sale price and value in use. Should the reasons for the impairment loss cease to apply, the recoverable value of the asset must be estimated.

Tangible fixed assets are eliminated from the balance sheet upon disposal or when an asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Upon the first-time adoption of the international standards, IFRS 1 allows companies to use the fair value at the transition date of one or more components of the tangible assets instead of historical cost. The Group decided to avail itself of this option for the component land and works of art, the fair value of which was determined by specially-commissioned external experts.

The difference with respect to the previous book value was recorded in a specific item of the valuation reserves.

SECTION 9

INTANGIBLE ASSETS

Intangible assets are identifiable non-monetary assets without physical substance, possessed for long-term use. They include goodwill, incremental costs on buildings that are not owned and not leased under financial leasing agreements, and software developed internally or purchased from third parties.

Goodwill is the excess of purchase price over fair value at the date of purchase of the net assets and liabilities of acquired companies or branches of companies. Goodwill is not subject to systematic amortisation, but to a periodical test to verify the appropriateness of its book value. The value of goodwill is reduced if its recoverable value is lower than its book value. Recoverable value is taken to be the greater of the fair value of the unit generating the financial flows, less costs to sell, and its value in use, which is the present value of estimated future cash flows expected to arise from the continuing operation of the unit generating financial flows and from its disposal at the end of its useful life.

When the incremental costs on buildings that are not owned and not leased under financial leasing agreements do not regard independently identifiable tangible assets, they are recognised in the financial statements as intangible assets when future economic benefits can be derived from them. These costs are recognised in the income statement in relation to the length of the related leases.

Expenses regarding the internal development of software are recognised in the financial statements as intangible assets following verification of the technical feasibility of completion and their ability to generate future economic benefits. During the development phase, these assets are valued at cost, complete with any related direct expenses, including expenses for the personnel involved in the projects. If the verification

has a negative outcome, the expenses are recognised in the income statement.

The intangible assets generated by software that has been developed internally or purchased from third parties is amortised on a straight-line basis, from the time of its completion and commissioning, over its related useful life, which is estimated to be three years. Whenever the recoverable value of these assets is less than their book value, the difference is recognised in the income statement.

SECTION 11

CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

Income taxes, calculated in accordance with national tax legislation, are accounted for as costs on an accruals basis in line with the accounting treatment of the costs and income that generated them. They therefore represent the balance of the current and deferred tax assets and liabilities for the year.

The companies in the Banca Fideuram Group are included in Parent Company Sanpaolo IMI's tax consolidation in accordance with Italian Legislative Decree No. 344 of 12/12/2003. This tax consolidation regime 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.

Deferred tax assets and liabilities are calculated using the balance sheet liability method, taking into account the tax effect of the timing differences between the book values of the assets and liabilities and their tax values which result in taxable or tax-deductible amounts arising in future periods. To this end, "taxable timing differences" are taken to be differences that result in taxable amounts arising in future periods



and “deductible timing differences” are taken to be differences that result in tax-deductible amounts arising in future financial years.

Deferred tax assets and liabilities are calculated applying the tax rates specified by current tax legislation, for each individual company in the consolidation, to the taxable timing differences for which it is probable that taxes will have to be paid, and to the deductible timing differences for which there is reasonable certainty of recovery.

Whenever the deferred tax assets and liabilities refer to components recognised in the income statement, the balancing entry is under income taxes.

In cases where the deferred tax assets and liabilities regard transactions that have had a direct effect on shareholders’ equity without influencing the income statement (such as the valuation of available-for-sale financial instruments and derivative contracts hedging financial flows), they are recorded as a balancing entry for shareholders’ equity, in respect of the specific reserves provided for if any (e.g. valuation reserves).

SECTION 12

PROVISIONS FOR RISKS AND CHARGES

The Provisions for risks and charges are liabilities of uncertain amount or due date that are recognised in the financial statements for the following reasons:

- There is a present obligation (legal or implicit) arising from a past event.
- It is probable that financial resources will have to be disbursed to fulfil the obligation.
- It is possible to make a reliable estimate of the probable future disbursement.

These provisions include the provisions set aside

to cover losses on legal disputes, including actions for revocation, estimated disbursements arising from customer complaints regarding the brokerage of securities, and contractual indemnities due to Private Bankers, as well as the amounts set aside for the Network Loyalty Schemes.

The contractual indemnities due to Private bankers, calculated using actuarial valuations, include the termination indemnity and “meritocratic indemnity” set aside in accordance with the “New Collective Economic Agreement for Agents in the Commerce Sector”, which came into force on 2 April 2002. The Network Loyalty Schemes, which are long-term schemes that entitle our Private Bankers to a bonus related to the stock of financial assets under management, require an amount to be set aside under “Other funds” that is equal to the best estimate of the amount due to the Private Bankers, calculated using actuarial valuations.

The item “other provisions” also includes the provisions set aside to form the reserve required to pay seniority bonuses to employees. These provisions were determined on the basis of an independent actuary’s report, using the methods provided for by IAS 19.

When the effect of deferring meeting the estimated obligation becomes a significant factor, the Group calculates the amount of the provisions as being equal to the present value of the expenses it is envisaged will be necessary to discharge the obligations.

In those cases where the provisions are discounted, the total for the provisions record in the financial statements increases in each financial year to reflect the passing of time.

The provisions set aside are reassessed at every accounting reference date and adjusted to reflect the best current estimate. The provision is reversed when it becomes unlikely that it will be necessary to use resources that are suitable for generating economic benefits to fulfil the obligation.



Employment termination indemnities

Liabilities regarding employment termination indemnities are recognised in the financial statements on the basis of their actuarial value since they are benefits due to employees in accordance with a defined-benefit plan.

Recognising defined-benefit plans in the financial statements requires the Group to perform an actuarial estimate of the benefits accrued by employees on the basis of their work in the current year and in prior years, and to discount these benefits in order to determine the present value of the Group's obligations.

The present value of the Group companies' obligations is determined by an external valuer using the projected unit credit method (IAS 19). This method, which falls within the wider field of the methods used for defined benefit plans, considers every period of work for the company to be an additional unit of entitlement. The actuarial liability therefore needs to be quantified on the basis solely of the length of service accrued at the valuation date. The total liability is therefore generally adjusted in relation to the ratio between the years of service accrued at the reference date of the valuations and the total length of service that would be accrued at the time planned for the benefit to be paid. In addition, the said method also takes into consideration future increases in remuneration for any reason (inflation, career progression, renewal of contract etc.) up until the time employment is terminated.

The cost for employment termination indemnities accrued in the year, recorded in the income statement under staff costs, is equal to the sum of the present average value of the entitlements accrued by the employees present for the activities carried out in the financial year and the annual interest accrued on the present value of the Group's obligations at the beginning of the year, calculated using the discount rate for future disbursements adopted to estimate the liability at the end of the previous financial year.

The actuarial gains and losses, defined as the difference between the book value of the liability and the present value of the Group companies' obligations at period end, are recorded in the financial statements using the corridor method, which is to say only when they exceed 10% of the present value of the obligations at period end. In these circumstances, the excess over 10% is recorded in the income statement from the following year.

SECTION 13

DEBTS AND DEBT SECURITIES IN ISSUE

The items "Due to banks" and "Due to customers" cover all the technical forms of borrowing from said counterparties, including operating debts.

Debt securities in issue are recognised net of any portion repurchased.

These financial liabilities are initially recognised in the balance sheet at fair value, which is usually the amount collected, adjusted for any transaction costs directly attributable to their issue.

The debt securities in issue, with the exception of on-demand and short-term items, are subsequently valued at cost, amortised using the effective interest rate method.

The difference between the repurchase price of the debt securities in issue and their book value is recognised in the income statement from the following year. Any subsequent sale of repurchased debt securities in issue is, for accounting purposes, considered a new sale with a consequent change to the average book value of the related liabilities.

SECTION 14

FINANCIAL LIABILITIES HELD FOR TRADING

Financial liabilities held for trading include any negative valuations of derivative contracts held for trading and liabilities regarding technical short positions in securities.

The same accounting policies apply to them as for financial assets held for trading.

SECTION 18

OTHER INFORMATION

Non-current assets and liabilities held for sale

Assets held for sale are valued at the lower of book value and fair value, net of sale costs. Since these assets are discontinued operations, the related net income is stated separately in the balance sheet and income statement. Individual non-current assets, cash-generating units, groups of them or single units are recognised as held for sale only when their sale is considered highly likely.

Valuation reserves

This item includes the valuation reserves for financial assets available for sale and tangible assets for which the revaluation method was applied during the first-time application of the IAS/IFRS, as well as the revaluation reserves recognised in accordance with special laws.

Own shares

Own shares that have been repurchased are recognised at cost in a specific item deducted from Group's shareholders' equity and are not therefore subject to valuation. If they are sold on the market, any

difference between the purchase price and sale price is recognised in the components of shareholders' equity.

Payment in shares

The Group applies the accounting treatment provided for by IFRS 2 regarding payments based on shares for the stock option plans for its Private Bankers, which have been in place since December 2002.

In accordance with this policy, the options granted are valued at fair value as at the day they were assigned, which is the date when the plan was approved by the competent bodies. This fair value is a component of commission expense distributed over the period in which the entitlements assigned accrue, recorded as a balancing entry for an unavailable component of shareholders' equity.

The total cost recorded in the financial statements for the stock option plans is reversed in the income statement with a balancing entry in respect of the specific unavailable component of shareholders' equity if the options are not exercised for reasons that are independent of market trends.

If the options are not exercised as a result of market conditions, the total cost is not reversed, but rather the component of shareholders' equity recorded as a balancing entry to commission expense in the period when the plan entitlements accrued becomes available.

Recognition of costs and revenues

Costs are recognised in the income statement in the periods in which the related revenues are recognised.

If the association of costs and revenues can only be made in a generic and indirect manner, the costs are recognised over more than one period following rational, systematic procedures.

Commission income and other income from the provision of services is recognised in the periods when



the services themselves are provided. Other income is recognised on an accrual basis. In particular:

- Interest income is recognised on an accrual basis that takes the actual return into account.
- Default interest is recognised at the time of collection.
- For transactions in financial instruments, the difference between the fair value of the instruments and the amount paid or received is recognised in the income statement only in cases where the fair value can be reliably determined.

Purchases and sales of financial assets

The Group recognises purchases and sales of financial assets at their settlement date, taking said purchases and sales to be those conducted on the basis of contracts that require the asset to be delivered within a period of time that is in accordance with market regulations or conventions.

Write-off policy

Financial assets are written off when the contractual rights to the financial flows derived from said assets expire or when the financial assets are sold, effectively transferring all the risks/benefits connected with them.

Financial liabilities are written off when they mature or are settled. Liabilities are also written off when securities previously issued are repurchased.

PART B
NOTES TO THE CONSOLIDATED BALANCE SHEET

ASSETS

B - SECTION 1

CASH AND CASH EQUIVALENTS - ITEM 10

1.1 Cash and cash equivalents: analysis

	31.12.2005
a) Cash	21,673
b) Demand deposits with Central Banks	-
Total	21,673

B - SECTION 2

FINANCIAL ASSETS HELD FOR TRADING - ITEM 20

2.1 Financial assets held for trading: analysis

	Listed	Unlisted	31.12.2005 Total
A. Cash assets			
1. Debt securities	477,835	106,582	584,417
2. Equities	-	-	-
3. Units in mutual funds	86	-	86
4. Loans	-	-	-
5. Impaired assets	-	-	-
6. Assets disposed of but not written off	919	-	919
Total A	478,840	106,582	585,422
B. Derivatives			
1. Financial derivatives	-	2,815	2,815
2. Credit derivatives	-	-	-
Total B	-	2,815	2,815
Total (A+B)	478,840	109,397	588,237



2.2 Financial assets held for trading: analysis by debtor/issuer

	31.12.2005
A. Cash assets	
1. Debt securities	584,417
a) Governments and Central Banks	323,786
b) Other public entities	62,354
c) Banks	152,628
d) Other issuers	45,649
2. Equities	-
a) Banks	-
b) Other issuers:	-
- Insurance companies	-
- Financial institutions	-
- Non-financial companies	-
- Other	-
3. Units in mutual funds	86
4. Loans	-
a) Governments and Central Banks	-
b) Other public entities	-
c) Banks	-
d) Other parties	-
5. Impaired assets	-
a) Governments and Central Banks	-
b) Other public entities	-
c) Banks	-
d) Other parties	-
6. Assets disposed of but not written off	919
a) Governments and Central Banks	919
b) Other public entities	-
c) Banks	-
d) Other issuers	-
Total A	585,422
B. Derivatives	
a) Banks	1,857
b) Customers	958
Total B	2,815
Total (A+B)	588,237

2.3 Financial assets held for trading: derivatives held for trading

	Interest rates	Currencies and gold	Equities	Loans	Other	31.12.2005 Total
A. Listed derivatives						
1. Financial derivatives:	-	-	-	-	-	-
• with exchange of capital	-	-	-	-	-	-
- options purchased	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
• without exchange of capital	-	-	-	-	-	-
- options purchased	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
2. Credit derivatives:	-	-	-	-	-	-
- with exchange of capital	-	-	-	-	-	-
- without exchange of capital	-	-	-	-	-	-
Total A	-	-	-	-	-	-
B. Unlisted derivatives						
1. Financial derivatives:	-	2,790	19	-	6	2,815
• with exchange of capital	-	2,275	19	-	6	2,300
- options purchased	-	-	-	-	-	-
- other derivatives	-	2,275	19	-	6	2,300
• without exchange of capital	-	515	-	-	-	515
- options purchased	-	-	-	-	-	-
- other derivatives	-	515	-	-	-	515
2. Credit derivatives:	-	-	-	-	-	-
• with exchange of capital	-	-	-	-	-	-
• without exchange of capital	-	-	-	-	-	-
Total B	-	2,790	19	-	6	2,815
Total (A+B)	-	2,790	19	-	6	2,815

B - SECTION 3

FINANCIAL ASSETS VALUED AT FAIR VALUE - ITEM 30

3.1 Financial assets valued at fair value: analysis

	Listed	Unlisted	31.12.2005 Total
1. Debt securities (*)	14,665	158,089	172,754
2. Equities	-	-	-
3. Units in mutual funds	-	-	-
4. Loans	-	-	-
5. Impaired assets	-	-	-
6. Assets disposed of but not written off	-	-	-
Total	14,665	158,089	172,754
Cost	14,568	133,478	148,046

(*) The item Unlisted debt securities mainly regarded the insurance policies that Banca Fideuram Group took out to ensure the market yields of the Private Banker Networks' Loyalty Schemes.





3.2 Financial assets valued at fair value: analysis by debtor/issuer

	31.12.2005
1. Debt securities	172,754
a) Governments and Central Banks	13,259
b) Other public entities	-
c) Banks	256
d) Other issuers	159,239
2. Equities	-
a) Banks	-
b) Other issuers	-
- Insurance companies	-
- Financial institutions	-
- Non-financial companies	-
- Other	-
3. Units in mutual funds	-
4. Loans	-
a) Governments and Central Banks	-
b) Other public entities	-
c) Banks	-
d) Other parties	-
5. Impaired assets	-
a) Governments and Central Banks	-
b) Other public entities	-
c) Banks	-
d) Other parties	-
6. Assets disposed of but not written off	-
a) Governments and Central Banks	-
b) Other public entities	-
c) Banks	-
d) Other parties	-
Total	172,754

B - SECTION 4

FINANCIAL ASSETS AVAILABLE FOR SALE - ITEM 40

4.1 Financial assets available for sale: analysis

	Listed	Unlisted	31.12.2005 Total
1. Debt securities	-	-	-
2. Equities	-	126	126
3. Units in mutual funds	-	-	-
4. Loans	-	-	-
5. Impaired assets	-	-	-
6. Assets disposed of but not written off	-	-	-
Total	-	126	126

4.2 Financial assets available for sale: analysis by debtor/issuer

	31.12.2005
1. Debt securities	-
a) Governments and Central Banks	-
b) Other public entities	-
c) Banks	-
d) Other issuers	-
2. Equities	126
a) Banks	-
b) Other issuers	126
- Insurance companies	-
- Financial institutions	-
- Non-financial companies	126
- Other	-
3. Units in mutual funds	-
4. Loans	-
a) Governments and Central Banks	-
b) Other public entities	-
c) Banks	-
d) Other parties	-
5. Impaired assets	-
a) Governments and Central Banks	-
b) Other public entities	-
c) Banks	-
d) Other parties	-
6. Assets disposed of but not written off	-
a) Governments and Central Banks	-
b) Other public entities	-
c) Banks	-
d) Other parties	-
Total	126

B - SECTION 5

FINANCIAL ASSETS HELD TO MATURITY - ITEM 50

5.1 Financial assets held to maturity: analysis

	31.12.2005	
	Book Value	Fair value
1. Debt securities	4,662	4,661
2. Loans	-	-
3. Impaired assets	-	-
4. Assets disposed of but not written off	-	-
Total	4,662	4,661





5.2 Financial assets held to maturity: debtor/issuer

	31.12.2005
1. Debt securities	4,662
a) Governments and Central Banks	4,662
b) Other public entities	-
c) Banks	-
d) Other issuers	-
2. Loans	-
a) Governments and Central Banks	-
b) Other public entities	-
c) Banks	-
d) Other parties	-
3. Impaired assets	-
a) Governments and Central Banks	-
b) Other public entities	-
c) Banks	-
d) Other parties	-
4. Assets disposed of but not written off	-
a) Governments and Central Banks	-
b) Other public entities	-
c) Banks	-
d) Other parties	-
Total	4,662

B - SECTION 6

DUE FROM BANKS - ITEM 60

6.1 Due from banks: analysis

	31.12.2005
A. Due from Central Banks	19,519
1. Time deposits	-
2. Statutory reserve	19,519
3. Repurchase agreement assets	-
4. Other	-
B. Due from banks	4,604,464
1. Current accounts and demand deposits	1,304,733
2. Time deposits	2,117,841
3. Other loans	320,767
4. Debt securities	163,535
5. Impaired assets	-
6. Assets disposed of but not written off (*)	697,588
Total (book value)	4,623,983
Total (fair value)	4,619,942

(*) The item Assets disposed of but not written off regards securities issued by Sanpaolo Bank S.A. under repurchase lending agreements with customers.

B - SECTION 7

LOANS TO CUSTOMERS - ITEM 70

7.1 Loans to customers: analysis

	31.12.2005
1. Current accounts	750,766
2. Repurchase agreement assets	230,052
3. Loans	70,649
4. Credit cards, personal loans and loans with repayments deducted directly from wages	22,429
5. Finance leases	-
6. Factoring	-
7. Other transactions	43,188
8. Debt securities	-
9. Impaired assets (*)	8,405
10. Assets disposed of but not written off	-
Total (book value)	1,125,489
Total (fair value)	1,125,489

(*) Impaired assets comprised non-performing loans totalling €2,689,000 and loans more than 180 days over due totalling €5,716,000.

7.2 Loans to customers: analysis by debtor/issuer

1. Debt securities:	-
a) Governments	-
b) Other public entities	-
c) Other issuers	-
- Non-financial companies	-
- Financial institutions	-
- Insurance companies	-
- Other	-
2. Loans to:	1,117,084
a) Governments	-
b) Other public entities	-
c) Other issuers	1,117,084
- Non-financial companies	196,079
- Financial institutions	242,938
- Insurance companies	19,818
- Other	658,249
3. Impaired assets:	8,405
a) Governments	-
b) Other public entities	-
c) Other issuers	8,405
- Non-financial companies	1,216
- Financial institutions	176
- Insurance companies	-
- Other	7,013
4. Assets disposed of but not written off:	-
a) Governments	-
b) Other public entities	-
c) Other issuers	-
- Non-financial companies	-
- Financial institutions	-
- Insurance companies	-
- Other	-
Total	1,125,489



B - SECTION 10

EQUITY INVESTMENTS - ITEM 100

10.1 Equity investments in jointly-controlled entities (carried at equity) and in entities subject to considerable influence: information on equity relationships

Name	Registered office	Type of relationship	Ownership		% votes
			Held by	% owned	
A. Companies					
1. Studi e Ricerche Fiscali - Consortium	Rome	1	Banca Fideuram	10.00	10.00

1. Entity subject to considerable influence

10.2 Equity investments in jointly-controlled entities and in entities subject to considerable influence: accounting information

Name	Total assets	Total revenues	Net profit (Loss)	Shareholders' Equity (*)	Consolidated book value	Fair value
C. Entities subject to considerable influence						
1. Studi e Ricerche Fiscali - Consortium	823	2,078	-	258	26	26

(*) Including the result shown in the previous column.

There were no changes in the equity investment in the financial year.

B - SECTION 12

TANGIBLE ASSETS - ITEM 120

12.1 Tangible assets: analysis of assets valued at cost

	31.12.2005	31.12.2004
A. Functional assets		
1.1 Owned	51,138	56,044
a) land	25,125	25,125
b) buildings	13,945	15,659
c) furniture	4,515	4,917
d) electronic equipment	2,593	3,530
e) other	4,960	6,813
1.2 Purchased under financial leasing agreements	-	-
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total A	51,138	56,044
B. Investment assets		
2.1 Owned	-	-
a) land	-	-
b) buildings	-	-
2.2 Purchased under financial leasing agreements	-	-
a) land	-	-
b) buildings	-	-
Total B	-	-
Total (A+B)	51,138	56,044

12.3 Functional tangible assets: changes in the year

	Land	Buildings	Furniture	Electronic equipment	Other	31.12.2005 Total
A. Gross opening balance	25,125	78,557	25,717	40,880	40,520	210,799
A.1 Total net impairments	-	(62,898)	(20,800)	(37,350)	(33,707)	(154,755)
A.2 Net opening balance	25,125	15,659	4,917	3,530	6,813	56,044
B. Increases	-	82	930	1,798	1,435	4,245
B.1 Purchases	-	81	873	1,798	1,319	4,071
B.2 Expenditures for capitalised improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Other increases	-	1	57	-	116	174
C. Decreases	-	1,796	1,332	2,735	3,288	9,151
C.1 Sales	-	-	68	80	120	268
C.2 Amortisation	-	1,796	1,264	2,624	2,432	8,116
C.3 Impairment write-downs recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Decreases in fair value recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	640	640
a) investment tangible assets	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	640	640
C.7 Other decreases	-	-	-	31	96	127
D. Net closing balance	25,125	13,945	4,515	2,593	4,960	51,138
D.1 Total net impairments	-	64,694	22,132	40,085	36,995	163,906
D.2 Gross closing balance	25,125	78,639	26,647	42,678	41,955	215,044

The depreciation rates applied to tangible assets were as follows (% range):

Buildings: 3%

Furniture: between 12% and 15%

Electronic equipment: between 20% and 40%

Other: between 7.5% and 30%

B - SECTION 13

INTANGIBLE ASSETS - ITEM 130

13.1 Intangible assets: analysis by type of asset

	31.12.2005		31.12.2004	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	-	X	-
A.1.1 Group interests	X	-	X	-
A.1.2 Third party interests	X	-	X	-
A.2 Other intangible assets	24,661	-	27,676	-
A.2.1 Assets valued at cost:	24,661	-	27,676	-
a) Internally generated intangible assets	170	-	-	-
b) Other assets	24,491	-	27,676	-
A.2.2 Assets valued at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	24,661	-	27,676	-

13.2 Intangible assets: changes in the year

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		31.12.2005
		Finite life	Indefinite life	Finite life	Indefinite life	Total
A. Opening balance	-	-	-	93,786	-	93,786
A.1 Total net impairments	-	-	-	(66,110)	-	(66,110)
A.2 Net opening balance	-	-	-	27,676	-	27,676
B. Increases	-	170	-	18,499	-	18,669
B.1 Purchases	-	-	-	18,499	-	18,449
B.2 Increases in internally generated intangible assets	X	170	-	-	-	170
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value	X	-	-	-	-	-
- recognised in shareholders' equity	X	-	-	-	-	-
- recognised in income statement	X	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Other increases	-	-	-	-	-	-
C. Decreases	-	24	-	21,660	-	21,684
C.1 Sales	-	-	-	8	-	8
C.2 Write-downs	-	24	-	19,089	-	19,113
- Amortisation	X	24	-	19,089	-	19,113
- Write-downs	-	-	-	-	-	-
+ shareholders' equity	X	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Decreases in fair value recognised in:	X	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	1,839	-	1,839
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Other decreases	-	-	-	724	-	724
D. Net closing balance	-	146	-	24,515	-	24,661
D.1 Total net adjustments	-	24	-	63,383	-	63,407
E. Gross closing balance	-	170	-	87,898	-	88,068

The amortisation rate applied to intangible assets, mainly software, was 33.33%.



B - SECTION 14

TAX ASSETS AND TAX LIABILITIES - ASSETS ITEM 140 AND LIABILITIES ITEM 80

14.1 Deferred tax assets: analysis

	31.12.2005	31.12.2004
Breakdown of deferred tax assets:		
- Provisions for future charges	59,713	51,281
- Adjustments to equity investments	3,049	7,072
- Adjustments to loans	388	578
- Other	3,044	5,198
Total	66,194	64,129

14.2 Deferred tax liabilities: analysis

Deferred tax liabilities	1,488	12,021
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14.3 Change in deferred tax assets with a balancing entry in income statement

1. Opening balance	64,129	67,242
2. Increases	22,773	14,545
2.1 Deferred tax assets recognised in the year	22,736	12,616
a) from prior years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	22,736	12,616
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	37	1,929
3. Decreases	20,708	17,658
3.1 Deferred tax assets recognised in the year	17,963	17,658
a) rebates	17,963	17,658
b) write-downs for uncollectibility	-	-
c) changes in accounting policies	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	2,745	-
4. Closing balance	66,194	64,129



14.4 Changes in deferred tax liabilities (balancing entry in income statement)

	31.12.2005	31.12.2004
1. Opening balance	12,021	3,092
2. Increases	4,082	11,325
2.1 Deferred tax liabilities recognised in the year	422	3,385
a) from prior years	-	-
b) due to changes in accounting policies	-	-
c) other	422	3,385
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	3,660	7,940
3. Decreases	14,615	2,396
3.1 Deferred tax liabilities recognised in the year	8,314	2,396
a) rebates	8,314	2,396
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	6,301	-
4. Closing balance	1,488	12,021

The Italian companies in the Banca Fideuram Group avail themselves of the “istituto del consolidato fiscale nazionale” tax consolidation regime introduced by Italian Legislative Decree No. 344 of 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.

On 20 December 2005, Banca Fideuram S.p.A. received a report from the Latium Regional Tax Police regarding the 2003-2004 tax years, questioning the overall tax treatment chosen by the Bank for the Private Banker Loyalty Scheme (Partnership), as well as a number of other lesser matters. An examination of this particular problem, which was conducted in considerable depth, concluded that the tax treatment adopted in past financial years could be considered valid. The Bank did not therefore make any special provisions to cover future litigation, considering the risk remote.

B - SECTION 15

NON-CURRENT ASSETS AND GROUPS OF ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES - ASSETS ITEM 150 AND LIABILITIES ITEM 90**15.1 Non-current assets and groups of assets held for sale: analysis by type of asset**

	31.12.2005
A. Individual assets	
A.1 Equity investments	-
A.2 Tangible assets	-
A.3 Intangible assets	-
A.4 Other non-current assets	-
Total A	-
B. Groups of assets (operating units disposed of)	
B.1 Financial assets held for trading	28,511
B.2 Financial assets valued at fair value	-
B.3 Financial assets available for sale	-
B.4 Financial assets held to maturity	-
B.5 Due from banks	66,427
B.6 Loans to customers	40,695
B.7 Equity investments	-
B.8 Tangible assets (*)	-
B.9 Intangible assets (*)	-
B.10 Other assets	34,935
Total B	170,568
C. Liabilities associated with individual assets held for sale	
C.1 Debts	-
C.2 Securities	-
C.3 Other liabilities	-
Total C	-
D. Liabilities associated with groups of assets held for sale	
D.1 Due to banks	11,557
D.2 Due to customers	86,306
D.3 Debt securities in issue	-
D.4 Financial liabilities held for trading	205
D.5 Financial liabilities valued at fair value	-
D.6 Provisions (*)	25,019
D.7 Other liabilities	40,922
Total D	164,009

(*) This amount was initially classified as an adjustment to the assets of the Fideuram Wargny group in accordance with IFRS 5, and the remainder recognised under provisions.

B - SECTION 16

OTHER ASSETS - ITEM 160**16.1 Other assets: analysis**

	31.12.2005	31.12.2004
Commissions and fees receivable	129,436	60,334
Prepaid expenses relating to Network incentive costs	93,183	71,486
Unprocessed transactions relating to securities transactions	45,667	29,936
Due from Private Bankers	39,041	36,098
Clearing accounts and other receivables	25,262	36,068
Cheques, coupons, prepaid stamp duty etc.	23,728	9,515
Transactions in progress	21,328	18,022
Other tax accounts	19,766	25,062
Prepaid expenses relating to Unit Linked insurance commissions	12,135	10,376
Advances to suppliers	940	6,287
Other	5,938	15,140
Total	416,424	318,324



LIABILITIES

B - SECTION 1

DUE TO BANKS - ITEM 10

1.1 Due to banks: analysis

	31.12.2005
1. Due to Central Banks	-
2. Due to banks	287,514
2.1 Current accounts and demand deposits	181,611
2.2 Time deposits	104,736
2.3 Loans	-
2.3.1 Finance leases	-
2.3.2 Other	-
2.4 Debts from commitments to repurchase own equity instruments	-
2.5 Liabilities regarding assets disposed of but not written off	1,000
2.5.1 Repurchase agreement liabilities	1,000
2.5.2 Other	-
2.6 Other debts	167
Total	287,514
Fair value	287,514

B - SECTION 2

DUE TO CUSTOMERS - ITEM 20

2.1 Due to customers: analysis

	31.12.2005
1. Current accounts and demand deposits	4,376,880
2. Time deposits	80,752
3. Third-party funds under management	-
4. Loans	-
4.1 Finance leases	-
4.2 Other	-
5. Debts from commitments to repurchase own equity instruments	-
6. Liabilities regarding assets disposed of but not written off	680,904
6.1 Repurchase agreement liabilities	680,904
6.2 Other	-
7. Other debts	58
Total	5,138,594
Fair value	5,138,594

B - SECTION 3

DEBT SECURITIES IN ISSUE - ITEM 30

3.1 Debt securities in issue: analysis

	31.12.2005	
	Book value	Fair value
A. Securities - listed	-	-
1. Bonds	-	-
2. Other securities	-	-
B. Securities - unlisted	353,496	352,805
1. Bonds	350,206	349,515
2. Other securities	3,290	3,290
Total	353,496	352,805

3.2 Breakdown of item 30 "Debt securities in issue": subordinated securities

Type	Book value	Interest rate	Issue date	Maturity date
Variable-rate bonds with half-yearly coupon payments	€199,649,237	Variable (last coupon date 02/10/2005 rate 2.715%)	01/10/1999	01/10/2009

B - SECTION 4

FINANCIAL LIABILITIES HELD FOR TRADING - ITEM 40

4.1 Financial liabilities held for trading: analysis

	Nominal value	31.12.2005	
		Listed	Unlisted
A. Cash Liabilities			
1. Due to banks	-	-	-
2. Due to customers	-	-	-
3. Debt securities	-	-	-
Total A	-	-	-
B. Derivatives			
1. Financial derivatives	X	-	3,348
2. Credit derivatives	X	-	-
Total B	X	-	3,348
Total (A+B)	-	-	3,348



4.4 Financial liabilities held for trading: derivatives

	Interest rates	Currencies and gold	Equities	Loans	Other	31.12.2005 Total
A. Listed derivatives						
1) Financial derivatives:	-	-	-	-	-	-
• with exchange of capital	-	-	-	-	-	-
- Options issued	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
• without exchange of capital	-	-	-	-	-	-
- Options issued	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
2) Credit derivatives:	-	-	-	-	-	-
• with exchange of capital	-	-	-	-	-	-
• without exchange of capital	-	-	-	-	-	-
Total A	-	-	-	-	-	-
B. Unlisted derivatives						
1) Financial derivatives:	-	3,346	-	-	2	3,348
• with exchange of capital	-	2,823	-	-	2	2,825
- Options issued	-	-	-	-	-	-
- Other derivatives	-	2,823	-	-	2	2,825
• without exchange of capital	-	523	-	-	-	523
- Options issued	-	-	-	-	-	-
- Other derivatives	-	523	-	-	-	523
2) Credit derivatives:	-	-	-	-	-	-
• with exchange of capital	-	-	-	-	-	-
• without exchange of capital	-	-	-	-	-	-
Total B	-	3,346	-	-	2	3,348
Total (A+B)	-	3,346	-	-	2	3,348

B - SECTION 10

OTHER LIABILITIES - ITEM 100

10.1 Other liabilities: analysis

	31.12.2005	31.12.2004
Due to Private Bankers	160,434	145,961
Amounts to be collected by customers	68,224	62,358
Due to suppliers	43,878	31,196
Clearing accounts and other payables	28,992	41,301
Payroll and contributions payable	28,638	19,938
Other tax liabilities	14,437	13,767
Non-liquid balances from portfolio transactions	9,641	4,239
Due to pension and social security institutions	6,991	6,931
Amounts relating to securities transactions	386	10,362
Other	4,032	56,226
Total	365,653	392,279

B - SECTION 11

PROVISION FOR EMPLOYMENT TERMINATION INDEMNITIES - ITEM 110

11.1 Provision for employment termination indemnities: changes in the year

	31.12.2005
A. Opening balance	30,802
B. Increases	5,451
B1. Provision for the year	5,449
B2. Other increases	2
C. Decreases	4,206
C1. Indemnities paid	4,206
C2. Other decreases	-
D. Closing balance	32,047

B - SECTION 12

PROVISIONS FOR RISKS AND CHARGES - ITEM 120

12.1 Provisions for risks and charges: analysis

	31.12.2005	31.12.2004
1. Company pension funds	-	-
2. Other provisions for risks and charges	189,509	132,323
2.1 Legal disputes and securities in default	88,911	61,263
2.2 Personnel expenses	5,337	6,479
2.3 Contractual indemnity payments due to Private Bankers	39,871	32,676
2.4 Network loyalty schemes	55,253	29,339
2.5 Other risks and charges	137	2,566
Total	189,509	132,323

- 2.1 - The provisions for legal disputes and securities in default included the provisions set aside to cover losses on legal disputes, including claims from receivers, and the provisions connected with the company policy regarding corporate securities in default.
- 2.2 - The provision for personnel expenses mainly consists of the provisions set aside to pay seniority bonuses to employees, determined on the basis of an independent actuary's report, using the methods provided for by IAS 19.
- 2.3 - The contractual indemnities due to Private Bankers were calculated using actuarial valuations that take the indemnities actually accrued into account, together with the composition of the Network and the indemnities paid to those Private Bankers that had left the Group in previous 5 financial years. The Provision also included 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.
- 2.4 - The adoption of the International Accounting Standards made it necessary to change the accounting treatment of the amount set aside for the Private Banker Network Loyalty Schemes. This provision is the best estimate of the amount due to Private Bankers, calculated using actuarial valuations.



12.2 Provisions for risks and charges: changes in the year

			31.12.2005
	Pension funds	Other provisions	Total
A. Opening balance	-	132,323	132,323
B. Increases	-	75,705	75,705
B1. Provision for the year	-	69,179	69,179
B2. Changes due to the passage of time	-	1,647	1,647
B3. Changes due to fluctuations in the discount rate	-	558	558
B4. Other changes	-	4,321	4,321
C. Decreases	-	18,519	18,519
C1. Utilisation in the financial year	-	10,161	10,161
C2. Changes due to fluctuations in the discount rate	-	331	331
C3. Other changes	-	8,027	8,027
D. Closing balance	-	189,509	189,509

There were no 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, which set up a special working party to carry out a fact-finding study, collaborated as promptly and fully as possible with the Investigating Authorities.

On 5 May 2005, the Spoleto Public Prosecutor's Office completed its enquiries into the alleged irregularities of a Sanpaolo Invest SIM Private Banker with respect to certain customers. The investigation also concerned a number of managers of Sanpaolo Invest SIM who were charged with breaching article 2638 of the Italian Civil Code, the allegation being that they had failed to notify the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) of the irregularities that had emerged with regard to this affair during an audit of the internal control procedures regarding Private Bankers. The charge against aforesaid managers also led Sanpaolo Invest SIM and Banca Fideuram

(considered jointly responsible as a result of the partial spin-off which transferred the former Sanpaolo Invest SIM banking division to Banca Fideuram) to be charged with administrative responsibility for alleged infringement of Italian law 231/2001. If said responsibility is proven, it will lead to the imposition of penalties that will solely be financial penalties due to the type of offence with which the company managers have been charged. The proceedings, which have only reached the end of the preliminary phase, are being monitored closely by a working party set up within the parent company.

The Cagliari Public Prosecutor's Office launched an investigation into a case of fraud against a number of Sardinian regional bodies, which was completed in February. The investigation, which was launched in response to the alleged irregularities of a Banca Fideuram Private Banker, also involved other employees of the Bank and other Private Bankers in the network.

Where interest on accrued interest is concerned, it should be emphasised that given the special business established by the Group, 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 15

SHAREHOLDERS' EQUITY - ITEMS 140, 160, 170, 180, 190, 200 AND 220

15.1 Group equity: analysis

	31.12.2005	31.12.2004
1. Capital	186,255	186,255
2. Additional paid-in capital	301	-
3. Reserves	350,891	261,399
4. (Own shares)	(54,439)	-
a) Parent company	(54,439)	-
b) Subsidiaries	-	-
5. Valuation reserves	18,941	16,083
6. Capital instruments	-	-
7. Group interest in net income/loss for the year	190,785	233,868
Total	692,734	697,605

15.2 "Share capital" and "Own shares": analysis

The share capital and additional paid-in capital were the same as the amounts for the corresponding items in Banca Fideuram's shareholders' equity. The item "Other reserves" comprises Banca Fideuram's remaining reserves and Group changes in the shareholders' equity of the companies included in the consolidation.

As at 31 December 2005, the share capital totalled €186,255,207 divided into 980,290,564 ordinary shares with a par value €0.19.

As at 31 December 2005, Banca Fideuram held 12,655,273 own shares, all exclusively as part of its stock option plans, amounting to 1.3% of the share capital (14,997,000 as at 31.12.2004).

In accordance with IAS 32, these shares were recognised at their historical values, resulting in a €54.4m adjustment to shareholders' equity.

The number of own shares fell in the second half of 2005 following the exercise of 2,341,727 stock options under the 2004 Bonus Scheme. After the stock options were exercised, a total of 2,341,727 own shares were sold and the surplus on the sale

with respect to the book value was recorded under shareholders' equity as additional paid-in capital of €0.3m.



15.3 Share capital - Number of shares held by parent company: changes in the year

	Ordinary	Other
A. Shares at beginning of financial year	980,290,564	-
- fully paid-up	980,290,564	-
- partially paid-up	-	-
A.1 Own shares (-)	(14,997,000)	-
A.2 Outstanding shares: opening balance	965,293,564	-
B. Increases	2,341,727	-
B.1 New issues	-	-
- Cash issues:	-	-
- business combination transactions	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- Free issues:	-	-
- for employees	-	-
- for directors	-	-
- other	-	-
B.2 Sale of own shares	2,341,727	-
B 3. Other increases	-	-
C. Decreases	-	-
C.1 Cancellation	-	-
C.2 Purchase of own shares	-	-
C.3 Company sale transactions	-	-
C.4 Other decreases	-	-
D. Outstanding shares: closing balance	967,635,291	-
D.1 Own shares (+)	12,655,273	-
D.2 Shares at end of financial year	980,290,564	-
- fully paid-up	980,290,564	-
- partially paid-up	-	-

15.6 Valuation reserves: analysis

	31.12.2005	31.12.2004
1. Financial assets available for sale	(1)	-
2. Tangible assets	-	-
3. Intangible assets	-	-
4. Hedging of foreign investments	-	-
5. Hedging of financial flows	-	-
6. Exchange rate differences	-	-
7. Non-current assets held for sale	-	-
8. Special revaluation laws	18,942	16,083
Total	18,941	16,083



15.7 Valuation reserves: changes in the year

	Financial assets available for sale	Tangible assets	Intangible assets	Hedging of foreign investments	Hedging of financial flows	Exchange rate differences	Non-current assets held for sale	Special revaluation laws
A. Opening balance	-	-	-	-	-	-	-	16,083
B. Increases	-	-	-	-	-	-	-	2,859
B.1 Increases in fair value	-	-	-	-	-	-	-	X
B.2 Other increases	-	-	-	-	-	-	-	2,859
C. Decreases	(1)	-	-	-	-	-	-	-
C.1 Decreases in fair value	(1)	-	-	-	-	-	-	X
C.2 Other decreases	-	-	-	-	-	-	-	-
D. Closing balance	(1)	-	-	-	-	-	-	18,942

15.8 Valuation reserves for financial assets available for sale: analysis

	31.12.2005		31.12.2004	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	-	-	-
2. Equities	-	1	-	-
3. Units in mutual funds	-	-	-	-
4. Loans	-	-	-	-
Total	-	1	-	-

15.9 Valuation reserves for financial assets available for sale: changes in the year

	Debt securities	Equities	Units in mutual funds	Loans
1. Opening balance	-	-	-	-
2. Increases	-	-	-	-
2.1 Increases in fair value	-	-	-	-
2.2 Reclassifications from negative reserves to the income statement	-	-	-	-
- following impairment	-	-	-	-
- following disposal	-	-	-	-
2.3 Other increases	-	-	-	-
3. Decreases	-	(1)	-	-
3.1 Reductions in fair value	-	(1)	-	-
3.2 Adjustments for impairment losses	-	-	-	-
3.3 Reclassifications from positive reserves to the income statement: following disposal	-	-	-	-
3.4 Other decreases	-	-	-	-
4. Closing balance	-	(1)	-	-

B - SECTION 16

MINORITY INTERESTS - ITEM 210

16.1 Minority interests: analysis

	31.12.2005	31.12.2004
1. Capital	-	-
2. Additional paid-in capital	-	-
3. Reserves	163	1,906
4. (Own shares)	-	-
5. Valuation reserves	-	-
6. Capital instruments	-	-
7. Minority interests in net income (loss) for the year	51	(1,001)
Total	214	905



OTHER INFORMATION

1. Guarantees and commitments

	31.12.2005	31.12.2004
1. Financial guarantees	144,076	86,602
a) Banks	67,989	6,999
b) Customers	76,087	79,603
2. Commercial guarantees	7,468	7,144
a) Banks	-	-
b) Customers	7,468	7,144
3. Commitments to grant finance	711,389	1,697,389
a) Banks	444,825	1,096,506
i) certain to be called on	435,743	1,087,010
ii) not certain to be called on	9,082	9,496
b) Customers	266,564	600,883
i) certain to be called on	266,564	600,883
ii) not certain to be called on	-	-
4. Commitments underlying credit derivatives: protection sales	-	-
5. Assets pledged as security for third-party liabilities	-	-
6. Other commitments	729	94,565
Total	863,662	1,885,700

2. Assets pledged as security for own liabilities and commitments

1. Financial assets held for trading	21,549	20,681
2. Financial assets valued at fair value	-	-
3. Financial assets available for sale	-	-
4. Financial assets held to maturity	-	-
5. Due from banks	697,588	449,564
6. Loans to customers	-	-
7. Tangible assets	-	-

5. Administration and trading on behalf of third parties

	31.12.2005
1. Trading in financial instruments on behalf of third parties	2,780,493
a) Purchases	1,430,813
1. Settled	1,424,502
2. Not settled	6,311
b) Sales	1,349,680
1. Settled	1,347,879
2. Not settled	1,801
2. Asset Management	15,740,665
a) Individual	15,740,665
b) Collective	-
3. Custody and administration of securities	
a) third-party securities held on deposit as part of activities as a depository bank (excluding asset management)	87,849,754
1. Securities issued by companies included in the consolidation	389
2. Other securities	87,849,365
b) Other third-party securities held on deposit (excluding asset management): other	34,399,662
1. Securities issued by companies included in the consolidation	334,829
2. Other securities	34,064,833
c) Third-party securities deposited with third parties	84,707,006
d) Portfolio securities deposited with third parties	1,635,800
5. Other transactions	49,443,895

PART C

NOTES TO THE CONSOLIDATED INCOME STATEMENT

C - SECTION 1

INTEREST - ITEMS 10 AND 20

1.1 Interest income and similar revenues: analysis

	Performing financial assets		Impaired financial assets	Other Assets	2005
	Debt securities	Loans			Total
1. Financial assets held for trading	21,339	-	-	-	21,339
2. Financial assets valued at fair value	646	-	-	-	646
3. Financial assets available for sale	-	-	-	-	-
4. Financial assets held to maturity	106	-	-	-	106
5. Due from banks	7,301	62,764	-	-	70,065
6. Loans to customers	-	30,893	-	-	30,893
7. Hedging derivatives	X	X	X	-	-
8. Financial assets disposed of but not written off	-	-	-	-	-
9. Other assets	X	X	X	113	113
Total	29,392	93,657	-	113	123,162

BREAKDOWN OF ITEM 10 "INTEREST INCOME AND SIMILAR REVENUES"

1.3 Interest income and similar revenues: other information

On financial assets denominated in foreign currencies	8,220
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1.4 Interest expense and similar charges: analysis

	Debts	Securities	Other liabilities	2005 Total
1. Due to banks	4,644	X	-	4,644
2. Due to customers	65,790	X	-	65,790
3. Debt securities in issue	X	7,184	-	7,184
4. Financial liabilities held for trading	-	-	-	-
5. Financial liabilities valued at fair value	-	-	-	-
6. Financial liabilities regarding assets disposed of but not written off	-	-	-	-
7. Other liabilities	X	X	7	7
8. Hedging derivatives	X	X	-	-
Total	70,434	7,184	7	77,625

BREAKDOWN OF ITEM 20 “Interest expense and similar charges”

1.6 Interest expense and similar charges: other information

On financial liabilities denominated in foreign currencies	1,665
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C - SECTION 2

COMMISSION INCOME AND EXPENSE - ITEMS 40 AND 50

2.1 Commission income: analysis

	2005	2004
a) Guarantees given	306	364
b) Credit derivatives	-	-
c) Management, brokerage and advisory services:	957,516	871,931
1. Trading in financial instruments	5,323	6,958
2. Currency trading	33	26
3. Asset Management	622,241	565,662
3.1 Individual	399,867	359,047
3.2 Collective	222,374	206,615
4. Custody and administration of securities	18,176	14,999
5. Depository bank	63,040	59,474
6. Placement of securities	11,429	7,672
7. Acceptance of instructions	20,371	30,712
8. Advisory services	3,489	2,332
9. Supply of third-party services	213,414	184,096
9.1 Asset Management:	49,885	42,463
9.1.1 Individual	15,917	21,911
9.1.2 Collective	33,968	20,552
9.2 Insurance products	161,962	140,084
9.3 Other products	1,567	1,549
d) Collection and payment services	6,402	4,839
e) Securitization servicing	-	-
f) Factoring services	-	-
g) Tax collection services	-	-
h) Other services	48,662	40,741
Total	1,012,886	917,875

2.2 Commission income: distribution channels for products and services

	2005	2004
a) Own branches:	-	-
1. Private banking	-	-
2. Placement of securities	-	-
3. Third-party products and services	-	-
b) Outside branch premises:	846,684	757,162
1. Private banking	621,841	565,394
2. Placement of securities	11,429	7,672
3. Third-party products and services	213,414	184,096
c) Other distribution channels:	400	268
1. Private banking	-	-
2. Placement of securities	400	268
3. Third-party products and services	-	-

2.3 Commission expense: analysis

a) Guarantees received	-	-
b) Credit derivatives	-	-
c) Management and brokerage services:	389,068	355,443
1. Trading in financial instruments	171	209
2. Currency trading	25	25
3. Asset Management	-	-
3.1 Proprietary portfolio	-	-
3.2 Third-party portfolio	-	-
4. Custody and administration of securities	6,302	2,972
5. Placement of financial instruments	3,976	3,490
6. Sales of financial products, products and services through non-branch channels	378,594	348,747
d) Collection and payment services	3,133	2,674
e) Other services	33,795	25,409
Total	425,996	383,526

C - SECTION 3

DIVIDENDS AND SIMILAR INCOME - ITEM 70

3.1 Dividends and similar income: analysis

	2005		2004	
	Dividend income	Income from units in mutual funds	Dividend income	Income from units in mutual funds
A. Financial assets held for trading	-	-	34	-
B. Financial assets available for sale	1	-	1	-
C. Financial assets valued at fair value	-	-	-	-
D. Equity investments	-	X	-	X
Total	1	-	35	-



C - SECTION 4

NET GAINS OR LOSSES ON TRADING ACTIVITIES - ITEM 80

4.1 Net gains or losses on trading activities: analysis

	Gains	Trading profits	Losses	Trading losses	2005 Net gains or losses
1. Financial assets held for trading	64	3,752	(3,652)	(2,448)	(2,284)
1.1. Debt securities	55	2,521	(3,651)	(2,307)	(3,382)
1.2. Equities	-	1,128	(1)	(141)	986
1.3. Units in mutual funds	9	103	-	-	112
1.4. Loans	-	-	-	-	-
1.5. Other	-	-	-	-	-
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange rate differences	X	X	X	X	5,677
4. Derivatives	4	-	(2)	-	(2,120)
4.1 Financial derivatives:	4	-	(2)	-	(2,120)
- Debt derivatives and interest rate derivatives	4	-	(2)	-	2
- Equity derivatives and index derivatives	-	-	-	-	-
- Currencies and gold	X	X	X	X	(2,122)
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	68	3,752	(3,654)	(2,448)	1,273

C - SECTION 6

INCOME/LOSSES FROM SALE AND REPURCHASE - ITEM 100

6.1 Income/losses from sale and repurchase: analysis

	Income	Losses	2005 Net gains or losses
Financial assets			
1. Due from banks (*)	3,811	(223)	3,588
2. Loans to customers	-	-	-
3. Financial assets available for sale	-	-	-
3.1 Debt securities	-	-	-
3.2 Equities	-	-	-
3.3 Units in mutual funds	-	-	-
3.4 Loans	-	-	-
4. Financial assets held to maturity	-	-	-
Total assets	3,811	(223)	3,588
Financial liabilities			
1. Due to banks	-	-	-
2. Due to customers	-	-	-
3. Debt securities in issue	-	-	-
Total liabilities	-	-	-

(*) This amount concerns the trading in securities issued by Sanpaolo Bank S.A. under repurchase lending agreements with customers.



C - SECTION 7

NET GAINS OR LOSSES ON FINANCIAL ASSETS VALUED AT FAIR VALUE - ITEM 110

7.1 Net gains or losses on financial assets/liabilities valued at fair value: analysis

	Gains	Gains on disposal	Losses	Losses on disposal	2005 Net gains or losses
1. Financial assets	17,677	495	(205)	(61)	17,906
1.1 Debt securities	17,677	495	(205)	(61)	17,906
1.2 Equities	-	-	-	-	-
1.3 Units in mutual funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial liabilities	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Financial assets and liabilities denominated in foreign currencies: exchange rate differences	X	X	X	X	-
4. Derivatives	-	-	-	-	-
4.1 Financial derivatives	-	-	-	-	-
- debt derivatives and interest rate derivatives	-	-	-	-	-
- equity derivatives and index derivatives	-	-	-	-	-
- currencies and gold	X	X	X	X	-
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total Derivatives	-	-	-	-	-
Total	17,677	495	(205)	(61)	17,906

C - SECTION 8

NET ADJUSTMENTS/WRITE-BACKS FOR IMPAIRMENT LOSSES - ITEM 130

8.1 Net adjustments for impairment losses on loans: analysis

	Adjustments			Write-backs			2005
	Specific		Portfolio	Specific		Portfolio	Total
	Write-offs	Other		Interest	Other write-backs		
A. Due from banks	-	-	(39)	-	-	-	278
B. Loans to customers	-	(1,306)	(1,549)	222	1,506	-	-
Total	-	(1,306)	(1,588)	222	1,506	-	278
							(888)





8.4 Net adjustments for impairment losses on other financial transactions: analysis

	Adjustments			Write-backs				2005
	Specific		Portfolio	Specific		Portfolio		Total
	Write-offs	Other		Interest	Other write-backs	Interest	Other write-backs	
A. Guarantees issued	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
C. Commitments to grant finance	-	-	-	-	-	-	-	-
D. Other transactions	-	(11)	-	-	-	-	-	(11)
Total	-	(11)	-	-	-	-	-	(11)

C - SECTION 11

ADMINISTRATIVE COSTS - ITEM 180

11.1 Staff costs: analysis

	2005	2004
1) Employees	132,854	118,693
a) Wages and salaries	91,103	83,697
b) Social security contributions	24,071	22,377
c) Termination indemnities	-	-
d) Pension costs	3,231	3,131
e) Provision for employee termination indemnities	5,838	4,358
f) Provision for retirement benefits and similar obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Payments to external supplementary pension funds:	-	-
- defined contribution	-	-
- defined benefit	-	-
h) Costs arising from payment agreements based on own equity instruments	-	-
i) Other employee benefits	8,611	5,130
2) Other staff	1,512	485
3) Directors	2,256	3,262
Total	136,622	122,440

11.2 Average number of employees by category

	2005
Employees:	1,831
a) Executives	70
b) Total Managers	964
- Middle management	436
c) Other employees	797
Other staff	33

11.4 Other employee benefits

This item mainly comprised seniority bonuses and other bonuses.

11.5 Other administrative costs: analysis

	2005	2004
IT costs	44,565	45,652
- Software maintenance and upgrades	5,779	11,586
- Maintenance of furniture, plant and equipment	3,258	3,532
- Data transmission	8,296	8,192
- Data processing by third parties	21,801	15,069
- Data bank access fees	3,341	2,304
- Equipment rental	2,669	4,969
- Recovery of IT costs	(579)	-
Property management costs	28,972	29,672
- Property rent	26,034	26,043
- Maintenance of rented property	450	502
- Maintenance of own property	305	264
- Security	928	988
- Cleaning	1,868	1,850
- Recovery of property management costs	(613)	25
General expenses	22,849	20,399
- Postage and telegraphic expenses	3,783	4,178
- Office supplies	2,819	2,922
- Transport and counting of valuables	453	437
- Couriers and transport	2,075	2,020
- Other expenses	14,933	15,823
- Recovery of general expenses	(1,214)	(4,981)
Professional and insurance costs	22,570	26,706
- Consultancy	20,216	23,426
- Legal advice and court fees	378	370
- Search and business information services	1,299	1,794
- Bank and customer insurance premiums	961	1,116
- Recovery of professional and insurance costs	(284)	-
Utilities	5,713	5,605
- Power	2,298	2,054
- Telephone	3,666	3,551
- Recovery of utility expenses	(251)	-
Promotional and advertising expenses	5,841	2,144
- Advertising and entertainment	5,282	1,551
- Trade union dues and trade/professional association membership fees	559	593
- Recovery of promotional and advertising expenses	-	-
Indirect personnel expenses	6,217	6,164
- Indirect personnel expenses	6,217	6,164
Total Other Administrative costs net of tax	136,727	136,342
Taxes and levies	3,285	2,593
Total Other Administrative costs	140,012	138,935
Breakdown of Indirect taxes		
- Stamp duty	1,474	333
- Substitute tax (Italian Presidential Decree 601/73)	61	49
- Local council property tax	220	243
- Other indirect taxes	1,530	1,968
Total	3,285	2,593

C - SECTION 12

NET PROVISIONS FOR RISKS AND CHARGES - ITEM 190

12.1 Net provisions for risks and charges: analysis

	2005	2004
Legal disputes and claims from receivers	36,861	9,656
Contractual indemnities due to Private Bankers	7,377	5,243
Costs relating to the Private Banker Networks' Loyalty Schemes	26,815	22,347
Total	71,053	37,246

C - SECTION 13

NET ADJUSTMENTS/WRITE-BACKS OF TANGIBLE ASSETS - ITEM 200

13.1 Net adjustments to tangible assets: analysis

	Depreciation	Net adjustments for impairment losses	Write-backs	2005 Net adjustments
A. Tangible assets				
A.1 Owned	8,116	-	-	8,116
- Functional tangible assets	8,116	-	-	8,116
- Investment tangible assets	-	-	-	-
A.2 Purchased under finance lease arrangements	-	-	-	-
- Functional tangible assets	-	-	-	-
- Investment tangible assets	-	-	-	-
Total	8,116	-	-	8,116

C - SECTION 14

NET ADJUSTMENTS/WRITE-BACKS OF INTANGIBLE ASSETS - ITEM 210

14.1 Net adjustments to intangible assets: analysis

	Amortisation	Net adjustments for impairment losses	Write-backs	2005 Net adjustments
A. Intangible assets				
A.1 Owned	19,113	-	-	19,113
- Generated internally by the Bank	24	-	-	24
- Other	19,089	-	-	19,089
A.2 Purchased under finance lease arrangements	-	-	-	-
Total	19,113	-	-	19,113



C - SECTION 15

OTHER OPERATING INCOME AND EXPENSE - ITEM 220**15.1 Other operating expenses: analysis**

	2005	2004
Brokerage expenses	245	-
Private Bankers - related expenses	1,203	-
Other expenses	1,861	17,068
Total	3,309	17,068

15.2 Other operating income: analysis

Recovery of allowances for want of notice	1,788	35
Recovery of expenses	365	180
Brokerage income	73	46
Other income	1,917	13,189
Total	4,143	13,450

C - SECTION 20

INCOME TAXES FOR THE YEAR ON CURRENT OPERATIONS - ITEM 290**20.1 Income taxes for the year on current operations: analysis**

	2005	2004
1. Current taxes	(66,223)	(46,471)
2. Changes to current taxes for prior years	-	-
3. Reduction in current taxes for the year	-	-
4. Change in deferred tax assets	4,773	(2,043)
5. Change in deferred tax liabilities	7,892	852
6. Taxes for the year	(53,558)	(47,662)

20.2 Reconciliation of theoretical tax burden and actual financial statement tax burden

	2005
Taxable income	244,343
Standard tax rate applicable	38.25%
Theoretical tax burden	93,461
Tax impact with respect to:	
Different tax rates applying to foreign subsidiaries	(65,915)
Effects of Fideuram Wargny transaction	13,704
Substitute tax on revaluation of buildings	1,306
IRAP regional business tax and minor effects	11,002
Actual tax burden	53,558



C - SECTION 21

INCOME/LOSS AFTER TAX ON GROUPS OF ASSETS HELD FOR SALE - ITEM 310

21.1 - Income (loss) after tax on groups of assets/liabilities held for sale: analysis

Group of assets/liabilities	2005	2004
1. Income	42,566	95,582
2. Expenses	(51,186)	(42,700)
3. Net gains (losses) on valuations of group of assets and associated liabilities	(27,200)	(16,243)
4. Income (losses) on disposal	-	-
5. Taxes and levies	-	-
Income (loss)	(35,820)	36,639

C - SECTION 22

MINORITY INTERESTS IN NET INCOME/(LOSS) FOR THE YEAR - ITEM 330

22.1 Breakdown of item 330 "Minority interests in net income for the year"

	2005	2004
Minority interests in net income for the year	51	46

C - SECTION 24

EARNINGS PER SHARE

24.1 Average number of diluted capital ordinary shares

	2005	2004
Average number of diluted capital ordinary shares	966,030,672	965,293,564
Net income for the year for calculating diluted earning per share	190,785	173,339
Diluted earnings per share	0.1975	0.1796

Diluted earnings per share were calculated taking the average number of shares outstanding and adding those that could be issued following the conversion into shares of all the "potential ordinary shares with dilution effects" held as part of the stock option plans, which were estimated to total 327,036 shares.



PART D SEGMENT REPORTING

A. PRIMARY FORMAT

Distribution by business sector

(€m)	Managed Financial Savings	Insurance Savings	Banking and Other Services	2005 Total for Banca Fideuram Group
BUSINESS SEGMENTATION				
Net interest income	-	-	45.5	45.5
Commission income	641.4	257.3	114.1	1,012.8
- Entry	29.0	22.6	58.4	110.0
- Recurring	612.4	234.7	55.7	902.8
- Other	-	-	-	-
Commission expense	(247.9)	(118.3)	(59.7)	(425.9)
- Entry	(15.8)	(12.8)	(23.6)	(52.2)
- Recurring	(193.4)	(83.6)	(26.2)	(303.2)
- Other	(38.7)	(21.9)	(9.9)	(70.5)
Net Commission income	393.5	139.0	54.4	586.9
- Entry	13.2	9.8	34.8	57.8
- Recurring	419.0	151.1	29.5	599.6
- Other	(38.7)	(21.9)	(9.9)	(70.5)
Net gains or losses on financial assets and liabilities	-	-	22.8	22.8
Total income from financing activities	393.5	139.0	122.7	655.2
Operating costs net of recoupment of costs	(159.0)	(29.3)	(115.5)	(303.8)
Non-recurring items	-	-	(21.2)	(21.2)
Other	(22.8)	(8.1)	(19.1)	(50.0)
Total income from current operations	211.7	101.6	(33.1)	280.2
Average AUM	34,382	13,964	14,070	62,416
AUM as at 31.12.2005	36,100	14,228	13,984	64,312
Key ratios				
Cost/Income Ratio	40.4%	21.1%	94.1%	46.4%
Gross total income/Average AUM	0.62%	0.73%	-0.24%	0.45%
Net commission income/Average AUM	1.14%	1.00%	0.39%	0.94%

B. SECONDARY FORMAT

The Banca Fideuram Group's revenues are principally generated by customers in Italy.

PART E

INFORMATION ON RISKS AND RELATED HEDGING POLICIES

E - SECTION 1 - GROUP RISKS

UNDERLYING PRINCIPLES

The Banca Fideuram Group pays considerable attention to providing effective risk management and control, based on three core principles:

- clearly identifying the responsibilities pertaining to the assumption of risks.
- implementing measurement and control systems aligned to international best practice.
- maintaining the organisational separation of the Business Areas responsible for management and the Departments responsible for control.

1.1 CREDIT RISK

QUALITATIVE INFORMATION

General Information

The Banca Fideuram Group's lending activities support its core business of providing investment services to private customers. Consequently, loans to customers mainly consist of demand loans linked directly to our private banking business and are, moreover, supported by collateral or bank guarantees.

A breakdown of the loan portfolio shows that it predominantly comprised short-term interbank loans, mainly to leading banks in the Eurozone.

There were no significant changes to the Group's underlying lending strategies in the 2005 financial year.

The Banca Fideuram Group has a low overall exposure to credit risk.

CREDIT RISK MANAGEMENT POLICIES

Organisational aspects

The Group's loan granting and management activities are governed by internal regulations that follow the related guidelines for all companies in the Sanpaolo IMI Group. These regulations identify the company bodies with the authority to grant loans and the maximum permissible amounts for each individual risk category, as well as the organisational structures responsible for managing credit risk and the risks associated with impaired loans.

The offering and granting of level one loans is carried out in the Group's peripheral area banking structures. The offering and granting of level two loans is carried out in the Group's central banking structures. Credit risk management is carried out by a separate central structure from those in charge of granting and managing loans.

Management, measurement and control systems

Credit risk management, measurement and control is carried out by constantly monitoring and analysing each individual relationship and the relevant indicators, as well as by periodically reviewing every position. The adequacy of the value of the risk guarantees obtained from private customers is also monitored constantly. Further checks are carried out at a central level on both the nature and quality of the overall exposures.

In addition mechanisms are also in place to limit concentration risk in accordance with the Sanpaolo IMI Group's internal regulations.



Credit risk mitigation techniques

The Bank generally obtains collateral or bank guarantees to mitigate the credit risk of loans to customers. As at 31/12/2005, 67% of loans to customers were supported by collateral or bank guarantees.

The main types of collateral obtained are linked to securities listed on major regulated markets or products sold by the Banca Fideuram Group (funds, asset management and insurance policies). Bonds are only accepted as collateral if the issuer or loan satisfies a minimum external rating (by a leading rating agency).

The concentration of collateral in issuers is very low (excepting for funds and other products distributed by the Banca Fideuram Group).

There were no obligations capable of undermining the legal validity of the guarantees. The operative effectiveness of these guarantees is verified on a regular basis.

Impaired financial assets

A detailed and ongoing monitoring process is launched whenever any impairment of financial assets occurs, examining the positions with respect to the length of time that has passed since the related due/overdue date, and analysing all the other indicators available.

The Bank's internal regulations govern the different types of anomalous loans, the procedures for transferring performing positions to impaired assets and the company bodies empowered to authorise transfers between different classes of loans.

Non-performing loans net of write-downs accounted for a very small percentage of total loans (0.2% of loans to customers).

Loss forecasts are formulated analytically for each individual position on the basis of all the relevant valuation factors (debtor assets, employment income and estimated recovery date etc.) The valuations are

examined at regular intervals and revised if any new and significant events have occurred.



QUANTITATIVE INFORMATION

A. Credit quality

A.1 Impaired and performing exposures: amounts, adjustments, changes, economic and geographical distribution

A.1.1 Distribution of financial assets by portfolio and credit quality (book values)

	Banking group					Other companies		Total	
	Non-performing loans	Doubtful loans	Restructured loans	Overdue loans	Country risk	Other assets	Impaired		Other
1. Financial assets held for trading	-	-	-	-	-	588,237	-	-	588,237
2. Financial assets available for sale	-	-	-	-	-	126	-	-	126
3. Financial assets held to maturity	-	-	-	-	-	4,662	-	-	4,662
4. Due from banks	-	-	-	-	251	4,623,732	-	-	4,623,983
5. Loans to customers	2,689	-	-	5,716	-	1,117,084	-	-	1,125,489
6. Financial assets valued at fair value	-	-	-	-	-	172,754	-	-	172,754
7. Financial assets held for sale	-	-	-	-	-	170,568	-	-	170,568
8. Hedging derivatives	-	-	-	-	-	-	-	-	-
Total	2,689	-	-	5,716	251	6,677,163	-	-	6,685,819



A.1.2 Distribution of financial assets by portfolio and credit quality (gross and net values)

	Impaired assets				Other assets			Total (net exposure)
	Gross exposure	Specific adjustments	Portfolio adjustments	Net Exposure	Gross exposure	Portfolio adjustments	Net Exposure	
A. Banking group								
1. Financial assets held for trading	-	-	-	-	X	X	588,237	588,237
2. Financial assets available for sale	-	-	-	-	126	-	126	126
3. Financial assets held to maturity	-	-	-	-	4,662	-	4,662	4,662
4. Due from banks	-	-	-	-	4,624,091	(108)	4,623,983	4,623,983
5. Loans to customers	20,604	(11,767)	(432)	8,405	1,120,251	(3,167)	1,117,084	1,125,489
6. Financial assets valued at fair value	-	-	-	-	X	X	172,754	172,754
7. Financial assets held for sale	-	-	-	-	170,568	-	170,568	170,568
8. Hedging derivatives	-	-	-	-	X	X	-	-
Total A	20,604	(11,767)	(432)	8,405	5,919,698	(3,275)	6,677,414	6,685,819
B. Other companies included in the consolidation								
1. Financial assets held for trading	-	-	-	-	X	X	-	-
2. Financial assets available for sale	-	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-	-
4. Due from banks	-	-	-	-	-	-	-	-
5. Loans to customers	-	-	-	-	-	-	-	-
6. Financial assets valued at fair value	-	-	-	-	X	X	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	X	X	-	-
Total B	-	-	-	-	-	-	-	-
Total	20,604	(11,767)	(432)	8,405	5,919,698	(3,275)	6,677,414	6,685,819



A.1.3 Cash and off-balance-sheet exposures of due from banks: gross and net values

	Gross exposure	Specific adjustments	Portfolio adjustments	Net Exposure
A. Cash exposures				
A.1 Banking group				
a) Non-performing loans	-	-	-	-
b) Doubtful loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Overdue loans	-	-	-	-
e) Country risk	359	X	(108)	251
f) Other assets	4,776,616	X	-	4,776,616
Total A.1	4,776,975	-	(108)	4,776,867
A.2 Other companies				
a) Impaired	-	-	-	-
b) Other	-	X	-	-
Total A.2	-	-	-	-
Total A	4,776,975	-	(108)	4,776,867
B. Off-balance-sheet exposures				
B.1 Banking group				
a) Impaired	-	-	-	-
b) Other	79,715	X	-	79,715
Total B.1	79,715	-	-	79,715
B.2 Other companies				
a) Impaired	-	-	-	-
b) Other	-	X	-	-
Total B.2	-	-	-	-
Total B	79,715	-	-	79,715

A.1.4 Cash exposures of due from banks: changes in gross impaired exposures subject to country risk

	Non performing loans	Doubtful loans	Restructured loans	Overdue loans	Country risk
A. Gross exposure at beginning of period	-	-	-	-	1,157
- Including: exposures disposed of but not written off	-	-	-	-	-
B. Increases	-	-	-	-	129
B.1 Transfers from performing exposures	-	-	-	-	-
B.2 Transfers from other categories of impaired exposures	-	-	-	-	-
B.3 Other increases	-	-	-	-	129
C. Decreases	-	-	-	-	927
C.1 Transfers to performing exposures	-	-	-	-	-
C.2 Write-offs	-	-	-	-	-
C.3 Collections	-	-	-	-	927
C.4 Disposals	-	-	-	-	-
C.5 Transfers to other categories of impaired exposures	-	-	-	-	-
C.6 Other decreases	-	-	-	-	-
D. Gross exposure at end of period	-	-	-	-	359
- Including: exposures disposed of but not written off	-	-	-	-	-

A.1.5 Cash exposures of due from banks: changes in total adjustments

	Non performing loans	Doubtful loans	Restructured loans	Overdue loans	Country risk
A. Total adjustments at beginning of period	-	-	-	-	347
- Including: exposures disposed of but not written off	-	-	-	-	-
B. Increases					39
B.1 Adjustments	-	-	-	-	39
B.2 Transfers from other categories of impaired exposures	-	-	-	-	-
B.3 Other increases	-	-	-	-	-
C. Decreases					278
C.1 Write-backs from valuations	-	-	-	-	-
C.2 Write-backs on collections	-	-	-	-	278
C.3 Write-offs	-	-	-	-	-
C.4 Transfers to other categories of impaired exposures	-	-	-	-	-
C.5 Other decreases	-	-	-	-	-
D. Total adjustments at end of period	-	-	-	-	108
- Including: exposures disposed of but not written off	-	-	-	-	-

A.1.6 Cash and off-balance-sheet exposures of loans to customers: gross and net values

	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure
A. Cash exposure				
A.1 Banking group	-	-	-	-
a) Non-performing loans	14,456	(11,767)	-	2,689
b) Doubtful loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Overdue loans	6,148	-	(432)	5,716
e) Country risk	-	-	-	-
f) Other assets	1,900,899	-	(3,167)	1,897,732
Total A.1	1,921,503	(11,767)	(3,599)	1,906,137
A.2 Other companies				
a) Impaired	-	-	-	-
b) Other	-	X	-	-
Total A.2	-	-	-	-
Total A	1,921,503	(11,767)	(3,599)	1,906,137
B. Off-balance-sheet exposures				
B.1 Banking group	-	-	-	-
a) Impaired	-	-	-	-
b) Other	79,303	X	-	79,303
Total B.1	79,303	-	-	79,303
B.2 Other companies				
a) Impaired	-	-	-	-
b) Other	-	X	-	-
Total B.2	-	-	-	-
Total B	79,303	-	-	79,303



A.1.7 Cash exposures of loans to customers changes in gross impaired exposures subject to country risk

	Non performing loans	Doubtful loans	Restructured loans	Overdue loans	Country risk
A. Gross exposure at beginning of period	14,026	-	-	-	-
- Including: exposures disposed of but not written off	-	-	-	-	-
B. Increases	2,859	-	-	7,212	-
B.1 Transfers from performing exposures	1,425	-	-	-	-
B.2 Transfers from other categories of impaired exposures	-	-	-	-	-
B.3 Other increases	1,434	-	-	7,212	-
C. Decreases	2,429	-	-	1,064	-
C.1 Transfers to performing exposures	-	-	-	1,064	-
C.2 Write-offs	234	-	-	-	-
C.3 Collections	1,222	-	-	-	-
C.4 Disposals	-	-	-	-	-
C.5 Transfers to other categories of impaired exposures	-	-	-	-	-
C.6 Other decreases	973	-	-	-	-
D. Gross exposure at end of period	14,456	-	-	6,148	-
- Including: exposures disposed of but not written off	-	-	-	-	-

A.1.8 Cash exposures of exposures to customers changes in total adjustments

	Non performing loans	Doubtful loans	Restructured loans	Overdue loans	Country risk
A. Total adjustments at beginning of period	10,501	-	-	-	-
- Including: exposures disposed of but not written off	-	-	-	-	-
B. Increases	3,914	-	-	432	-
B.1 Adjustments	1,306	-	-	432	-
B.2 Transfers from other categories of impaired exposures	-	-	-	-	-
B.3 Other increases	2,608	-	-	-	-
C. Decreases	2,648	-	-	-	-
C.1 Write-backs from valuations	456	-	-	-	-
C.2 Write-backs on collections	1,271	-	-	-	-
C.3 Write-offs	234	-	-	-	-
C.4 Transfers to other categories of impaired exposures	-	-	-	-	-
C.5 Other decreases	687	-	-	-	-
D. Total adjustments at end of period	11,767	-	-	432	-
- Including: exposures disposed of but not written off	-	-	-	-	-

Secured loans to customers

	31.12.2005
a) Mortgages	66,088
b) Pledged assets:	683,761
1. Cash deposits	-
2. Securities	682,861
3. Other instruments	900
c) Guarantees given by:	5,241
1. Governments	-
2. Other public entities	-
3. Banks	4,645
4. Other operators	596
Total	755,090

Distribution of loans to customers by main borrower categories

a) Governments	-
b) Other public entities	-
c) Non-financial companies	192,412
d) Financial institutions	261,515
e) Family businesses	6,184
f) Other operators	665,378
Total	1,125,489

1.2 MARKET RISK

QUALITATIVE INFORMATION

The business areas in the Group that generate market risk operate independently within clearly defined limits.

The prime responsibility for the management and control of market risk lies with the Sanpaolo IMI Board of Directors, which formulates the Group's market risk policies and strategies, decides the capital to allocate in relation to anticipated risk/return profiles, approves the operating limits and lays down the guidelines for its subsidiaries.

The Banca Fideuram Group's typical customer savings business generates structurally significant cash inflows (an average of €3.7bn in 2005).

In 2005, the Banca Fideuram Board of Directors embarked on a process for optimising the Bank's asset-management processes, approving the criteria for developing a new Investment Policy

that provides precise guidelines regarding the appropriate technical forms for investments and the risk limits that are consistent with the Group's capital structure. The Board, to this end, also took into account the impact of the adoption of the International Accounting Standards (and IAS 39 on financial instruments in particular).

The Bank's investment activities were regulated in accordance with the following:

- New rules for our investment policies regarding the securities held in the bank's own portfolio, for governing our treasury activities and for our currency activities, drawn up in conjunction with Sanpaolo IMI and replacing the rules currently in force.
- The rationalisation of the lines of financial and credit risk requested of Sanpaolo IMI in line with the initial size of the portfolio and with the new Investment Policy.
- Changes to our system of management mandates in line with the operating procedures provided for in the new Investment Policy.



The Bank's securities holdings will be divided into two main portfolios:

- A liquid assets portfolio that includes securities with low risk positions and that cannot have an overall average financial duration of more than 6 months. The technical forms included in this portfolio must be capable of ready conversion into liquid assets (securities usable for refinancing transactions, investment repurchase agreements and interbank deposit transactions with a term of less than one week).
- An investment portfolio linked to the structure of inflows, investments and Group shareholders' equity.

The financial instruments in the investment portfolio are subject to specific limits with respect to asset allocation, rating, geographical area, currency area, and sector and counterparty concentration. Each investment activity is allocated a specific maximum exposure and permissible loss.

A monitoring procedure (Proteso) constantly checks to ensure these limits are being respected, highlighting any market risks and calculating each product's VaR.

The VaR is the maximum amount that the portfolio can lose over the following ten working days in 99% of cases, calculated in relation to volatility and the historical correlations between the individual risk factors for each currency, namely short and long-term interest rates, exchange rate ratios and share prices.

The following operating criteria are used to evaluate interest rate risk:

- The reference date: this is considered to be the value date of a transaction and is therefore typically 2 working days from the date of the analysis.
- Basis of calculation: the calculations consider funding or investment transactions in foreign

currencies or euros (including internal deposits) and Outright and Swap transactions that have not yet expired at the reference date.

- Currency imbalance: calculated in relation to separate periods of time.
- Interest rate risk: calculated by aggregating the currency imbalances for each period of time and converting the foreign currency absolute values into euros at the Italian Foreign Exchange Office exchange rates on the reference date.

The monitoring system provides the following important risk management information:

- Monitoring of operating limits
- Gap analysis (by product and overall)
- Income and losses (by product and total)
- Increases and decreases in value
- Position keeping
- Performance of securities holdings
- Reconciliations of securities and foreign exchange earnings.

1.2.6 DERIVATIVES

A. FINANCIAL DERIVATIVES

A.1 Regulatory trading book: period-end notional values

	Debt securities and interest rate derivatives		Equity derivatives and index derivatives		Currency derivatives and gold derivatives		Other instruments		Total	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	-	-	-	-	-	-	-	-	-	-
2. Interest rate swap	-	-	-	-	-	-	-	-	-	-
3. Domestic currency swap	-	-	-	-	-	371,859	-	-	-	371,859
4. Currency interest rate swap	-	-	-	-	-	-	-	-	-	-
5. Basis swaps	-	-	-	-	-	-	-	-	-	-
6. Equity index swaps	-	-	-	-	-	-	-	-	-	-
7. CPI swaps	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-
9. Cap options	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-
10. Floor options	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-
12. Forward contracts	-	23,284	-	18	-	587,217	-	-	-	610,519
- Purchased	-	12,333	-	9	-	356,971	-	-	-	369,313
- Sales	-	10,951	-	9	-	198,456	-	-	-	209,416
- Cross-currency	-	-	-	-	-	31,790	-	-	-	31,790
13. Other derivative contracts	-	-	-	-	-	-	-	-	-	-
Total	-	23,284	-	18	-	959,076	-	-	-	982,378

A.2 Banking Book: period-end notional values

A.2.2 Other derivatives

	Debt securities and interest rate derivatives		Equity derivatives and index derivatives		Currency derivatives and gold derivatives		Other instruments		Total	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	-	-	-	-	-	-	-	-	-	-
2. Interest rate swap	-	-	-	-	-	-	-	-	-	-
3. Domestic currency swap	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swap	-	-	-	-	-	-	-	-	-	-
5. Basis swaps	-	-	-	-	-	-	-	-	-	-
6. Equity index swaps	-	-	-	-	-	-	-	-	-	-
7. CPI swaps	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-
9. Cap options	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-
10. Floor options	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-
12. Forward contracts	-	811,248	-	-	-	-	-	-	-	811,248
- Purchased	-	48,716	-	-	-	-	-	-	-	48,716
- Sales	-	762,532	-	-	-	-	-	-	-	762,532
- Cross-currency	-	-	-	-	-	-	-	-	-	-
13. Other derivative contracts	-	-	-	-	-	-	-	17,460	-	17,460
Total	-	811,248	-	-	-	-	-	17,460	-	828,708



A.3 Financial derivatives: purchase and sale of underlying instruments

	Debt securities and interest rate derivatives		Equity derivatives and index derivatives		Currency derivatives and gold derivatives		Other instruments		Total	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Regulatory trading book:	-	23,284	-	18	-	959,076	-	-	-	982,378
1. Transactions with exchange of capital	-	23,284	-	18	-	853,052	-	-	-	876,354
- Purchases	-	12,333	-	9	-	517,280	-	-	-	529,622
- Sales	-	10,951	-	9	-	303,984	-	-	-	314,944
- Cross-currency	-	-	-	-	-	31,788	-	-	-	31,788
2. Transactions without exchange of capital	-	-	-	-	-	106,024	-	-	-	106,024
- Purchases	-	-	-	-	-	95,203	-	-	-	95,203
- Sales	-	-	-	-	-	10,819	-	-	-	10,819
- Cross-currency	-	-	-	-	-	2	-	-	-	2
B. Banking book:	-	811,248	-	-	-	-	-	17,460	-	828,708
B.1 Hedging	-	-	-	-	-	-	-	-	-	-
1. Transactions with exchange of capital	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-
- Cross-currency	-	-	-	-	-	-	-	-	-	-
2. Transactions without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-
- Cross-currency	-	-	-	-	-	-	-	-	-	-
B.2 Other derivatives	-	811,248	-	-	-	-	-	17,460	-	828,708
1. Transactions with exchange of capital	-	811,248	-	-	-	-	-	17,460	-	828,708
- Purchases	-	48,716	-	-	-	-	-	507	-	49,223
- Sales	-	762,532	-	-	-	-	-	16,953	-	779,485
- Cross-currency	-	-	-	-	-	-	-	-	-	-
2. Transactions without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-
- Cross-currency	-	-	-	-	-	-	-	-	-	-

A.4 Over the counter financial derivatives: positive fair value - counterparty risk

Debt securities and interest rate derivatives			Equity derivatives and index derivatives			Currency derivatives and gold derivatives			Other instruments			Other underlying instruments	
Gross non-cleared	Gross cleared	Future exposure	Gross non-cleared	Gross cleared	Future exposure	Gross non-cleared	Gross cleared	Future exposure	Gross non-cleared	Gross cleared	Future exposure	Cleared	Future exposure

A. Regulatory trading book:

A.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Public entities	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	6	-	-	19	-	2	1,832	-	3,940	-	-	-	-
A.4 Financial institutions	-	-	-	-	-	-	471	-	5	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Other parties	-	-	-	-	-	-	487	-	342	-	-	-	-
Total A	6	-	-	19	-	2	2,790	-	4,287	-	-	-	-

B. Banking book:

B.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other parties	-	-	-	-	-	-	-	-	-	-	-	-	-
Total B	-	-	-	-	-	-	-	-	-	-	-	-	-

A.5 Over the counter financial derivatives: negative fair value - financial risk

Debt securities and interest rate derivatives			Equity derivatives and index derivatives			Currency derivatives and gold derivatives			Other instruments			Other underlying instruments	
Gross non-cleared	Gross cleared	Future exposure	Gross non-cleared	Gross cleared	Future exposure	Gross non-cleared	Gross cleared	Future exposure	Gross non-cleared	Gross cleared	Future exposure	Cleared	Future exposure

A. Regulatory trading book:

A.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Public entities	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	2	-	-	-	-	2,808	-	1,928	-	-	-	-	-
A.4 Financial institutions	-	-	-	-	1	4	-	28	-	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Other parties	-	-	-	-	-	534	-	828	-	-	-	-	-
Total A	2	-	-	-	1	3,346	-	2,784	-	-	-	-	-

B. Banking book:

B.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other parties	-	-	-	-	-	-	-	-	-	-	-	-	-
Total B	-	-	-	-	-	-	-	-	-	-	-	-	-

1.3 LIQUIDITY RISK

QUALITATIVE INFORMATION

Analysis of the composition of the Banca Fideuram Group's financial instruments (assets and liabilities) shows low overall exposure to liquidity risk. A breakdown of the loan portfolio reveals that it in fact mainly comprised short-term loans on the interbank market (with 81% of the item "due from banks" being current accounts and deposits with leading Eurozone banks) and short-term loans to customers (with 87% of loans to customers being demand loans directly linked to our private banking business). Loans to customers were supported by collateral or bank guarantees in 67% of cases and had a low overall risk level (with non-performing loans accounting for 0.2% of total loans). The bank's securities holdings consisted almost

entirely of debt securities issued by Eurozone countries and leading credit institutions. On the liabilities side, the inflows were into current accounts and customer deposits (85% of the item due to customers) and from long-term bond issues.

The Group's overall exposure to liquidity risk continued to be modest thanks to the structure of the financial portfolio described above. This composition of the portfolio made it possible to maintain strong conditions of financial balance in the Group, thanks in part to the high correlation between the average duration of the instruments under assets and liabilities and the fact that the overwhelming majority of financial assets were traded on efficient markets, meaning they could therefore readily be converted into liquid assets.



1.4 OPERATIONAL RISK

QUALITATIVE INFORMATION

Within the framework of the New Capital Accord known as the Basel II Accord, Operational Risk is defined as “the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events”. The regulatory definition also includes legal risk. The Sanpaolo IMI Group to which the Bank belongs has also brought strategic and reputational risk within scope of the tasks and objectives of Operational Risk Management (ORM).

In consideration of the fact that the work of compliance with the regulatory aspects of the Basel II Accord also represents an exceptional opportunity to improve the Group’s risk management capacities and optimise its operating processes and monitoring activities, an internal Advanced Measurement Approach (AMA) model has been launched at Group level for managing operational risk and estimating the corresponding capital, management and regulatory requirements. Group Regulations have been formulated to this end that set out the guiding principles of operational risk management for all Group companies.

This model uses an approach that is both quantitative and qualitative. The quantitative component consists of two activities: Firstly, collecting information on the Bank’s operational losses (Loss Data Collection, LDC) with subsequent analysis and statistical modelling, including using historical loss data from consortiums with other leading banking groups. And secondly, a quantitative analysis of the subjective estimates resulting from a Risk Self Assessment (RSA) of the Bank’s operational risk profile, carried out by each organisational unit through scenario analyses and the use of questionnaires.

The qualitative component consists of an Operating Context Evaluation (OCE) that aims to identify and evaluate the organisational, management, technical and legal factors that could potentially be the cause of any losses.

During 2005, the Banca Fideuram Group launched an Operational Risk Management (ORM) project and set up a dedicated operational risk management unit in its Risk Management Department. The unit also plays a guiding role for the Bank’s subsidiaries, which have decentred contact persons for the ORM process.

This project will lead to the development of an organised risk management system based on qualitative and quantitative risk measuring components that are appropriately calibrated to calculate the capital that needs to be allocated to operational risk from the standpoint of the new Basel II supervisory regulations.

Banca Fideuram’s ORM unit spent 2005 collecting (LDC) and systematically classifying the Bank and its subsidiaries’ operational loss data with respect to the past three years.

The unit plans to work through the Risk Self Assessment during 2006, which is the core activity for integrating the ORM process in the Bank’s everyday operations and for evaluating its operating context.

While these activities are in progress, the Group will also be launching a systematic, structured internal reporting system for the Senior Management both of the Bank and the recently-formed holding company for its savings and pensions management activities, Eurizon Financial Group.

A Risk Management Committee that will meet quarterly has been set up within the Bank’s governance structures to this end.

PART H

TRANSACTIONS WITH RELATED PARTIES

1. Information on the remuneration of Directors and Senior Managers

Emoluments paid to the Board of Directors, Board of Auditors and General Managers

(in accordance with article 78 of CONSOB resolution No. 11971 of 14.5.1999 and subsequent amendments)

Name and Surname	Details of office			Emolument (in thousands of euros)			
	Office	Period in office	End of term in office(1)	Emoluments for office in company preparing the financial statements	Non-cash benefits	Bonuses and other incentives	Other remuneration (2)
Vincenzo Pontolillo	Chairman of the Board of Directors	1.1.2005 – 31.12.2005	2005	532			
Mario Prati (ii)	Deputy Chairman of the Board of Directors	1.1.2005 – 19.4.2005	*****	29			14
Salvatore Maccarone	Deputy Chairman of the Board of Directors (3)	1.1.2005 – 31.12.2005	2005	89			139
Massimo Arrighi	Managing Director	27.4.2005 – 31.12.2005	2005	486 (4)		650	7 (iii)
Franca Cirri Fignagnani	Director	1.1.2005 – 31.12.2005	2005	71			10
Mario Greco (i)	Director	27.4.2005 – 31.12.2005	2005	46			
Riccardo Faini	Director	1.1.2005 – 31.12.2005	2005	29			
Giuseppe Fontana	Director	1.1.2005 – 31.12.2005	2005	44			
Giorgio Forti	Director	1.1.2005 – 31.12.2005	2005	49			
Bruno Mazzola (i) (ii)	Director	1.1.2005 – 15.4.2005	*****	19			
Giampietro Nattino	Director	1.1.2005 – 31.12.2005	2005	39			
Mario Paolillo	Chairman of the Board of Auditors	1.1.2005 – 31.12.2005	2005	66			19
Vito Codacci-Pisanelli	Statutory Auditor	1.1.2005 – 31.12.2005	2005	44			17
Gian Paolo Grimaldi	Statutory Auditor	1.1.2005 – 31.12.2005	2005	44			
Giuseppe Rosnati (5)	General Manager	1.1.2005 – 31.12.2005	*****	450		430	12 (iii)

(i) Directors whose emolument is paid directly to the company to which they belong.

(ii) Member of the Board of Directors whose term ended in 2005.

(iii) Emoluments for positions at subsidiaries of Banca Fideuram paid to the latter.

1 Date of call of Shareholders' Meeting to approve the Financial Statements for the related year.

2 Shows the remuneration accrued at subsidiaries of Banca Fideuram S.p.A.

3 The office of Deputy Chairman has been filled from 27.4.2005.

4 The amount shown includes €52,000 paid to Banca Fideuram by the person concerned.

5 The General Manager's emolument includes the variable portion of the remuneration for the 2004 financial year, calculated in accordance with the Board of Directors' resolution of 10.5.2005.



2. Information on transactions with related parties

Banca Fideuram is controlled by Eurizon Financial Group S.p.A. (a wholly-owned subsidiary of Sanpaolo IMI S.p.A.) which holds 73.37% of its share capital.

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 holds 12,655,273 own shares as part of its 2005-2007 stock option plan approved by the Board of Directors (see Part I - Payment agreements based on own equity instruments).

As at 31.12.2004, Banca Fideuram also held 1,120,276 Sanpaolo IMI shares with a par value of €2.8 each, received as a result of the share swap forming part of the Fideuram Vita spin-off transaction. The Bank sold these shares for €13m in the first half of 2005, making gains of €1.1m.

Banca Fideuram did not engage in any atypical and/or unusual transactions with other group companies, related parties or third parties in the period.

During this period, routine transactions (which were neither atypical nor unusual) were entered into with related parties, as regulated and defined by the regulations of the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB). These transactions were based on mutually-beneficial economic valuations in accordance with the law and the internal procedures established for the purpose, and were conducted under arm's-length conditions.

On 9 December 2005, Banca Finnat Euramerica exercised its put option to sell 50% of the share capital of Financière Fideuram for a price equal to 80% of the purchase cost, as provided for in the agreement entered into with Banca Fideuram in 2000.

The Bank subsequently acquired the remainder of Banca Finnat Euramerica's holding in the share capital

of Financière Fideuram on 15 December, amounting to 1.89%, at a price calculated on the basis of the book value of the French company's shares in the Bank's 2004 financial statements. The agreements between the parties provide for an adjustment mechanism that is applied to the purchase price if Banca Fideuram sells the Financière Fideuram shares it has purchased to third parties, together with a put option granted to Banca Fideuram with respect to the same shares, which is exercisable in 2006 at a price equal to the purchase cost if no such sale is made.

Lastly, Banca Fideuram's relations with its subsidiaries, as well as its relations with Eurizon and with Sanpaolo IMI and the latter's subsidiaries, may be considered to form part of its ordinary operations. These relations at a consolidated level are set out in the table below and at an individual level in the corresponding section of the individual financial statements of Banca Fideuram S.p.A..

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. These transactions are conducted under arm's-length conditions.

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

Banca Fideuram avails itself of the "istituto del consolidato fiscale nazionale" tax consolidation regime introduced by Italian Legislative Decree No. 344 of 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.



Relationships with Group Companies

	Assets	Liabilities	Guarantees and commitments	Income	Expenses
Companies subject to considerable influence					
Consorzio Studi e Ricerche Fiscali	-	219	-	-	209
Overall parent company					
Sanpaolo IMI	429,418	1,340	516	8,721	11,557
Immediate parent company					
Eurizon Financial Group	250	1,003	-	250	4
Companies controlled by the overall parent company					
Assicurazioni Internazionali di Previdenza (AIP)	169,039	551,218	-	172,569	6,254
Banca IMI	99,728	504	6,147	8,983	411
Banca Opi	1	-	1,484	-	-
Banca Popolare dell'Adriatico	16	-	-	17	-
Cassa di Risparmio in Bologna	19	-	-	38	-
Cassa di Risparmio di Padova e Rovigo	12	-	-	47	-
Cassa di Risparmio di Venezia	1	-	-	6	-
Fideuram Assicurazioni	44	1,138	-	1,179	13
Friulcassa	3	-	-	11	-
Inter Europa Bank	7	-	-	2	-
Sanpaolo Bank Rt	711,123	-	48,716	10,889	-
Sanpaolo IMI Asset Management Luxembourg	505	-	-	2,090	-
Sanpaolo Banco di Napoli	27	5	-	178	39
Sanpaolo IMI Bank Ireland	-	50,040	-	-	40
Sanpaolo IMI Alternative Investments SGR	2,248	-	-	3,087	-
Sanpaolo IMI Asset Management SGR	3,309	3	-	13,811	26
Sanpaolo Leasint	-	39	-	19	39
Spi Singapore	61,137	-	-	532	8
Spi Tokyo	11	-	-	-	-
Universo Servizi	55	-	-	494	-

Equity investments of Directors, Statutory Auditors and General Managers

Name and surname	Company	Manner of ownership	Type of ownership	Number of shares held as at 31.12.2004	Number of shares purchased in 2005	Number of shares sold in 2005	Number of shares held as at 31.12.2005
Vincenzo Pontolillo Presidente	Banca Fideuram	Direct	Owned	-	3,000	-	3,000
Franca Cirri Fignagnani Consigliere	Banca Fideuram	Direct	Owned	10,000	-	-	10,000
Bruno Mazzola (*) Consigliere	Banca Fideuram	Direct	Owned	500	-	500	-
Vito Codacci-Pisanelli Sindaco Effettivo	Banca Fideuram	Direct	Owned	141,000	-	-	141,000
Gian Paolo Grimaldi Sindaco Effettivo	Banca Fideuram	Direct	Owned	10,000	-	10,000	-
Giuseppe Rosnati Direttore Generale	Banca Fideuram	Direct	Owned	-	13,000	-	13,000

(*) Director resigned on 15.4.2005



PART I

PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

A. QUALITATIVE INFORMATION

1. Payment agreements based on own equity instruments

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 the subsequent Shareholders' Meetings of 29.4.2002, 28.4.2003, 22.4.2004 and 27.4.2005 extended said authorisation.

By virtue of said authorisation, Banca Fideuram purchased 15,000,000 own shares on the market during the 2002 financial year, to be used in its 2003, 2004 and 2005-2007 stock option plans.

The 2003 plan, approved by the Board of Directors on 16 December 2002, ended in December 2004, largely without the options having been exercised.

The 2004 plan, approved by the Board of Directors on 16 December 2003, provided 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, at a unit price, recalculated following the spin-off of Fideuram Vita, of €4.43. This plan ended in December 2005 and saw 2,341,727 Banca Fideuram shares assigned to the Private Bankers of the Bank and its subsidiary Sanpaolo Invest.

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 set at approximately 5-6 million.

- The exercise price of the options 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.



B. QUANTITATIVE INFORMATION**1. Changes in the year**

	Number of options	2005 Average price	Average maturity	Number of options	2004 Average price	Average maturity
A. Opening balance	3,557,695	4,43	June-December 2005	3,557,695	4,43	June-December 2005
B. Increases	5,626,203	4,074	X	-	-	X
B.1. New issues	5,626,203	4,074	June-December 2008	-	-	
B.2. Other increases	-	-	X	-	-	X
C. Decreases	(3,557,695)	4,43	X	-	-	X
C1. Cancelled	-	-	X	-	-	X
C2. Exercised	(2,341,727)	4,43	X	-	-	X
C3. Expired	-	-	X	-	-	X
C4. Other decreases	(1,215,968)	4,43	X	-	-	X
D. Closing balance	5,626,203	4,074	June-December 2008	3,557,695	4,43	June-December 2005
E. Options exercisable at end of financial year	-	-	X	-	-	X



REPORT OF THE DIRECTORS OF BANCA FIDEURAM S.P.A.

Balance Sheet

(Reclassified - €m)

	31.12.2005	1.1.2005 (*)	Change Amount	%
ASSETS				
Cash and cash equivalents	21.3	22.3	(1.0)	-4.5
Financial assets (other than loans and financial assets held to maturity)	715.3	594.8	120.5	+20.3
Due from banks	3,307.6	2,528.6	779.0	+30.8
Loans to customers	1,137.1	824.6	312.5	+37.9
Equity investments	148.3	147.9	0.4	n.s.
Tangible assets	47.0	49.7	(2.7)	-5.4
Other intangible assets	20.5	20.7	(0.2)	-1.0
Tax assets	52.4	63.5	(11.1)	-17.5
Non-current assets and groups of assets held for sale	7.6	16.6	(9.0)	-54.2
Other assets	277.3	162.5	114.8	+70.6
TOTAL ASSETS	5,734.4	4,431.2	1,303.2	+29.4
LIABILITIES				
Due to banks	260.6	227.1	33.5	+14.8
Due to customers	4,129.3	3,115.7	1,013.6	+32.5
Debt securities in issue	353.4	199.8	153.6	+76.9
Financial liabilities held for trading	2.8	9.4	(6.6)	-70.2
Tax liabilities	5.7	11.3	(5.6)	-49.6
Liabilities associated with assets held for sale	1.0	-	1.0	n.s.
Other liabilities	299.0	249.1	49.9	+20.0
Provisions for risks and charges	182.1	129.6	52.5	+40.5
Shareholders' equity	500.5	489.2	11.3	+2.3
TOTAL LIABILITIES	5,734.4	4,431.2	1,303.2	+29.4

(*) Reflects the consolidation of Fideuram Wargny in accordance with IFRS 5.

n.s.: not significant

Income Statement

(Reclassified - €m)

	2005	2004 (*)	Change	
			Amount	%
NET INTEREST INCOME	38.0	34.7	3.3	+9.5
Net commission income	216.3	201.5	14.8	+7.3
Dividend income	203.9	161.5	42.4	+26.3
Net gains or losses on financial assets	19.2	12.2	7.0	+57.4
TOTAL INCOME FROM FINANCING ACTIVITIES	477.4	409.9	67.5	+16.5
Net adjustments for impairment losses	(0.9)	3.3	(4.2)	n.s.
NET GAINS OR LOSSES ON FINANCING ACTIVITIES	476.5	413.2	63.3	+15.3
Staff costs	(103.0)	(91.9)	(11.1)	+12.1
Other administrative costs	(97.6)	(98.2)	0.6	-0.6
Other operating income/expense	0.9	(3.5)	4.4	n.s.
Net adjustments to tangible and intangible assets	(21.3)	(26.8)	5.5	-20.5
OPERATING EXPENSES	(221.0)	(220.4)	(0.6)	+0.3
Net provisions for risks and charges	(59.2)	(33.2)	(26.0)	+78.3
Income/losses on sale of investments	-	12.2	(12.2)	-100.0
INCOME/LOSS BEFORE TAX ON CURRENT OPERATIONS	196.3	171.8	24.5	+14.3
Income taxes for the period on current operations	(6.7)	(8.5)	1.8	-21.2
Income/losses after tax on non-current assets held for sale	(35.8)	(42.6)	6.8	-16.0
NET INCOME	153.8	120.7	33.1	+27.4

(*) Takes the reclassifications and adjustments provided for by IAS 32 and IAS 39 into account; reflects the result of Financière Fideuram in accordance with IFRS 5.

n.s.: not significant



PERFORMANCE OF BANCA FIDEURAM SpA

The distinctive operating characteristics of the Banca Fideuram Group mean that the Consolidated Report meets the requirements of providing an accurate representation of our financial performance better than the Individual Report of the Bank alone. This short report on the performance of Banca Fideuram alone is intended to complete the consolidated information, which should be taken as the prime point of reference.

The following section briefly reports on the Bank's main profit margins and operating ratios, as calculated from the figures in the income statement and balance sheet presented above. It should be noted where the foregoing are concerned that the financial results for 2004 have been restated to enable straight comparisons to be made by taking into account both the adoption of all the IAS/IFRS (adopting IAS 32 and IAS 39 retrospectively) and the recognition of the equity investment in Financière Fideuram in accordance with IFRS 5. Moreover, the comments on the financial results were made with respect to the figures as at 1 January 2005, which - because they also reflect the impact of IAS 32 and IAS 39 - are comparable in terms both of classification and valuations with the figures as at 31 December 2005.

Banca Fideuram's **net income** rose to €153.8m in 2005, up 27.4% on the pro-forma figure for 2004 (€120.7m), despite the presence of very substantial one-off negative financial factors.

Looking at the results in greater detail, the item **net gains or losses on financing activities** was up €67.5m on the previous year thanks to strong performance in all its component areas.

Net interest income benefited from strong average trading volumes, which took it to €38m, an increase of 9.5% on 2004 (€34.7m).

Net commission income came to €216.3m, up 7.3% on the previous financial year (€201.5m). The main growth factor was net recurring fees, which rose substantially, largely as a result of strong growth in average assets under management with recurring fees.

The increase in **dividend income** (+€42.4m) was largely due to our subsidiary Fideuram Asset Management Ireland, which distributed a larger share of net income (+€46.2m) in 2005 than in the previous financial year. It should, however, be noted that the adoption of the IAS/IFRS involved a new accounting treatment for the dividends of subsidiaries. The international accounting standards in fact require them to be recognised in the financial year in which a dividend entitlement arises following a resolution of the shareholders' meeting of the subsidiary, which is to say in the financial year they are received. It is not, therefore, permissible to recognise the dividends of subsidiaries in the year they accrue, which was our practice with the accounting policies previously adopted by the Bank, in line with the guidelines of the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) and Italian GAAP.

DIVIDEND INCOME BY SECTOR	Year 2005	Year 2004
<small>(in thousand of euro)</small>		
ASSET MANAGEMENT		
Fideuram Asset Management (Ireland)	180,000	133,833
Fideuram Bank (Luxembourg)	5,660	5,640
Fideuram Gestions	390	240
Fideuram Investimenti SGR	8,500	7,238
Sanpaolo Invest (Ireland)	8,900	5,500
Total from Asset Management	203,450	152,451
INSURANCE		
Fideuram Vita	-	8,682
Total from Insurance	-	8,682
Other		
Fideuram Fiduciaria	450	350
Total Other	450	350
TOTAL	203,900	161,483



Net gains on financial assets totalled €19.2m, up 57.4% (+€12.2m) on 2004, largely as a result of the following:

- The net income on the sale of the Sanpaolo IMI shares received in the share swap forming part of the Fideuram Vita spin-off transaction (€1.1m).
- The fair-value valuation of the insurance policies that Banca Fideuram took out to insure the market yields of the Private Banker Networks' Loyalty Schemes (€15.6m). These gains were allocated almost entirely to the provisions for risks and charges since they are to be remitted to the Private Bankers in accordance with the contractual provisions governing said Schemes.

Operating expenses, totalled €221m, which was largely in line with the previous financial year (+0.3%), thanks to lower net adjustments to tangible and intangible assets and lower other administrative costs, which partially offset the increase in staff costs. This increase in staff costs, which rose from €91.9m to €103m (+12.1%), was mainly due to wage adjustments resulting from the renewal of the National Collective Bargaining Agreement in February 2005, as well as to recruitments to increase the number and competencies of our staff.

Net provisions for risks and charges came to €59.2m, an increase of €26m on the figure for 2004 (€33.2m), largely due to a one-off increase in the provisions to cover the risks connected with our corporate bond trading business (€21.2m).

Losses after tax on non-current assets (€35.8m) reflect the financial impact of the plan for selling the French subsidiary Financière Fideuram (€42.6m in 2004).

Moving on to the **balance sheet aggregate values**, the salient developments were as follows:

- **Financial assets** came to €715.3m, an increase of €120.5m on the figure of €594.8m as at 1 January

2005 (+20.3%), mainly as a result of the purchase of short-term securities that increased the Bank's portfolio;

- The Bank continued to be a net lender on the interbank market, with total deposits of €3,047m, compared to €2,301.5m as at 1 January 2005. The item **Due from banks** included unlisted securities issued by Sanpaolo Bank S.A. totalling €704.9m (€467.5m as at 1.1.2005) that were mainly used for repurchase agreements and a floating-rate bond that accounted for €150m;
- **Loans to customers** rose from €824.6m to €1,137.1m, a 37.9% increase on the figure as at 1 January 2005. There was a similar increase in the item **Due to customers**, which rose from €3,115.7m as at 1 January 2005 to €4,129m as at 31.12.2005.;
- **Non-current assets/liabilities and groups of assets held for sale** included the restatement of the Bank's equity investment in Financière Fideuram in accordance with IFRS 5 as a result of our plan to sell said company.

REGULATORY CAPITAL

Banca Fideuram completed the transition to the IAS/IFRS in 2005, while however reserving the option of also producing individual accounts in accordance with the provisions of Italian Legislative Decree 87/1992 should this be necessary to ensure that we produce regulatory capital returns in accordance with the related requirements.

A comparison of the figures produced for regulatory capital purposes in accordance with Italian GAAP and the same figures produced in accordance with the IAS/IFRS are provided below, without taking any prudential filters into account, solely for the purposes of evaluating the effects of the change in accounting standards on the value of the Bank's Regulatory Capital.

Regulatory Capital

	IAS	IT GAAP
(in thousand of euro)	31.12.2005	31.12.2005
	(Estimate)	
A. Regulatory capital		
A.1 Core capital (Tier 1)	304,499	514,768
A.2 Supplementary capital (Tier 2)	161,036	168,786
A.3 Deductions	-	-
A.4 Regulatory capital	465,534	683,554

The Bank's Regulatory Capital requirement calculated in accordance with the IAS/IFRS is less than the amount calculated in above-mentioned accordance with Italian GAAP, largely as a result of the above-mentioned different method for recognising the dividends of the subsidiaries.

Capital requirement

	IAS	IT GAAP
(in thousand of euro)	31.12.2005	31.12.2005
	(Estimate)	
B. Minimum regulatory requirements		
B1. Credit risk	154,624	144,756
B.2 Market risk	6,975	6,975
Including:		
- Trading portfolio risk	6,975	6,975
- Exchange-rate risk (*)	-	-
B.3 Tier 3 subordinated loans	-	-
B.4 Other minimum requirements	-	-
B.5 Total minimum requirements	161,599	151,731
C. Risk assets and regulatory weightings		
C.1 Risk-weighted assets (**)	2,310,867	2,169,752
C.2 Tier 1 capital/Risk-weighted assets (***)	13.2%	23.7%
C.3 Regulatory capital/Risk-weighted assets (***)	20.1%	31.5%

(*) The "net open position in foreign currencies" was less than 2% of shareholders' equity, allowing exchange rate risk to be excluded from calculation of the requirement.

(**) The increase in total risk-weighted assets is a result of having reclassified the L&R securities held by the Bank from market risk (trading book) to regulatory coefficients (banking book).

(***) Calculating the coefficients in accordance with the IAS therefore causes the capital requirement percentages to be lower, for the most part due to the decrease in core/regulatory capital resulting from the aforementioned change in accounting standards, as well as to the L&R securities held by the Bank having been reclassified from market risk (trading book) to regulatory coefficients (banking book).

MOTION TO APPROVE THE FINANCIAL STATEMENTS AND DISTRIBUTION OF DIVIDENDS

Banca Fideuram closed the 2005 financial year with net income of €153,839,246.97. The Board proposes allocating the net income as follows:

- €9,626,546.72 to the Restricted Reserve established pursuant to article 6 of Italian Legislative Decree 38/2005;
- €144,212,700.25 to Shareholders.

The Board moreover proposes that having allocated the above sum to the Restricted Reserve established pursuant to article 6 of Legislative Decree 38/2005, the entire remainder of net income for the year of €144,212,700.25, together with a maximum amount of €22,436,695.63 drawn from the Extraordinary Reserve, be distributed to the shareholders in order to pay a dividend of €0.17 (raised from 2004) for each of the Bank's 980,290,564 shares, with a par value of €0.19, forming the share capital.

The dividends on own shares held by the Bank on the dividend payment date shall be allocated to the Extraordinary Reserve.

In conclusion, the Shareholders' Meeting is invited to approve:

- The Report of the Directors, Balance Sheet, Income Statement and Notes to the Financial Statements for the 2005 financial year as presented both together and individually;
- The allocation of net income for the year as proposed above, which includes the distribution of a single dividend of €0.17, partly funded through recourse to the extraordinary reserve, which shall become payable on 25.5.2006 (coupon date 22.5.2006).



Should the proposals be accepted, the composition of the Bank's capital and reserves would be as follows:

(All figures in euros)

- Share capital	186,255,207.16
- Legal reserve amounting to 20% of share capital	37,251,041.43
- Additional paid-in capital	300,511.48
- Extraordinary reserve (*)	24,152,370.51
- Reserve for own shares	54,438,820.87
- Own shares held	(54,438,820.87)
- Other reserves	85,855,111.01
Total	333,814,241.59

(*) Amount set aside does not take into account the effects of own shares held.

APPOINTMENT OF THE BOARD OF DIRECTORS

The mandate of the Board of Directors is about to expire, having reached the end of its three-year period. The meeting is therefore required to take appropriate action. The Directors would like to express their thanks for the responsibilities entrusted to them and entrust the new Board with the Bank's future growth.



FINANCIAL STATEMENTS OF BANCA FIDEURAM S.P.A.

Balance Sheet

(All figures in euros)

	31.12.2005	31.12.2004	1.1.2005
ASSETS			
10. Cash and cash equivalents	21,280,379	22,325,768	22,325,768
20. Financial assets held for trading	583,728,066	983,243,000	472,486,000
30. Financial assets valued at fair value	131,538,651	-	122,175,188
40. Financial assets available for sale	125,840	-	112,726
50. Financial assets held to maturity	-	115,807,188	-
60. Due from banks	3,307,617,417	2,060,114,813	2,528,547,813
70. Loans to customers	1,137,147,685	825,455,550	824,580,550
100. Equity investments	148,275,695	164,660,747	164,548,021
110. Tangible assets	46,990,511	49,745,256	49,745,256
120. Intangible assets	20,529,188	20,645,258	20,645,258
130. Tax assets	52,419,188	63,137,075	63,498,075
a) current	2,064,528	14,245,172	14,245,172
b) deferred	50,354,660	48,891,903	49,252,903
140. Non-current assets and groups of assets held for sale	7,558,911	-	-
150. Other assets	277,250,464	179,893,517	162,502,345
TOTAL ASSETS	5,734,461,994	4,485,028,172	4,431,167,000

Chairman of the
Board of Directors
Vincenzo Pontolillo

General Manager
Massimo Arrighi

Deputy General Manager (CFO)
Alberto M. Maturi

Administration and
Reporting Director
Paolo Bacciga



Balance Sheet

(All figures in euros)

	31.12.2005	31.12.2004	1.1.2005
LIABILITIES AND SHAREHOLDERS' EQUITY			
10. Due to banks	260,577,162	224,804,381	227,141,381
20. Due to customers	4,129,334,427	3,114,480,767	3,115,713,767
30. Debt securities in issue	353,496,252	203,688,846	199,766,846
40. Financial liabilities held for trading	2,759,313	-	9,438,000
80. Tax liabilities	5,733,581	7,751,449	11,251,449
a) current	5,113,017	-	-
b) deferred	620,564	7,751,449	11,251,449
90. Liabilities associated with assets held for sale	1,000,000	-	-
100. Other liabilities	299,027,418	263,443,098	249,065,013
110. Provision for employment termination indemnities	29,374,952	28,641,028	28,641,028
120. Provisions for risks and charges:	152,695,251	100,990,043	100,990,043
a) Pensions and other commitments	-	-	-
b) Other provisions	152,695,251	100,990,043	100,990,043
130. Valuation reserves	18,941,268	16,082,873	16,082,873
160. Reserves	195,566,225	223,222,927	235,666,000
170. Additional paid-in capital	300,511	-	-
180. Capital	186,255,207	186,255,207	186,255,207
190. Own shares (-)	(54,438,821)	-	(64,512,160)
200. Net profit (loss) for the year	153,839,247	115,667,553	115,667,553
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5,734,461,994	4,485,028,172	4,431,167,000

Chairman of the
Board of Directors
Vincenzo Pontolillo

General Manager
Massimo Arrighi

Deputy General Manager (CFO)
Alberto M. Maturi

Administration and
Reporting Director
Paolo Bacciga



Income Statement

(All figures in euros)

	2005	2004 (*)
10. Interest income and similar revenues	100,088,847	86,484,961
20. Interest expense and similar charges	(62,085,714)	(51,800,459)
30. Net interest income	38,003,133	34,684,502
40. Commission income	562,381,694	508,258,381
50. Commission expense	(346,139,960)	(306,732,963)
60. Net commission income	216,241,734	201,525,418
70. Dividends and similar income	203,900,346	161,520,000
80. Net gains or losses on trading activities	(292,019)	4,063,773
90. Net gains or losses on hedging activities	-	-
100. Income/loss from sale or repurchase of:	3,587,629	-
a) loans	3,587,629	-
b) financial assets available for sale	-	-
c) financial assets held to maturity	-	-
d) financial liabilities	-	-
110. Net gains or losses on financial assets and liabilities valued at fair value	15,971,578	-
120. Total net interest and trading income	477,412,401	401,793,693
130. Net adjustments/write-backs for impairment losses to:	(888,212)	3,321,339
a) loans	(888,212)	3,321,339
b) financial assets available for sale	-	-
c) financial assets held to maturity	-	-
d) other financial transactions	-	-
140. Net gains or losses on financing activities	476,524,189	405,115,032
150. Administrative costs:	(200,588,300)	(190,059,386)
a) staff costs	(102,982,263)	(92,691,013)
b) other administrative costs	(97,606,037)	(97,368,373)
160. Net provisions for risks and charges	(59,185,662)	(33,197,491)
170. Net adjustments/write-backs of tangible assets	(5,940,666)	(7,648,839)
180. Net adjustments/write-backs of intangible assets	(15,404,013)	(19,152,686)
190. Other operating income/expense	964,590	(3,470,045)
200. Operating costs	(280,154,051)	(253,528,447)
210. Income/losses on equity investments	-	-
220. Net gains or losses on the fair value valuation of tangible and intangible assets	-	-
230. Adjustments to goodwill	-	-
240. Income/losses on sale of investments	-	12,172,194
250. Income/loss before tax on current operations	196,370,138	163,758,779
260. Income taxes on current operations	(6,711,093)	(5,470,685)
270. Income/loss after tax on current operations	189,659,045	158,288,094
280. Income/loss after tax on groups of assets held for sale	(35,819,798)	(42,621,541)
290. Net profit/loss for the year	153,839,247	115,666,553

(*) The 2004 results reflect the result of Financière Fideuram in accordance with IFRS 5, in the item "Income/loss after tax on group of assets held for sale".

Chairman of the
Board of Directors
Vincenzo Pontolillo

General Manager
Massimo Arrighi

Deputy General Manager (CFO)
Alberto M. Maturi

Administration and
Reporting Director
Paolo Bacciga

Statement of changes in shareholders' equity

(All figures in thousands of euros)

	Balance as at 31.12.2003 (*)	Change to opening balance	Balance as at 01.01.2004 (**)	Allocation of income for the previous year		Changes in the year							Shareholders' equity as at 31.12.2004 (**)	
				Reserves	Dividends and other	Changes in reserves (***)	Transactions involving shareholders' equity					Net profit (loss) for the year as at 31.12.2004		
							Issue of new shares	Purchase of own shares	Distribution of extraordinary dividends	Change in capital instruments	Derivatives based on own shares			Stock options
Capital:	254,876	-	254,876	-	-	(68,621)	-	-	-	-	-	-	-	186,255
a) Ordinary shares	254,876	-	254,876	-	-	(68,621)	-	-	-	-	-	-	-	186,255
b) Other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	52,737	-	52,737	-	-	(52,737)	-	-	-	-	-	-	-	-
Reserves:	462,374	(153,261)	309,113	13,360	-	(100,322)	-	-	-	-	-	1,072	-	223,223
a) from net income	349,406	(153,261)	196,145	13,360	-	(100,322)	-	-	-	-	-	1,072	-	110,255
b) other	112,968	-	112,968	-	-	-	-	-	-	-	-	-	-	112,968
Valuation reserves:	12,254	7,297	19,551	-	-	(3,468)	-	-	-	-	-	-	-	16,083
a) available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) hedging of financial flows	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c) other	12,254	7,297	19,551	-	-	(3,468)	-	-	-	-	-	-	-	16,083
Capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Own shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit/loss for the year	167,807	-	167,807	(13,360)	(154,447)	(47,820)	-	-	-	-	-	-	163,487	115,667
Shareholders' equity	950,048	(145,964)	804,084	-	(154,447)	(272,968)	-	-	-	-	-	1,072	163,487	541,228

(*) Balances resulting from the adoption of Italian GAAP.

(**) Balances resulting from the adoption of the IAS/IFRS, excepting IAS 32 and IAS 39.

(***) Include the effects of the spin-off of the Insurance Companies completed in November 2004.



Statement of changes in shareholders' equity

(All figures in thousands of euros)

	Balance as at 31.12.2004 (*)	Change to opening balance	Balance as at 01.01.2005 (**)	Allocation of income for the previous year		Changes in the year							Shareholders' equity as at 31.12.2005	
				Reserves	Dividends and other	Changes in reserves	Transactions involving shareholders' equity					Net profit (loss) for the year as at 31.12.2005		
							Issue of new shares	Purchase of own shares	Distribution of extraordinary dividends	Change in capital instruments	Derivatives based on own shares			Stock options
Capital:	186,255	-	186,255	-	-	-	-	-	-	-	-	-	-	186,255
a) Ordinary shares	186,255	-	186,255	-	-	-	-	-	-	-	-	-	-	186,255
b) Other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-	301	-	-	-	-	-	-	301
Reserves:	223,223	12,443	235,666	9,040	-	(48,837)	-	-	-	-	-	(303)	-	195,566
a) from net income	110,255	12,443	122,698	9,040	-	(48,837)	-	-	-	-	-	(303)	-	82,598
b) other	112,968	-	112,968	-	-	-	-	-	-	-	-	-	-	112,968
Valuation reserves:	16,083	-	16,083	-	-	2,858	-	-	-	-	-	-	-	18,941
a) available for sale	-	-	-	-	-	(1)	-	-	-	-	-	-	-	(1)
b) hedging of financial flows	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c) other (***)	16,083	-	16,083	-	-	2,859	-	-	-	-	-	-	-	18,942
Capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Own shares (***)	-	(64,512)	(64,512)	-	-	-	10,073	-	-	-	-	-	-	(54,439)
Net profit/loss for the year	115,667	-	115,667	(9,040)	(106,627)	-	-	-	-	-	-	-	153,839	153,839
Shareholders' equity	541,228	(52,069)	489,159	-	(106,627)	(45,979)	10,374	-	-	-	-	(303)	153,839	500,463

(*) Balances resulting from the adoption of the IAS/IFRS, excepting IAS 32 and IAS 39.

(**) Balances resulting from the adoption of the IAS/IFRS, including IAS 32 and IAS 39.

(***) Own shares was deducted from shareholders' equity at cost.

(****) The increase of €2,859,000 regards the revaluation of real estate carried out in accordance with Italian law No. 266/2005.



Cash Flow Statement

(All figures in thousands of euros)

	2005	2004
A. OPERATING ACTIVITIES		
1. Operations	262,109	216,373
Net profit/loss	153,839	115,667
Net gains or losses on financial assets held for trading and on assets/liabilities valued at fair value	(15,680)	(4,064)
Net gains or losses on hedging activities	-	-
Net adjustments/write-backs for impairment losses	888	(3,321)
Net adjustments/write-backs of tangible and intangible fixed assets	21,345	26,802
Net provisions for risks and charges and other costs/revenues	59,186	33,197
Unpaid taxes and levies	6,711	5,471
Net adjustments/write-backs of net value after tax of groups of assets held for sale	35,820	42,621
Other adjustments	-	-
2. Cash from/used in financing activities	(1,276,552)	(77,192)
Financial assets held for trading	399,223	130,527
Financial assets valued at fair value	(115,567)	-
Financial assets available for sale	(126)	113
Due from banks: demand deposits	(503,836)	368,642
Due from banks: other receivables	(743,666)	(468,160)
Loans to customers	(312,580)	(108,314)
3. Cash from/used in financial liabilities	779,316	(137,522)
Due to banks: demand deposits	22,862	(32,361)
Due to banks: other debts	12,911	(10,151)
Due to customers	1,014,854	148,498
Debt securities in issue	149,807	404
Financial liabilities held for trading	2,759	-
Financial liabilities valued at fair value	-	-
Other liabilities	(423,877)	(243,912)
Net cash from/used in operating activities	(235,127)	1,659
B. INVESTMENT ACTIVITIES		
1. Cash from	336,092	206,964
Disposal of subsidiaries	16,385	42,503
Dividend income in equity investments	203,900	161,520
Sale of financial assets held to maturity	115,807	2,941
Sale of tangible assets	-	-
Sale of intangible assets	-	-
Sale of company divisions	-	-
2. Cash used in	(61,854)	162,253
Acquisition of subsidiaries	-	-
Acquisition of financial assets held to maturity	-	-
Acquisition of tangible assets	(3,187)	(14,897)
Acquisition of intangible assets	(15,288)	(13,413)
Acquisition of company divisions	(43,379)	190,563
Net cash from/used in investing activities	274,238	369,217
C. FUNDING ACTIVITIES		
Issue/purchase of own shares	(54,439)	-
Issue/purchase of capital instruments	-	-
Distribution of dividends and other	14,282	(370,040)
Net cash from/used in funding activities	(40,157)	(370,040)
NET CASH FROM/USED IN THE YEAR	(1,046)	836

Reconciliation

Cash and cash equivalents at beginning of year	22,326	21,490
Net cash generated/used in the year	(1,046)	836
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at end of year	21,280	22,326



INDIPENDENT AUDITORS' REPORT

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. and its subsidiaries (the "Banca Fideuram Group") as of and for the year ended December 31, 2005, comprising the balance sheet, the statements of income, changes in shareholders' equity and cash flows and the related explanatory notes. These consolidated 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. The above-mentioned consolidated financial statements were prepared for the first time in accordance with International Financial Reporting Standards as adopted by the European Union.
2. We conducted our audit 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.

For comparative purposes, the consolidated financial statements include the corresponding information of the prior year prepared in accordance with consistent accounting principles, except for the effects of IAS 32 and IAS 39, which have been applied from January 1, 2005 in accordance with the exemption allowed by IFRS 1. In addition, the section of the explanatory notes titled "Information on the Banca Fideuram Group's transition to the International Financial Reporting Standards" of the consolidated financial statements illustrates the effects of the transition to International Financial Reporting Standards as adopted by the European Union and includes the reconciliation statements required by IFRS 1, which were previously approved by management and published in the Half-year Report as of and for six months ended June 30, 2005, and which have been audited by us. Reference should be made to our audit report dated September 30, 2005.

3. In our opinion, the consolidated financial statements present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholders' equity and the cash flows of the Banca Fideuram Group as of December 31, 2005, and for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.
4. As described in Management's Report on Operations, since Banca Fideuram S.p.A. applied IAS 32 and IAS 39 starting from January 1, 2005, management decided to present comparative consolidated financial information for the corresponding period of the previous year estimating the effects of the application of these principles on the consolidated results of operations and on the consolidated financial condition as if these principles been applied starting from January 1, 2004. We have not examined such comparative consolidated financial information.

Rome April 5, 2006

Reconta Ernst & Young S.p.A.
Signed by: Guido Celona, Partner





INFORMATION ON
THE BANCA FIDEURAM GROUP'S TRANSITION
TO THE INTERNATIONAL ACCOUNTING STANDARDS

INTRODUCTION

The following section contains the same compulsory information previously published in the Half-year Report as at 30.6.2005. The related impact on the accounts is unchanged.

This section is divided into the following parts:

- *An analysis of the accounting policies for the transition to the IAS/IFRS*, in which the principal accounting principles used in the transition phase are described together with the exemptions and exceptions to the general rule of which the Group has availed itself for the first-time application of the IAS/IFRS.
- *A series of reconciliations and explanatory notes* which provide the reconciliations required by IFRS 1 regarding shareholders equity as at 1.1.2004, 31.12.2004 and 1.1.2005, as well as net income for the entire 2004 financial year. This part also includes the reconciliations between Italian GAAP and the IAS/IFRS of the individual items of the balance sheet as at 31.12.2004 and 1.1.2005.

ACCOUNTING PRINCIPLES FOR THE TRANSITION TO THE IAS/IFRS

The rules for the first-time application of the IAS/IFRS are set out in IFRS 1 "First-time adoption of the International Financial Reporting Standards", which, amongst other things, specifies the content and policies that need to be used to compare the accounting situations as follows:

- The accounts for 2005, which is the first year of application of the IAS/IFRS, must be compared with those for 2004, restated in accordance with "IAS compliant" policies, with the sole exception

of the items regarding financial instruments, for which there is the option of not providing comparative information in accordance with IAS 32 and IAS 39. The Banca Fideuram Group in fact availed itself of the option provided for by paragraph 36A of IFRS 1 and prepared the accounts regarding financial instruments in accordance with Italian GAAP;

- Where all the other standards are concerned, the Group restated the accounts to obtain the figures they would have had if the IAS/IFRS had always been applied (retroactivity policy), apart from certain specific exceptions (some optional and some compulsory) provided for by IFRS 1.

The exemptions of which the Banca Fideuram Group availed itself for the first-time application of the IAS/IFRS were as follows:

- **Business combinations:** the Banca Fideuram Group did not apply IFRS 3 retroactively to business combinations that took place before 1.1.2004, such that any goodwill recorded in the financial statements at that date does not need to be restated in accordance with the provisions of the IAS/IFRS;
- **Restatement of book value of tangible assets at fair value instead of at cost:** the Banca Fideuram Group availed itself of the option of carrying, as at the date of transition of 1.1.2004, tangible assets at their historical cost, with the exception of land and works of art, which were aligned to their fair value, as identified by an appropriate external valuation, instead of cost;
- **Employee benefits:** IAS 19 allows one to use the "corridor" method for measuring the provision for employment termination indemnities and not to recognise part of the actuarial gains and losses. The Banca Fideuram Group decided not to adopt this method retroactively as at the date of transition and the said actuarial gains and losses for the period prior to 1.1.2004 were therefore recognised in full;
- **Transactions with shares-based payments:** the Banca Fideuram Group availed itself of the option

not to apply IFRS 2 to the stock option plans for which the entitlements to acquire financial instruments accrued prior to 1.1.2005.

A comprehensive analysis of the new accounting policies adopted can be found in the section of the Notes to the Consolidated Financial Statements entitled "Part A - Accounting policies".

RECONCILIATIONS AND EXPLANATORY NOTES

The reconciliations that follow, prepared in accordance with the provisions of IFRS 1 and resolution No. 14990 of 14 April 2005 of the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB), are the reconciliations of the Banca Fideuram Group's shareholders' equity and net income at the dates of transition to the IAS/IFRS (1.1.2005 for IAS 32 and IAS 39, and 1.1.2004 for all the other standards). In particular, they consist of the reconciliations of shareholder's equity calculated in accordance with Italian GAAP and shareholder's equity recalculated in accordance with the IAS/IFRS as at 1.1.2004, 31.12.2004 and 1.1.2005, as well as the reconciliation of net income for the entire 2004 financial year.



Reconciliation of Italian GAAP shareholders' equity to shareholders' equity IAS/IFRS

(All figures in thousands of euros)

	1.1.2004 Transition effects (excluding IAS 32 and 39)	31.12.2004 Transition effects (excluding IAS 32 and 39)	1.1.2005 Transition effects (including IAS 32 and 39)
Italian GAAP shareholders' equity	1,083,816	690,276	690,276
Financial assets carried at fair value and held for trading			
Fair value recognition of securities			123
Fair value recognition of insurance policies			7,324
Loans to customers			
Discounting of impaired loans			(944)
Debt securities in issue			
Recognition of amortised cost of subordinated loan			2,775
Own shares			(57,139)
Tangible and intangible assets			
Fair value recognition of land	10,892	10,892	10,892
Fair value recognition of works of art	925	925	925
Derecognition of assets no longer eligible for capitalization	(1,398)	(1,280)	(1,280)
Provisions			
Actuarial valuation of provision for employment termination indemnities	4,236	5,470	5,470
Reversal of provisions for risks and charges no longer eligible for recognition	5,410	5,501	5,501
Actuarial valuation of provisions for risk and charges and new provisions	6,271	(8,465)	(8,465)
Other effects	4,031	(1,154)	(1,407)
Tax effect	(9,443)	(4,560)	(8,002)
Total impact of first-time application of the IAS/IFRS	20,924	7,329	(44,227)
IAS/IFRS shareholders' equity	1,104,740	697,605	646,049

Reconciliation of Italian GAAP net income to IAS/IFRS net income

(All figures in thousands of euros)

	2004 (excluding IAS 32 and 39)
ITALIAN GAAP CONSOLIDATED NET INCOME	243,013
Net interest income	
Release due to discounting of provisions for risk and charges	(2,205)
Net commission income	(1,237)
Administrative costs	
Provision using actuarial valuations of employment termination indemnities and seniority bonuses	759
Other	(485)
Net provisions for risk and charges	(11,815)
Net adjustments to tangible and intangible assets	1,334
Other	-
Tax effect	4,504
Total impact of application of the IAS/IFRS	(9,145)
IAS/IFRS CONSOLIDATED NET INCOME	233,868



The explanatory notes on the principal effects that the transition to the International Accounting Standards has had on the consolidated financial statements are provided below.

Financial assets valued at fair value

The Banca Fideuram Group has mainly adopted the Fair Value Option for the following:

- The insurance policies taken out to insure the market yields for the Private Banker Networks' Loyalty Schemes, designated as investment securities in accordance with Italian GAAP;
- Certain securities previously designated dealing securities.

The fair value valuation of the policies resulted in gains that were recognised in the opening shareholders' equity as at 1.1.2005 (IAS 32 and IAS 39). These gains were almost entirely transferred to the provisions for risks and charges from the 2004 financial year in accordance with IAS 37 and the contracts governing said Loyalty Schemes, under the terms of which they belong to the Private Bankers.

Loans to customers

The discounting adjustments to impaired loans (calculated as the difference between the estimated realisable value and present value of the expected financial flows of the principal and interest) were recognised in consolidated shareholders' equity as at 1.1.2005 and will result in the recognition of revenues in the income statements of future years.

The simple passage of time, with the consequent approach of the deadlines for recovery means that, all other conditions being equal, there will be an automatic reduction in the implicit financial charges previously deducted from the value of the loans.

Debt securities in issue

The use of amortised cost as provided for by IAS 39 for the measurement of financial liabilities not held for

trading made it necessary to recalculate the value of the subordinated loan upon the first time application of the IAS/IFRS, generating an increase in shareholders' equity as at 1.1.2005.

As a result of this change, the income statements of future financial years will show an increase in the charges connected with the passage of time, which will be recognised under interest expense.

Tangible and intangible fixed assets

Fair value recognition of land and works of art

The Banca Fideuram Group availed itself, upon the first-time application of the IAS/IFRS, of the option to carry tangible assets at their historical cost, with the exception of land and works of art, which were recognised at fair value, as determined by appropriate expert valuations. This policy resulted in an increase in consolidated shareholders' equity as at 1.1.2004. These assets will not be depreciated in the income statements of subsequent years since their useful life is indefinite and their value does not normally decline over time.

Derecognition of assets in respect of costs that are no longer eligible for capitalisation

The new accounting standards only permit the capitalisation of intangible assets if they are likely to generate future economic benefits and their cost can be measured reliably. In accordance with this policy, assets in respect of costs that are no longer eligible for capitalisation, mainly start-up costs, have been eliminated.

Own shares

Own shares have been deducted from shareholders' equity at cost as of 1.1.2005 in accordance with IAS 32. In addition, it should be noted that shareholders' equity has always been recognised net of own shares in the reclassified balance sheet of the Banca Fideuram Group.



Provisions

Actuarial valuation of the provision for employment termination indemnities

IAS 19 requires the liability in respect of the provision for employment termination indemnities to be recognised on the basis of its actuarial value, since it is treated as a defined-benefit plan for employees. The actuarial valuation of this provision resulted in an increase in the opening shareholders' equity of the Banca Fideuram Group as at 1.1.2004.

Reversal of provisions for risks and charges no longer eligible for recognition

IAS 37 lays down more restrictive criteria for the recognition of provisions. In particular, provisions for future charges may only be set aside if they relate to legal/contractual obligations or de facto obligations that arise from past events, and only if it is likely that they will require the use of financial resources in the future that can be reliably estimated. Provisions no longer compatible with these rules were therefore reversed upon the first-time application of the International Accounting Standards.

Actuarial valuation of the provisions for risks and charges and new provisions

IAS 37 requires that the provision for any charge that is expected to be settled in the medium-long-term be set aside at its present value and subsequently adjusted to take account of the passage of time. When the time-value effect was material (provisions for legal disputes and indemnity payments to Private Bankers), the Banca Fideuram Group calculated the provisions as being equal to the present value of the expenses it was anticipated would be necessary to discharge the obligations. This discounting increased opening shareholders' equity as at 1.1.2004, which will have an impact on costs in the income statements of future financial years.

Tax effects

The impact of the first-time application of the

International Accounting Standards on Group shareholders' equity was calculated net of the related tax effect. In order to facilitate the comparison of prior-year data, the reconciliations of the balance sheet as at 31.12.2004 and 1.1.2005 are shown below.

Reconciliation of Italian GAAP balance sheet to IAS/IFRS balance sheet at 31.12.2004

(All figures in thousands of euros)

	Balances at 31.12.04 under Italian GAAP	Reclassifications	Adjustments	Balances at 31.12.04 under IAS/IFRS (*)
ASSETS				
10. Cash and cash equivalents		24,402		24,402
10. it Cash and deposits with central banks and post-offices	24,554	(24,554)		
20. Financial assets held for trading		1,039,165		1,039,165
30. Financial assets at fair value		-		-
40. Financial assets available for sale		-		-
50. Financial assets held to maturity		144,359		144,359
20. it Treasury securities and similar bills eligible for refinancing with central banks	65,549	(65,549)		
50. it Bonds and other debt securities	1,043,915	(1,043,915)		
60. it Shares, quotas and other equities	16,983	(16,983)		
60. Due from banks		3,059,512	22	3,059,534
30. it Due from banks	3,057,410	(3,057,410)		
70. Loans to customers		833,191	429	833,620
40. it Loans to customers:	815,011	(815,011)		
80. Hedging derivatives		-		-
90. Adjustments to financial assets subject to generic hedging		-		-
100. Equity investments		156		156
70. it Equity investments	130	(130)		
80. it Investments in Group companies	26	(26)		
110. Reinsurers' share of technical reserves		-		-
120. Tangible assets		43,830	12,214	56,044
120. it Tangible fixed assets	44,892	(44,892)		
130. Intangible assets		28,833	(1,157)	27,676
including: goodwill		-		-
110. it Intangible fixed assets	27,465	(27,465)		
90. it Goodwill arising on consolidation	-			-
100. it Goodwill arising upon application of the equity method	-			-
140. Tax assets		75,333	3,826	79,159
a) current		15,030		15,030
b) deferred		60,303	3,826	64,129
150. Non-current assets and group of assets held for sale		-		-
160. Other assets		318,324	-	318,324
140. it Own shares	57,139	(57,139)		
150. it Other assets	381,039	(381,039)		
160. it Accrued income and prepaid expenses	207,174	(207,174)		
TOTAL ASSETS	5,741,287	(174,182)	15,334	5,582,439

(*) Balances restated in accordance with IAS/IFRS excepting of IAS 32 and IAS 39, which had a transtion date of 1.1.2005.



Reconciliation of Italian GAAP balance sheet to IAS/IFRS balance sheet at 31.12.2004

(All figures in thousands of euros)

	Balances at 31.12.04 under Italian GAAP	Reclassifications	Adjustments	Balances at 31.12.04 under IAS/IFRS (*)
LIABILITIES				
10. Due to banks		213,072	(307)	212,765
10. it Due to banks	233,848	(233,848)		
20. Due to customers		3,864,568	420	3,864,988
20. it Due to customers	3,864,572	(3,864,572)		
30. Debt securities in issue		203,689		203,689
30. it Securities issued	3,689	(3,689)		
110. it Subordinated liabilities	200,547	(200,547)		
40. Financial liabilities held for trading		-		-
50. Financial liabilities at fair value		-		-
60. Hedging derivatives		-		-
70. Adjustments of financial liabilities subject to generic hedging		-		-
80. Tax liabilities		39,142	7,941	47,083
a) current		35,062		35,062
b) deferred		4,080	7,941	12,021
90. Liabilities associated with groups of assets held for sale		-		-
100. Other liabilities		393,566	(1,287)	392,279
50. it Other liabilities	484,222	(484,222)		
60. it Accrued expenses and deferred income	10,253	(10,253)		
110. Provision for employment termination indemnities		36,272	(5,470)	30,802
70. it Severance fund	36,272	(36,272)		
120. Provision for risks and changes		125,615	6,708	132,323
a) Pensions and other commitments		-		-
b) other provisions		125,615	6,708	132,323
80. it Provisions for risks and changes	216,703	(216,703)		
130. Technical reserves		-		-
140. Valuation reserves		8,786	7,297	16,083
150. Redeemable shares		-		-
160. Capital instruments		-		-
170. Reserves		252,222	9,177	261,399
170. it Reserves	242,352	(242,352)		
180. it Revaluation reserves	8,786	(8,786)		
180. Additional paid-in capital		-		-
190. Capital		186,255		186,255
150. it Capital	186,255	(186,255)		
120. it Negative goodwill arising upon consolidation	9,870	(9,870)		
200. Own shares (-)		-		-
210. Minority interests		905		905
140. it Minority interests	905	(905)		
220. Net profit/loss for the period		243,013	(9,145)	233,868
200. it Net income	243,013	(243,013)		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5,741,287	(174,182)	15,334	5,582,439

(*) Balances restated in accordance with IAS/IFRS excepting of IAS 32 and IAS 39, which had a transtion date of 1.1.2005.



Reconciliation of balance sheet at 31.12.2004 under IAS/IFRS except for IAS 32 and 39 to full IAS balance sheet at 1.1.2005

(All figures in thousands of euros)

	Balances at 31.12.04 under IAS/IFRS (*)	Reclassifications	Adjustments	Balances at 1.1.05 under IAS/IFRS including IAS 32 and 39
ASSETS				
10. Cash and cash equivalents	24,402	-		24,402
20. Financial assets held for trading	1,039,165	(566,248)	16,417	489,334
30. Financial assets at fair value	-	199,865	7,437	207,302
40. Financial assets available for sale	-	130		130
50. Financial assets held to maturity	144,359	(139,691)		4,668
60. Due from banks	3,059,534	469,440		3,528,974
70. Loans to customers	833,620	91	(944)	832,767
80. Hedging derivatives	-			-
90. Adjustments to financial assets subject to generic hedging	-			-
100. Equity investments	156	(130)		26
110. Reinsurers' share of technical reserves	-			-
120. Tangible assets	56,044			56,044
130. Intangible assets	27,676			27,676
including: goodwill	-			-
140. Tax assets	79,159		363	79,522
a) current	15,030			15,030
b) deferred	64,129		363	64,492
150. Non-current assets and group of assets held for sale	-			-
160. Other assets	318,324	(23,113)	(434)	294,777
TOTAL ASSETS	5,582,439	(59,656)	22,839	5,545,622
LIABILITIES				
10. Due to banks	212,765	2,421		215,186
20. Due to customers	3,864,988	1,252		3,866,240
30. Debt securities in issue	203,689	(1,147)	(2,775)	199,767
40. Financial liabilities held for trading	-	14,857	16,413	31,270
50. Financial liabilities at fair value	-			-
60. Hedging derivatives	-			-
70. Adjustments of financial liabilities subject to generic hedging	-			-
80. Tax liabilities	47,083		3,805	50,888
a) current	35,062			35,062
b) deferred	12,021		3,805	15,826
90. Liabilities associated with groups of assets held for sale	-			-
100. Other liabilities	392,279	(19,900)	(187)	372,192
110. Provision for employment termination indemnities	30,802			30,802
120. Pensions and other commitments	132,323			132,323
a) Pensions and other commitments	-			-
b) other provisions	132,323			132,323
130. Technical reserves	-			-
140. Valuation reserves	16,083			16,083
150. Redeemable shares	-			-
160. Capital instruments	-			-
170. Reserves	261,399		12,956	274,355
180. Additional paid-in capital	-			-
190. Capital	186,255			186,255
200. Own shares (-)	-	(57,139)	(7,373)	(64,512)
210. Minority interests	905			905
220. Net profit/loss for the period	233,868			233,868
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5,582,439	(59,656)	22,839	5,545,622

(*) Balances restated in accordance with IAS/IFRS excepting IAS 32 and IAS 39.



INDEPENDENT AUDITOR'S REPORT ON THE STATEMENTS OF
RECONCILIATION TO INTERNATIONAL FINANCIAL REPORTING
STANDARDS ("IFRS") WITH DESCRIPTION OF THE EFFECTS OF THE
TRANSITION TO IFRS

(Translation from the original Italian version)

To the Board of Directors
of Banca Fideuram S.p.A.

1. We have audited the accompanying consolidated statements of reconciliation to International Financial Reporting Standards ("IFRS") of Banca Fideuram S.p.A. denominated "Reconciliation of Italian GAAP balance sheet to IAS/IFRS balance sheet" at December 31, 2004, and January 1, 2005, "Reconciliation of Italian GAAP net income to IAS/IFRS net income" at December 31, 2004, "Reconciliation of Italian GAAP shareholders equity to IAS/IFRS shareholders' equity" at January 1, 2004, December 31, 2004, and January 1, 2005 (hereinafter, the "IFRS Reconciliation Statements") and the related explanatory notes as presented in the section denominated "Information on the transition to the International Accounting Standards" of the consolidated Management Report of Banca Fideuram S.p.A. for the six months period ended June, 30 2005. These IFRS Reconciliation Statements are based on the consolidated financial statements of Banca Fideuram S.p.A. as of December 31, 2004, prepared in accordance with the Italian regulations governing the criteria for their preparation, which we have previously audited and on which we issued our auditor's report dated April 5, 2005. The IFRS Reconciliation Statements have been prepared as part of the conversion to International Financial Reporting Standards (IFRS) as adopted by the European Commission. These IFRS Reconciliation Statements are the responsibility of Banca Fideuram S.p.A.'s management. Our responsibility is to express an opinion on these IFRS Reconciliation Statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in Italy. In accordance with such standards we planned and performed the audit to obtain the information necessary in order to determine whether the IFRS reconciliation are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the IFRS Reconciliation Statements, as well as assessing the appropriateness and the 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 audit of the financial information of certain subsidiaries included in the consolidated data presented in the IFRS Reconciliation Statements as of December 31, 2004, which respectively represent approximately 4% of the consolidated assets and approximately 16% of consolidated “interest income and similar revenues” and consolidated “commission income”, is the responsibility of other auditors.

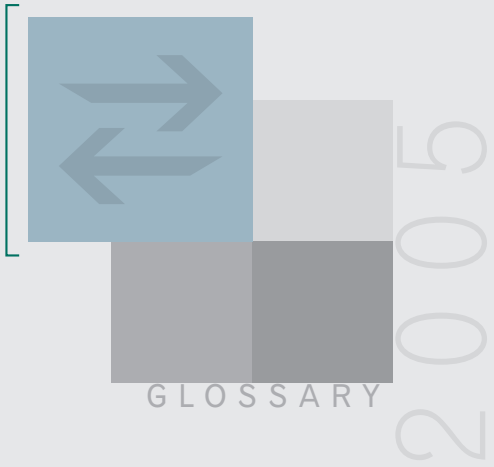
3. In our opinion, the IFRS Reconciliation Statements identified in paragraph 1. above, taken as a whole, have been prepared in all material respects in accordance with the criteria and principles set out in article 81 of Consob Regulation no. 11971/1999 as amended by Consob Resolution no. 14990 of April 14, 2005.
4. We draw your attention to the fact that, as indicated in the explanatory notes, the data presented in the IFRS Reconciliation Statements will be used for comparative purposes in the first complete set of consolidated financial statements in accordance with IFRS as at December 31, 2005. Such data could be subject to changes made necessary due to the introduction of new IFRS or to amendments to the standards already in force or to the introduction or amendment of interpretations of those standards, possibly with retroactive effect, before the publication of such consolidated IFRS financial statements.

Moreover, as indicated in the explanatory notes, since the IFRS Reconciliation Statement have been prepared only for the purposes of the conversion to IFRS in connection with preparation of the first complete set of consolidated financial statements in accordance with IFRS as adopted by the European Commission, they do not include some information tables, comparative data, and necessary explanatory notes which would be required for a complete presentation of the consolidated financial position and consolidated results of operations of Banca Fideuram S.p.A. in conformity with IFRS.

Rome, September. 30 2005

Reconta Ernst & Young S.p.A.

Signed by: Guido Celona (Partner)



**Advisor**

Financial advisor who assists companies involved in corporate finance transactions. Their tasks include providing consultancy services and preparing valuations.

Affluent customers

High-income customers.

ALM (Asset & Liability Management)

Body of techniques that allow a bank to provide integrated financial statement asset and liability management, typically used for measuring interest rate risk.

Asset allocation

Procedure adopted by an asset manager that consists in distributing a portfolio across a variety of financial instruments in different investment markets.

Asset gathering

The activity of collecting savings.

Asset management

The activity of managing and administering assets on behalf of customers.

Assets Under Management

These assets comprise:

- Managed savings, which include the assets in mutual funds and pension funds, private banking and the life insurance technical reserves.
- Non-discretionary savings, which include securities deposited (net of units in Group funds), the accident insurance technical reserves and current account overdrafts.

Audit

The body of activities for checking company processes and accounting, carried out both by internal departments (internal audit) and by independent auditing companies (external audit).

Bancassurance

The offer of insurance products through a bank's branch network.

Banking book

The portion of a bank's securities holdings that is not held for trading purposes.

Banking direct inflows

Deposits by and bonds issued by banks.

Basel II Accord

The common name for the New Capital Accord which is scheduled to come into effect in late 2006. The Accord is based on three "pillars": 1. Minimum Capital Requirement: 8% of risk-weighted assets. 2. Supervision by the Central Banks, who will have greater discretion in evaluating capital requirements and will be able to impose higher coverage than the minimum requirements. 3. Market discipline and transparency of information provided to the public on capital levels, risks and their management.

Bp (Basis point)

One hundredth of a percentage point (0.01%).

Branches

The Bank's area branches.

CONSOB

Acronym of "Commissione Nazionale per le Società e la Borsa" - the Italian National Commission for Listed Companies and the Stock Exchange.

Core Capital

Comprises the paid-in capital plus the reserves minus own shares, intangible assets and losses in prior years and/or the current year.

Corporate governance

The body of rules and regulations that govern the life of a company in particular with respect to the transparency of its documents and company





minutes, and to the completeness of the information it provides the market.

Cost/Income Ratio

The ratio of administrative costs and net adjustments to tangible and intangible assets, on the one hand, to total income from financing activities on the other (including other revenues, net).

Counterparty risk

The risk of a potential loss due to a counterparty failing to meet their contractual obligations.

Country risk

Set of economic, financial and political factors that may make it difficult to obtain the repayment of debts contracted by trusted foreign clients irrespective of their individual solvency.

Credit risk

The risk that a change in the credit rating of a trusted counterparty with whom a bank has an exposure could generate a corresponding change in value of the credit position.

Default

The situation in which it is impossible for a party to meet their contracted financial obligations.

Doubtful loan

Loan to a party that is in a situation which is objectively one of temporary difficulty that they are likely to overcome in an appropriate period of time.

Duration

An indicator of the interest rate risk to which a bond or a bond portfolio is subject. In its most frequent configuration it is calculated as the weighted average of the due dates for payment of principal and interest on a bond.

ECB

European Central Bank.

Endorsement credit

Operation through which a bank or finance company undertakes to bear or guarantee a customer's debt to a third-party.

E.V.A. (Economic Value Added)

An internal financial ratio used to calculate the value created by a company in a given period. It is calculated by subtracting the shareholder's expected return on consolidated shareholders' equity from net income. The expected return is generally taken to equal the net return on 12-month Treasury Bills issued at the beginning of the year plus a market risk premium which is assumed to be constant at 4.5 percent over the periods concerned.

E-banking

The use of an electronic network (Internet or similar) that allows customers to carry out a vast range of banking and financial transactions online.

E-learning

The distance training of personnel using computer aids.

Embedded Value

The value of the Group's adjusted shareholders' equity plus the value of its business portfolio at the valuation date.

EPS (Earnings per Share)

Ratio of net income for the year to the number of shares at period end.

Exchange rate risk

The risk that the fair value or future financial flows of a financial instrument will fluctuate as a result of exchange rate fluctuations.

Fair value

The purchase price for which an asset can be traded or a liability settled in a free transaction between informed and free parties.

Goodwill

The goodwill paid for the acquisition of an equity investment, equal to the difference between the purchase price and the corresponding portion of shareholders' equity for the part that cannot be attributed to the separable assets of the company purchased.

Gross inflows

Total subscriptions gross of disinvestments.

IAS/IFRS

The international accounting standards issued by the International Accounting Standards Board (IASB) adopted by the countries of the European Union from 2005 for companies listed on the stock market.

IASB (International Accounting Standard Board).

The international body that issues the IAS/IFRS international accounting standards.

IFRIC (International Financial Reporting Interpretation Committee)

The IASB committee that issues the official interpretations of the IAS/IFRS international accounting standards.

Impairment

A financial asset is considered to be "impaired" when the book value of the asset is higher than its estimated recoverable value.

Index linked policy

A life insurance policy where the benefit upon maturity depends on the performance of a reference parameter that can be a share price index, a basket of securities or other indicator.

Indirect inflows

Securities and other instruments not issued by a depositary bank but received by it in custody, under management or in relation to the management of personal estates.

Information system

The system of machines, personnel and procedures used to manage important information for a company. The part of this system which is managed using information technology is generally called the information technology (IT) system.

Insurance consultants

Trainee Private Bankers.

Interbank deposit market (e-MID)

Electronic market for trading in interbank deposits operated by e-MID SpA.

Interest rate risk

The financial risk to which a bank is exposed as a result of a fluctuation in interest rates, which can be measured in terms of potential changes in future net interest income or in the current value of shareholders' equity (seen as the difference between the current value of interest-bearing assets and interest-bearing liabilities).

Investment grade

Term used for high-quality bonds that have received a medium-to-high rating.

Liquidity risk

The risk of an entity encountering difficulties in obtaining the funds to meet the obligations resulting from financial instruments.

Market Capitalisation

A company's value on the stock market: the sum of the market price of its different classes of shares, multiplied by the number of shares issued.

Market making

A financial activity carried out by specialist brokers with the aim of ensuring the liquidity and depth of the market, both through their continuous presence and through their function as a competitive guide for determining prices.





Market risk

The risk of losses on balance-sheet and off-balance-sheet positions that could result from unfavourable fluctuations in market prices. The variables that constitute the different types of risks forming market risk are: interest rates (interest rate risk), market prices (price risk) and exchange rates (exchange rate risk).

Mutual funds

Independent assets in the form of a diversified portfolio of financial assets divided up into units belonging to a large number of holders and managed by a special management company.

NAV (Net asset value)

The value of net assets. This is the book value plus the fair value of the assets so that a current valuation can be obtained.

Net inflows

Total subscriptions minus disinvestments.

Non-performing loan

Loan to a party that is insolvent or in a substantially equivalent situation.

Operational risk

The risk of loss resulting from inadequate or failed internal processes, human resources and systems, or from external events. This definition includes legal risk.

Option

The entitlement but not the obligation to buy (call option) or sell (put option) a financial instrument at a predetermined price by or on a given future date.

OTC (over the counter)

Transactions entered into directly by the parties without using a regulated market.

Overdue loan

Loan to a party who has loans that are overdue or past due by more than 180 days at period end.

Patti chiari

A project formed by a consortium of Italian banks to offer simple, modern, certified tools that enable customers to make a better choice of financial products by ensuring clarity, ease of understanding and ease of comparison.

Pension funds

Bodies/management companies (in certain cases with the status of a legal entity) which pay out supplementary pension benefits.

Performing loan

Loan to a party that does not currently present any specific insolvency risks.

Price risk

The risk that the fair value or future financial flows of a financial instrument might fluctuate following fluctuations in market prices (other than the fluctuations caused by interest rate risk or exchange-rate risk), irrespective of whether the fluctuations are caused by factors specific to the individual instrument or its issuer, or whether they are due to factors that influence every similar financial instrument traded on the market.

Private Bankers

Professionals registered in the Italian National Register of Financial Advisers, including insurance consultants.

Private Banking

Financial services for private customers to provide the global management of their financial requirements.

Rating

An assessment of the quality of a company or of the debt securities it issues on the basis of the financial soundness of the company and of its prospects. This assessment is carried out by specialist agencies.

Regulatory Capital

The capital of banks valid for the purposes of compliance with the supervisory regulations, made up of the total of "Core Capital" and "Supplementary Capital", minus - following specific detailed procedures - equity investments and other interests in banks and/or financial institutions.

Restructured loan

Loan in which a pool of banks (or a single-lender bank) grants a deferment of a debt and renegotiates the loan at interest rates that are below market rates.

Retail

A customer sector that principally comprises private individuals, professionals, retailers and the owners of small enterprises.

Risk Management

The acquisition, measurement, evaluation and global management of the various different types of risks and their respective hedging.

ROE (Return on equity)

The ratio of consolidated net income to average shareholders' equity.

Segment reporting

The reporting of financial results by business segment and geographical area.

Settlement risk

The risk arising in securities transactions of the counterparty not fulfilling their obligation to deliver the securities or pay the amount owed after maturity.

Solvency ratio

Calculated as the ratio of Regulatory Capital to risk-weighted assets. Indicates the extent to which a bank's capital covers its risk-weighted assets.

Social Report

A Social Report is the publication a company uses to disseminate information to stakeholders on the social and environmental activities it has carried out, enabling them to evaluate their consistency and effectiveness.

Spin off

This is when part of the assets of a company are separated from it to form a new legal entity.

Stakeholder

Parties who for various reasons interact with the activities of a company, being involved in its results, influencing its performance, and evaluating its economic, social and environmental impact.

Stock options

Option contracts which grant the entitlement to purchase shares in a company within a predetermined time and at a predetermined price. They are used as a form of supplementary remuneration in bonus and loyalty schemes.

Strike price

The exercise price of an option.

Supplementary Capital

Comprises the revaluation reserves, subordinated liabilities and other positive components, minus net losses on securities and other negative components.

Technical form

Contractual procedure stipulated for a given inflow or investment ratio.

Trading book

The portion of a bank's securities holdings that is held for trading purposes.

Unit-linked policies

Life insurance policies where the benefits are linked



to the value of investment funds. A policy may provide a capital guarantee or guaranteed minimum return.

VaR (Value at Risk)

Criterion for measuring market risk which follows a probabilistic approach, quantifying the risk in relation to the maximum loss that may be expected with a certain probability, on the basis of historical price fluctuations, with respect to a single position or an entire portfolio of securities for a specific time horizon.

Write-down

The writing down or depreciation of assets items in financial statements.

Write-back

Restoring (writing back) the value of assets items that were written down in prior financial years.



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