Consolidated financial statements

Consolidated balance sheet

Part/section of the Explanatory Notes		ASSETS	31/12/2005	31/12/2004 (*)
B/Ass/1	10.	Cash and cash equivalents	1,107	1,347
B/Ass/2	20.	Financial assets held for trading	25,037	
B/Ass/3	30.	Financial assets designated at fair value	22,528	
B/Ass/4	40.	Available for sale financial assets	29,837	
B/Ass/5	50.	Held-to-maturity investments	2,535	
L/Ass/2	*20. It*	*Treasury bills and similar bills eligible for refinancing with central banks*		*2,612*
L/Ass/2	*50. It*	*Bonds and other debt securities*		*23,702*
L/Ass/2	*60. It*	*Shares, quotas and other equities*		*3,026*
	140. It	*Own shares or quotas*		*54*
B/Ass/6	60.	Loans to banks	28,836	
L/Ass/1	*30. It*	*Loans to banks*		*23,942*
B/Ass/7	70.	Loans to customers	139,507	
L/Ass/1	*40. It*	*Loans to customers*		*123,201*
B/Ass/8	80.	Hedging derivatives	435	
B/Ass/9	90.	Changes in fair value of assets in hedged portfolios (+/-)	-	
L/Ass/13 (**)		*Assets related to insurance activities*		*39,429*
B/Ass/10	100.	Investments in associates and companies subject to joint control	819	
L/Ass/3	*70. It*	*Equity investments*		*3,652*
L/Ass/3	*80. It*	*Investments in Group companies*		*1,082*
B/Ass/11	110.	Technical insurance reserves attributable to reinsurers	29	
L/Ass/13 (**)		*Technical insurance reserves attributable to reinsurers*		*25*
B/Ass/12	120.	Tangible assets	2,177	2,328
B/Ass/13	130.	Intangible assets	1,008	1,055
		of which:		
		- goodwill	756	766
B/Ass/14	140.	Tax assets	2,728	3,304
		a) current	988	1,798
		b) deferred	1,740	1,506
B/Ass/15	150.	Non-current assets and disposal groups classified as held for sale	220	
B/Ass/16	160.	Other assets	6,455	
L/Ass/5	*150. It*	*Other assets*		*20,174*
L/Ass/5	*160. It*	*Accrued income and prepaid expenses*		*3,827*
		Total assets	**263,258**	**252,760**

(*) Balances IAS compliant (so-called mix model) reconstructed in conformity with IFRS 1 without application of IAS 32 and 39 (financial instruments) or IFRS 4 (insurance contracts) whose transition date is fixed at 1/1/2005.

(**) Entries include contribution of insurance business only.

Part/section of the Explanatory Notes		LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2005	31/12/2004 (*)
B/Liab/1	10.	Due to banks	35,682	
L/Liab/6	*10. It*	*Due to banks*		*28,277*
B/Liab/2	20.	Due to customers	92,306	
L/Liab/6	*20. It*	*Due to customers*		*88,510*
B/Liab/3	30.	Securities issued	46,985	
B/Liab/4	40.	Financial liabilities held for trading	11,342	
B/Liab/5	50.	Financial liabilities designated at fair value through profit and loss	25,939	
L/Liab/6	*30. It*	*Securities issued*		*47,986*
B/Liab/6	60.	Hedging derivatives	730	
B/Liab/7	70.	Changes in fair value of liabilities in hedged portfolios (+/-)	(35)	
L/Liab/6	*40. It*	*Public funds administered*		*150*
L/Liab/8	*110. It*	*Subordinated liabilities*		*6,955*
L/Liab/13 (**)		*Liabilities related to insurance activities*		*638*
B/Ass/14- B/Liab/8	80.	Tax liabilities a) current b) deferred	860 216 644	783 304 479
B/Liab/9	90.	Liabilities included in disposal groups classified as held for sale	164	
B/Liab/10	100.	Other liabilities	10,573	
L/Liab/9	*50. It*	*Other liabilities*		*22,755*
L/Liab/9	*60. It*	*Accrued expenses and deferred income*		*2,651*
B/Liab/11	110.	Provisions for employee termination indemnities	1,001	882
B/Liab/12	120.	Provisions for risks and charges: a) post-retirement benefit obligations b) other	1,882 425 1,457	1,734 209 1,525
B/Liab/13	130.	Technical reserves	22,113	
L/Liab/13 (**)		*Technical reserves*		*38,849*
B/Liab/14	140.	Valuation reserves a) available-for-sale financial assets (+/-) b) tangible assets (+) c) cashflow hedge (+/-) d) special revaluation laws e) other	1,286 1,157 - (18) 346 (199)	343 343
B/Liab/14	150.	Redeemable shares	-	
B/Liab/15	160.	Equity securities	-	
B/Liab/15	170.	Reserves	4,298	4,575
B/Liab/15	180.	Share premium reserve	769	725
B/Liab/15	190.	Capital	5,239	5,218
B/Liab/15	200.	Own shares (-)	(92)	
B/Liab/16	210.	Minority interests (+/-)	233	282
B/Liab/15	220.	Profit (loss) for the period	1,983	1,447
		Total liabilities and shareholders' equity	**263,258**	**252,760**

(*) Balances IAS compliant (so-called mix model) reconstructed in conformity with IFRS 1 without application of IAS 32 and 39 (financial instruments) or IFRS 4 (insurance contracts) whose transition date is fixed at 1/1/2005.

(**) Entries include contribution of insurance business only.

Consolidated statement of income

Part/section of the Explanatory Notes			2005	2004 (*)
C/CE/1	10.	Interest income and similar revenues	8,235	
L/CE/1	*10. It.*	*Interest income and similar revenues*		*7,196*
C/CE/1	20.	Interest expenses and similar charges	(3,786)	
L/CE/1	*20. It*	*Interest expenses and similar charges*		*(3,534)*
	30.	**Net interest income**	**4,449**	**3,662**
C/CE/2	40.	Fee and commission income	4,166	
L/CE/2	*40. It*	*Fee and commission income*		*3,980*
C/CE/2	50.	Fee and commission expense	(758)	
L/CE/2	*50. It*	*Fee and commission expense*		*(764)*
	60.	**Net commissions**	**3,408**	**3,216**
C/CE/3	70.	Dividends and similar revenues	475	
L/CE/6	*30. It*	*Dividends and other revenues*		*152*
C/CE/4	80.	Profits (losses) on financial trading activities	104	
C/CE/5	90.	Fair value adjustments from hedge accounting	(4)	
C/CE/6	100.	Profits (losses) from sale or repurchase of:	394	
		a) loans	57	
		b) available-for-sale financial assets	347	
		c) held to maturity investments	-	
		d) financial liabilities	(10)	
C/CE/7	110.	Profits (losses) on financial assets and liabilities designated at fair value	219	
L/CE/3	*60. It*	*Profits (losses) on financial transactions*		*227*
L/CE/8 (**)		*Technical income from the casualty insurance business gross of administrative costs*		*10*
L/CE/8 (**)		*Technical income from the life insurance business gross of administrative costs*		*(1,478)*
	120.	**Net interest and other banking income**	**9,045**	**5,789**
C/CE/8	130.	Impairment losses/write-backs to:	(442)	
		a) loans	(437)	
		b) available-for-sale financial assets	(1)	
		c) held to maturity investments	-	
		d) other financial transactions	(4)	
L/CE/6	*140. It*	*Provisions to the reserve for probable loan losses*		*(17)*
L/CE/6	*120. It*	*Adjustments to loans and provisions for guarantees and commitments*		*(914)*
L/CE/6	*130. It*	*Write-backs of adjustments to loans and provisions for guarantees and commitments*		*410*
L/CE/6	*150. It*	*Adjustments to financial fixed assets*		*(106)*
L/CE/6	*160. It*	*Write-backs of adjustments to financial fixed assets*		*124*
	140.	**Net result of financial activities**	**8,603**	**5,286**
C/CE/9	150.	Net insurance premiums	3,599	
C/CE/10	160.	Balance of other income (charges) arising on insurance activities	(4,496)	
	170.	**Net result of financial and insurance activities**	**7,706**	**5,286**
C/CE/11 (***)	180	Administrative costs:	(4,353)	(4,346)
		a) personnel	(2,839)	(2,821)
		b) other	(1,514)	(1,525)
C/CE/12	190.	Net provisions for risks and charges	(53)	(216)
C/CE/13 (***)	200.	Net adjustments to tangible assets	(239)	(242)
C/CE/14	210	Net adjustments to intangible assets	(198)	(230)
C/CE/15	220	Other operating income (expenses)	74	29
L/CE/8 (**)		*Other net income from insurance activities*		*1,838*
	230	**Operating costs**	**(4,769)**	**(3,167)**
C/CE/16	240	Profits (losses) on investments in associates and companies subject to joint control	70	
C/CE/17	250	Net result of fair value adjustments to tangible and intangible assets		
	170. It	*Profits (losses) from investments carried at equity*		*26*
C/CE/18	260	Impairment of goodwill	(1)	
C/CE/19	270	Profits (losses) on disposal of investments	17	
	280	**Operating profits (losses) before tax from continuing operations**	**3,023**	**2,145**
	230. It	*Change in reserve for general banking risks*		*(2)*
C/CE/20	290	Income taxes for the period	(948)	
L/CE/5	*240. It*	*Income taxes*		*(754)*
	300	Net profit (loss) after tax from continuing operations	2,075	1,389
C/CE/21	310	Profits (losses) from discontinued operations	(35)	(35)
L/CE/5	*190. It*	*Extraordinary income*		*286*
L/CE/5	*200. It*	*Extraordinary expense*		*(138)*
	320	**Profit (loss) for the period**	**2,040**	**1,502**
C/CE/22 (***)	330	Profit (loss) for the period attributable to minority interests	(57)	(55)
	340	**Parent Bank net profit (loss)**	**1,983**	**1,447**
C/CE/24		Net profit (loss) per share	1.06	0.79
C/CE/24		Diluted profit (loss) per share	1.06	0.79

(*) Balances IAS compliant (so-called mix model) reconstructed in conformity with IFRS 1 without application of IAS 32 and 39 (financial instruments) or IFRS 4 (insurance contracts) whose transaction date is fixed at 1/1/2005.

(**) Entries include contribution of insurance business only.

(***) Entries include values relating to insurance business.

Statement of income/expenses in the consolidated financial statements for the year at 31 December 2005

Caption/Value	31/12/2005 (€/mil)	31/12/2004 (€/mil)
A. Capital gains (losses) in the year		
1. Capital gains (losses) from real-estate revaluation pursuant to special laws	3	(3)
2. Valuation reserves:	456	n.a.
available-for-sale financial assets	459	n.a.
- capital gains (losses) from valuation in net shareholders' equity	*807*	*n.a.*
- returns to current year statement of income	*(348)*	*n.a.*
cash flow hedge	(3)	n.a.
3. Exchange differences in foreign investments	-	-
4. Actuarial profits (losses) on fixed pension plans	(296)	n,a
5. Taxes on net shareholders' equity and returns	90	1
Total A	**253**	**(2)**
B. Consolidated net profit in the statement of income	**2,040**	**1,502**
C. Total income/expenses in the year (A+B)	**2,293**	**1,500**
Attributable to:		
Parent Bank	2,236	1,444
minority interests	57	56
D. Impact of transition to accounting standards at 1/1/2005 and 1/1/2004		
1. Capital gains (losses) for real-estate evaluation pursuant to special laws	1	274
2. Valuation reserves:	692	n.a.
available-for-sale financial assets	707	n.a.
cash flow hedge	(15)	n.a.
3. Profit reserves	(1,033)	166
Total D	**(340)**	**440**
Attributable to:		
Equity holders of the Parent Bank	(273)	440
minority interests	(67)	-
E. Total income/expenses in the year (C+D)	**1,953**	**1,940**
Attributable to:		
Parent Bank	1,963	1,884
minority interests	(10)	56

Statement of changes in consolidated shareholders' equity

31 DECEMBER 2004 – 31 DECEMBER 2005

	Balance at 31/12/2004		Change in opening balance	Balance at 1/1/2005		Allocation of preceding year's income			Changes in the year										Profits (losses) at 31/12/2005		Shareholders' equity at 31/12/2005	
						Reserves		Dividends and other allocations	Changes in reserves		Transactions in shareholders' equity											
											Issue of new shares		Purchase of own shares		Extraordinary distribution of dividends	Change in capital instruments	Derivatives on own shares	Stock options				
	Minority interests	Group		Minority interests	Group	Minority interests	Group		Minority interests	Group	Minority interests	Group	Minority interests	Group					Minority interests	Group	Minority interests	Group
Shareholders' equity:																						
a) ordinary shares	115	4,131	-11	104	4,131	-	-				-	21	-			291					104	4,443
b) other shares	-	1,087		-	1,087	-	-				-	-	-			-291					-	796
Additional paid-in capital	-	725		-	725	-	-				-	44									-	769
Reserves:																						
a) income	108	4,575	-1,033	57	3,666	14	573		10	57	-	-	-	-	-	-	-	-			81	4,296
b) other	-	-	-	-	5	-	-				-	-	-	-	-	-	-	-3			-	2
Valuation reserves:																						
a) available for sale (1)	-	-	707	-	707				-	450											-	1,157
b) cash flow hedge	-	-	-15	-	-15				-	-3											-	-18
c) special laws	4	343	1	5	343				-	3											5	346
d) actuarial profits (losses)	-	-	-	-	-				-	-199											-	-199
Capital instruments	-	-		-	-											-					-	-
Own shares	-	-		-17	-61					-47	-	-	3	16							-14	-92
Profits (losses) in the year	55	1,447	-	55	1,447	-14	-573	-915											57	1,983	57	1,983
Shareholders' equity	282	12,308		204	12,035			-915	10	261	-	65	3	16	-	-	-	-3	57	1,983	233	13,483

(1) *Valuation reserves for Assets available for sale do not include the insured parties' component attributable to valuation of products included in the separate management of insurance business (shadow accounting).*

31 DECEMBER 2003 – 31 DECEMBER 2004

	Balance at 31/12/2003		Change in opening balance	Balance at 1/1/2004		Allocation of preceding year's income			Changes in the year										Profits (losses) at 31/12/2004		Shareholders' equity at 31/12/2004	
						Reserves		Dividends and other allocations	Changes in reserves		Transactions in shareholders' equity											
											Issue of new shares		Purchase of own shares		Extraordinary distribution of dividends	Change in capital instruments	Derivatives on own shares	Stock options				
	Minority interests	Group		Minority interests	Group	Minority interests	Group		Minority interests	Group	Minority interests	Group	Minority interests	Group					Minority interests	Group	Minority interests	Group
Shareholders' equity:																						
a) ordinary shares	97	4,057	105	202	4,057	-	-				-87	74	-	-							115	4,131
b) other shares	-	1,087		-	1,087	-	-				-	-	-	-							-	1,087
Additional paid-in capital	-	708		-	708	-	-				-	17									-	725
Reserves:																						
a) income	123	4,099	166	123	4,265	6	257		9	27	-30	26	-	-	-	-	-	-			108	4,575
b) other	-	-	-	-	-	-	-				-	-	-	-	-	-	-	-			-	-
Valuation reserves:																						
a) available for sale	-	-	-	-	-				-	-											-	-
b) cash flow hedge	-	-	-	-	-				-	-											-	-
c) special laws	3	72	274	3	346				1	-3											4	343
d) actuarial profits (losses)	-	-	-	-	-				-	-											-	-
Capital instruments	-	-		-	-											-					-	-
Own shares	-	-		-	-						-	-	-	-							-	-
Profits (losses) in the year	48	972	-	48	972	-6	-257	-757											55	1,447	55	1,447
Shareholders' equity	271	10,995		376	11,435			-757	10	24	-117	117	-	-	-	-	-	-	55	1,447	282	12,308

Statement of consolidated cash flows

(€/mil)

Part/ section of the Explanatory Notes	INDIRECT METHOD	Amount 2005	Amount 2004
	A. OPERATIONS		
	1. Management activities	2,488	3,283
	- profit for the year (+/-)	1,983	1,447
	- capital gains/losses on financial assets held for trading and on assets/liabilities designated as at fair value (-/+)	-1,265	-
	- capital gains/losses on hedging activities (-/+)	4	-
	- net value adjustments/write-backs due to impairment (+/-)	-734	469
	- net value adjustments/write-backs on tangible and intangible assets (+/-)	438	520
	- net provisions for risks and charges and other costs/revenues (+/-)	1,492	214
	- net premiums to be collected (-)	-20	-16
	- other unrealized insurance income/charges (-/+)	739	742
	- unpaid duties and taxes (+)	-184	-128
	- net adjustments/write-backs on groups of discontinued operations, net of taxes (-/+)	35	35
	- other adjustments (+/-)	-	-
	2. Liquid assets generated/absorbed by financial assets	-12,335	-17,067
	- financial assets held for trading	3,804	-11,371
	- financial assets designated as at fair value	2,989	-
	- available for sale financial assets	-3,514	-28
	- due from banks: repayable on demand	1,132	3,320
	- due from banks: other loans	-4,186	-4,830
	- loans to customers	-13,689	1,231
	- other asset captions	1,129	-5,389
	3. Liquid assets generated/absorbed by financial liabilities	12,098	16,078
	- due to banks: repayable on demand	2,594	-1,616
	- due to banks: other deposits	4,795	1,331
	- due to customers	3,571	8,611
	- Securities issued	-6,076	-2,790
	- Financial liabilities held for trading	72	-
	- Financial liabilities evaluated at fair value	5,148	-
	- Other liabilities	1,994	10,542
	Net liquid assets generated/absorbed by operations	2,251	2,294
	B. INVESTMENTS		
	1. Liquid assets generated by	172	195
	- sale of investments	118	32
	- dividends received from investments	-	-
	- sale of financial assets held to maturity	-	-
	- sale of tangible assets	54	162
	- sale of intangible assets	-	1
	- sale of subsidiaries and business divisions	-	-
	2. Liquid assets absorbed by	-1,243	-1,184
	- purchase of investments	-72	-391
	- purchase of financial assets held to maturity	-717	-262
	- purchase of tangible assets	-208	-329
	- purchase of intangible assets	-155	-168
	- purchase of subsidiaries and business divisions	-91	-34
	Net liquid assets generated/absorbed by investments	-1,071	-989
	C. FUNDING ACTIVITIES		
	- issue/purchase of own shares	-31	-
	- issue/purchase of capital instruments	-	-
	- dividend distribution and other uses	-1,406	-1,420
	Net liquid assets generated/absorbed by funding activities	-1,437	-1,420
B/Ass/1	NET LIQUID ASSETS GENERATED/ABSORBED DURING THE YEAR	-257	-115

(€/mil)

RECONCILIATION Captions	Amount 2005 (*)	Amount 2004 (**)
Cash and liquid balances at the beginning of the period	1,364	1,480
Total liquid assets generated/absorbed during the year	-257	-115
Cash and cash equivalents: effect of movements in exchange rates	-	-
Cash and cash equivalents at the close of the year	**1,107**	**1,365**

(*) The caption "Cash and liquid balances at the beginning of the year" includes IAS 32 and 39 and IFRS 4.
(**) Includes 18 million euro contained in the caption "Insurance business assets" (L/Ass/13).

Consolidated Explanatory Notes

Part A – Accounting Policies

A.1 General information

- Section 1 – Statement of compliance with international accounting standards
- Section 2 – Basis of preparation
- Section 3 – Scope and methods of consolidation
- Section 4 – Events subsequent to the date of the financial statements
- Section 5 – Other aspects

A.2 Information on the main aggregate values of the financial statements

- Section 1 – Financial assets held for trading
- Section 2 – Available for sale financial assets
- Section 3 – Held-to-maturity investments
- Section 4 – Loans and guarantees issued
- Section 5 – Financial assets designated as at fair value
- Section 6 – Hedge accounting
- Section 7 – Equity investments
- Section 8 – Tangible assets
- Section 9 – Intangible assets
- Section 10 – Discontinued operations
- Section 11 – Current and deferred taxation
- Section 12 – Provisions for risks and charges
- Section 13 – Debts and securities issued
- Section 14 – Financial liabilities held for trading
- Section 15 – Financial liabilities designated as fair value
- Section 16 – Currency transactions
- Section 17 – Insurance assets and liabilities
- Section 18 – Other information

A.3 Fair Value of Financial Instruments

Part B - Information on the consolidated balance sheet

Assets

- Section 1 – Cash and cash equivalents – Caption 10
- Section 2 – Investments held for trading – Caption 20
- Section 3 – Financial assets designated as at fair value – Caption 30
- Section 4 – Available for sale financial assets – Caption 40
- Section 5 – Held-to-maturity investments – Caption 50
- Section 6 – Loans to banks – Caption 60
- Section 7 – Loans to customers – Caption 70
- Section 8 – Hedging derivatives – Caption 80
- Section 9 – Changes in fair value of assets in hedged portfolios (+/-) – Caption 90
- Section 10 – Investments in associates and companies subject to joint control - Caption 100
- Section 11 – Insurance reserves attributable to reinsurers - Caption 110
- Section 12 – Tangible assets – Caption 120
- Section 13 – Intangible assets – Caption 130
- Section 14 – Tax assets and liabilities – Caption 140 under assets and Caption 80 under liabilities
- Section 15 – Discontinued operations and disposal groups of operations held for sale, and associated liabilities – Caption 150 under assets and Caption 90 under liabilities
- Section 16 – Other assets – Caption 160

Part A – Accounting Policies

PART A.1 GENERAL INFORMATION

Section 1 – Statement of Compliance with International Accounting Standards

Pursuant to Article 3, para. 1, of D.Lgs. no. 38/2005, the SANPAOLO IMI Group Financial Statements have been drawn up in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), as endorsed by the European Commission at December 31, 2005 on the basis of the procedure set forth in EC Regulation no. 1606/2002.

We remind you that the first SANPAOLO IMI Group financial report to be drawn up in accordance with international accounting standards was the Half Year Report as at June 30, 2005.

Section 2 – Basis of Preparation

The Group's accounting results, stated in millions of euro, have been obtained by applying the international accounting standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission as at December 31, 2005 pursuant to European Regulation no. 1606 of July 19, 2002.

In preparing the financial statements, further reference was made to that set forth by the Bank of Italy in its Circular no. 262 of December 22, 2005 governing bank financial statements, and the provisional implementation measures issued by the Bank of Italy in its Sanction dated December 22, 2005.

In order to achieve a better interpretation and application of the new accounting principles, additional documents not endorsed by the European Commission were also examined:
- *Framework for the Preparation and Presentation of Financial Statements* of the International Accounting Standards Board (IASB);
- *Implementation Guidance, Basis for Conclusions* and any other documents drawn up by the IASB or the IFRIC to provide further guidance on the accounting principles issued.

Lastly, still on the subject of interpretation, other documents taken into account included those dealing with the application of IAS/IFRS in Italy issued by the Italian Accounting Standards Authority and the Italian Bankers' Association (ABI).

The SANPAOLO IMI Group Annual Report comprises the Report on Group Operations and the Consolidated Financial Statements (which in turn comprises the balance sheet and statement of income, the statement of changes in consolidated shareholders' equity, the statement of consolidated cash flows and these Explanatory Notes).

Within the Report on Operations, the results of the year are shown in reclassified balance sheet and statement of income schedules. In particular, in the reclassified statement of income, the contribution by the Group's insurance companies to "Net interest and other banking income" is conventionally highlighted under the specific caption "Insurance business results" rather than being treated on a line-by-line basis as stated in the "official" financial statements schedule. As regards the statement of income, the reclassified schedules show actual data and comparatives with 2004 figures (reworked on a pro forma basis – see below) and, as regards the balance sheet, the schedules show the actual data and the comparatives as at January 1, 2005 that fully comply with the IAS.

In the "official" financial statement schedules, the results of the year are shown, for comparative purposes, beside the 2004 data. In this case, the SANPAOLO IMI Group exercised the option provided by IFRS 1 to defer the first-time application of IAS 32 and 39, and IFRS 4 to January 1, 2005, and apply Italian GAAP standards for comparative information regarding the financial instruments and insurance contracts subject to the aforementioned IAS/IFRS.

The differences resulting from the application of the above different accounting principles have made it necessary to report them separately in the column relative to 2004. For this purpose, and exclusively for the items in question, the comparative schedules make use of the denominations set forth in Circular no. 166 issued by the Bank of Italy on July 30, 1992, with specific captions introduced for insurance subsidiaries in order to integrate the information provided. The captions regarding insurance subsidiaries are not found, however, in the SAN PAOLO IMI Group financial statements published in the 2004 Annual Report.

It should be added that adjustments were made to comparative data within the scope of Group consolidation in accordance with IAS/IFRS governing consolidated financial statements. For further details on changes to the scope of consolidation, see "Section 3 - Scope and Methods of Consolidation".

Details are provided on figures reported on the basis of Italian GAAP standards in Part L of the Explanatory Notes, in accordance with the schedules set forth in the aforementioned Circular no. 166. With regard to the accounting policies adopted for each specific statement caption, see the 2004 Annual Report.

Finally, Part L of the Explanatory Notes also provides further detail on insurance business. This information is provided in accordance with the information requirements set forth in D.Lgs. no. 173/1997 and the regulatory measures issued by the competent authority (ISVAP).

For the purposes of the commentary provided in the Report on Group Operations, 2004 results have been reworked on a pro forma basis in full compliance with IAS, as though IAS 32 and 39 and IFRS 4 and 5 had been applied in the previous year. The reworked results are not subject to audit, and are provided for comparative purposes, so that uniform bases are available. The results are reported using the reclassified statement of income schedules used in the Report on Group Operations, on the basis of data available and, where lacking, on reasonable estimates. The schedules are designed to provide a reliable picture of trends in operations over the two periods considered.

Section 3 – Scope and Methods of Consolidation

The scope of consolidation on a line-by-line basis includes banking, financial and instrumental subsidiaries that are part of the SANPAOLO IMI Banking Group as recorded in the appropriate register in compliance with article 64 of D.Lgs. no. 385 dated September 1, 1993, the remaining subsidiaries that carry out activities different from those referred to above, and the entities or companies in respect of which the Group is exposed to the majority of the risks and obtains the majority of benefits. The scope of the line-by-line consolidation excludes some minor entities whose balance sheets and results of operations are not significant to the consolidated financial statements.

"Joint control" equity investments and companies over which the Group has "significant influence" are accounted for using the equity method. In fact the Group decided to consolidate joint control equity investments on the equity method, although previously they were consolidated on the proportional method. The impact of the decision on the financial statements as at December 31, 2004 was, however, negligible, as the only company subject to joint control is the holding Allfunds Bank S.A. A company is considered subject to joint control where agreements exist to the effect that any administrative, financial and management decisions require both the Group's consent and that of the other participants sharing control over the company.

The financial statements used for the line-by-line and the proportional consolidation process were those prepared as at December 31, 2005, as approved by the boards of the subsidiaries concerned and adjusted, where necessary, for consistency with Group accounting policies. The valuation of investments using the equity method was made on the basis of the latest reports or financial statements available.

The scope of the line-by-line and proportional consolidation of the Group as at December 31, 2005, did not change significantly compared to December 31, 2004 which was on an IAS compliant basis. Details of the scope of the line-by-line and proportional consolidation as well as of the companies valued using the equity method can be found in Section 10 of these Consolidated Explanatory Notes.

Section 4 – Events Subsequent to the Date of the Financial Statements

A more general description of the "Developments after the end of the year" may be found in the Report on Group Operations. There follows here information on the future of the subsidiary Gest Line S.p.A. which operates in the sector of tax collection. The first few months of 2006 saw the continuation of the plan of activities for Riscossione S.p.A., the company destined to acquire all the current concessionary companies. It should be pointed out that, in accordance with, and pursuant to, Art. 3, para. 9 of Law 248 of 2005, the costs for the acquisition of concessionary companies are set on the basis of general criteria established by the primary financial institutions selected through competition.

Riscossione S.p.A.has therefore launched a private tender to identify an advisor to define the valuation criteria. Fdp consulting of Prof. LAGHI, Professor of Business Economics at the Faculty of Economics of La Sapienza University of Rome and lecturer in Financial Analysis at the Luiss in Rome, was nominated advisor and established the equity method as the evaluation criterion, deemed the only one applicable to companies whose concession will expire on 30 September 2006.

On 7 March 2006, a meeting was held between Riscossione S.p.A. and the concessionary companies to explain time schedules for the acquisition of the concessionary companies by Riscossione S.p.A., as well as the valuation criteria established by the advisor. Riscossione S.p.A. presented a letter to be proposed to the shareholders in the concessionary companies requesting their agreement to the ceding of a quota of the company capital (no less than 51%) and, if so, information on the sum of the quota to be ceded and if the branch of the company related to the management of local taxes is to be spun off. A reply is requested by 31 March 2006.

Section 5 – Other Aspects

As mentioned in "Section 2 - Basis of Preparation" and in accordance with the provisions set forth in IFRS 1 and EC Regulation no. 1606/2002, Group results were measured in compliance with international accounting standards in force as at the date of the financial statements (December 31, 2005), and endorsed by the European Commission.

Following the publication of the SANPAOLO IMI Group Half Year Report as at June 30, 2005, the European Commission approved the integration of IAS 39, endorsing the amendments approved by the IASB with regard to the fair value option, in EC Regulation no. 1864/2005. The amended standard expressly limits the bases upon which the fair value option may be exercised, setting forth the instances and grounds which may justify its application.

As a result of the issue of the new accounting standards endorsed by the European Commission, some companies in the Group exercised the fair value option. Consequently, the amounts reported in the IAS/IFRS compliant financial statements as at January 1, 2005 were adjusted and reconciliation as at January 1, 2005 between the results obtained under Italian accounting standards and those obtained under international accounting standards amended.

The effects are reported, for illustrative purposes only, in the annex to Part B of the Explanatory Notes. For further details, see the information provided therein.

The Parent Bank SANPAOLO IMI did not exercise the fair value option itself. The effects reported in the annex to the Explanatory Notes refer substantially to fully consolidated subsidiary companies in the Group.

Use of Estimates and Assumptions in Preparing the Financial Statements

The preparation of financial statements requires the use of estimates and assumptions that may have a significant effect on the amounts stated in the balance sheet and statement of income, and on the potential assets and liabilities reported in the financial statement. Estimates are based on available information and subjective evaluations, often founded on past experience, which are used to formulate reasonable assumptions to be made in measuring operating phenomena. Given their nature, the estimates and assumptions used may vary from year to year, and hence it cannot be excluded that current amounts carried in the financial statements may differ significantly in future financial years as a result of changes in the subjective evaluations made.

The main cases for which subjective evaluations are required to be made by management include:
- the measurement of impairment losses on loans and, generally, other financial assets;
- the determination of the fair value of financial instruments to be used in statement schedules;
- the use of measurement models for determining the fair value of financial instruments not listed on active markets;
- the evaluation of the appropriateness of amounts stated for goodwill and other intangible assets;
- the measurement of personnel funds and provisions for risks and charges;
- estimates and assumptions on the collectability of deferred tax assets.
- demographic (linked to the estimated mortality of ensured people) and financial (deriving from the possible trend in financial markets) suppositions used to structure insurance products and define the bases for calculating integrative reserves.

The information provided on the accounting policies applied for the main aggregate values of the financial statements includes the necessary details for identifying the main assumptions and subjective evaluations made in preparing the financial statements. For further detail in the breakdown and relative carrying values of the specific statement captions affected by estimates, see the relevant sections of the Explanatory Notes.

Mandatory Audit

SANPAOLO IMI Group Financial Statements are subject to the financial audit of PricewaterhouseCoopers S.p.A. pursuant to D.Lgs. no. 58/1998 and in application of the three-year 2004/2005/2006 assignment approved by resolution of the shareholders in the meeting on April 29, 2004.

Audit of the Half Year Report and Schedules Relating to the Transition to International Accounting Standards

The SANPAOLO IMI Group prepared and published its report on Group operations for the half year of 2005 in accordance with the law and the provisions set forth by Consob.

The Half Year Report was duly audited by PricewaterhouseCoopers S.p.A. in limited financial audit form, in compliance with the recommendations of Consob Communications no. 97001574 of February 20, 1997, no. 10867 of July 31, 1997 and no. 5025723 of April 15, 2005, and in application of the aforementioned shareholders' resolution carried in the meeting on April 29, 2004.

In compliance with the aforementioned Consob Communication no. 5025723 of April 15, 2005, the reconciliation schedules on shareholders' equity as at January 1, 2004, December 31, 2004, and January 1, 2005, and the results as at June 30, 2005, required by IFRS 1 for the transition to international accounting standards, were duly audited by PricewaterhouseCoopers S.p.A.

PART A.2 INFORMATION ON THE MAIN FINANCIAL STATEMENT ITEMS

Basis of Preparation of Financial Statements

The measurement bases adopted in the preparation of the financial schedules in compliance with the IAS/IFRS in force as at December 31, 2005 are illustrated below.

Standardized purchase and sale of financial assets

As regards standardized purchases and sales of financial assets, that is those transactions governed by agreements requiring that the assets be handed over within a set period of time established by regulations or market conventions, it was decided to make reference to the settlement date.

Section 1 - Financial Assets Held for Trading

The "financial assets held for trading" category includes:
- debt securities or equities acquired mainly for the purpose of obtaining profits in the short term
- derivative contracts, except those designated as hedging instruments

Financial assets held for trading are initially recorded in the balance sheet at their fair value, which generally corresponds to the amount paid. Any direct transaction costs/income relating thereto are recorded in the statement of income.

The subsequent valuation is made on the basis of the evolution of the fair value, any changes being recorded in the statement of income.

Equities and related derivative contracts for which fair value cannot be set precisely are accounted at cost, and adjusted for value losses. These losses in values are not restored.

The fair value of financial instruments listed on active markets is represented by the related market price. If no such active market exists for the asset, the fair value is obtained by taking into account the prices provided by external operators and by using measurement models that are mainly based on objective financial variables as well as the prices recorded on recent transactions and market prices for similar financial instruments.

Derivatives are treated as assets if the fair value is positive and as liabilities if the fair value is negative. The Group offsets current positive and negative values arising from transactions made with the same counterparty where such offset has been expressly provided for under the terms of the contract, and where the Group effectively intends to settle the account on such a basis.

Financial assets held for trading also include derivatives that are embedded in another complex financial instrument, which are to be separated from the host contract if:
- the economic features and the risks of the embedded derivative are not strictly correlated to the economic features and the risks of the host contract;
- a separate instrument with the same terms and conditions of the embedded derivative would meet the definition of derivative;
- the instrument that includes the embedded derivative is not measured at fair value, its value adjustment being recorded in the statement of income.

Section 2 - Available-for-Sale Financial Assets

These assets are different from loans and financing, held-to-maturity investments, financial assets held for trading, and assets designated at fair value through profit and loss, including debt securities and equities.

At first recording, available-for-sale financial assets are carried in the balance sheet at their fair value, which normally corresponds to the amount paid for their purchase, plus any transaction costs directly arising therefrom.

They are subsequently measured at fair value, any gains or losses arising from changes in fair value being included as a specific reserve under equity.

The results of the measurements are recorded in a specific reserve under equity and are included in the statement of income at the time of disposal or where an impairment loss is incurred.

Certain unlisted equities, the fair value of which cannot be reliably established or verified, also taking into account the importance of the range of values obtainable from the measurement models generally adopted by the market, are stated in the financial statements at cost, and adjusted for any impairment losses verified.

The Group assesses whether an event has given rise to an impairment loss and determines its amount by making reference to its past experience on asset evaluation and using all the information available that is based on facts that have already occurred and data that can be observed at the valuation date.

As regards debt securities, the information that is considered as being particularly relevant to assessing whether an impairment loss has occurred is as follows:
- the issuer is experiencing major financial difficulties as proved by non-performance or default on payment of interest or capital;
- bankruptcy proceedings are likely to be opened;
- financial instruments are no longer dealt with on an active market;
- the economic conditions that affect the cash flows of the issuer have worsened;
- the issuer’s rating has been downgraded and negative news indicates that the financial situation of the issuer has worsened.

As regards equities, any impairment losses will be established by taking into account relevant information which includes any changes that have occurred in the technological, market, economical or legal environment in which the issuer operates. A significant and/or prolonged reduction in the fair value of equities below their cost may be considered as objective evidence of impairment.

Impairment losses on equities cannot give rise to write-backs in the statement of income if the reason for the writedown ceases to exist. Such write-backs therefore are only recorded in a specific reserve under equity.

Any write-back of debt securities, instead, is recorded in the statement of income.

As regards debt securities classified as being available for sale, the related yield, calculated using the amortized cost method, is recorded in the statement of income, as are the effects of exchange differences.

Exchange differences relating to available-for-sale capital instruments, on the other hand, are recorded in a specific reserve under equity.

Section 3 - Held-to-Maturity Financial Assets

The investments classified in this category are represented by non-derivative listed financial instruments, with fixed or determinable payments and fixed maturity that the Group intends to, and can, hold until maturity.

On the date of their first recording, financial assets held to maturity are recorded in the balance sheet at their fair value, usually corresponding to the purchase amount, to which are added any dealing costs directly attributable to the purchase.

Held-to-maturity financial assets are stated at amortized cost, using the effective interest method. Gains and losses arising on financial assets held to maturity are recorded in the statement of income where such assets are eliminated or their value is impaired, as well as through amortization.

Impairment losses are calculated as the difference between the book value of assets and the present value of expected future financial flows, discounted using the original effective interest rate.

In the event of write-backs, these are recorded in the statement of income but only to the extent of the amortized cost of the financial assets.

Section 4 - Loans and Guarantees

Loans are represented by financial assets that are not derivatives, including debt securities, with fixed or determinable payments, which are not listed on active markets and that have not been classified from the day of acquisition under financial assets available for sale, held for trading or designated at fair value.

When loans are first recorded, they are entered in the balance sheet at their fair value, which generally corresponds to the amount paid/drawn, plus any direct transaction costs/income, if tangible and determinable.

Later, loans are stated at the amortized cost using the effective interest rate criterion. Short-term loans, including on demand loans, are not stated at the amortized cost as the effect of applying the effective interest rate criterion is negligible.

The value at which loans are carried in the financial statements is regularly tested to establish if, owing to any losses in value, they may have to be stated at their net carrying amount. The main information considered pertinent to establishing impairment includes:
- the borrower/issuer is experiencing major financial difficulties as proved by non-performance or default on payment of interest or capital;
- bankruptcy proceedings are likely to be opened;
- the economic conditions that affect the financial flows of the borrower/issuer have worsened;
- debt servicing difficulties are being experienced in the country of residence of the borrower/issuer;
- the borrower/issuer's rating has been downgraded due to negative news indicating that the financial situation of the latter has worsened;
- negative trends in individual commodity sectors.

Impairment testing further takes into account any guarantees pledged.

As regards the classification of impaired exposures under the various risk categories (non-performing, problem, restructured and overdue exposures), reference was made to the provisions issued by the Bank of Italy on the subject, as integrated by internal regulations which prescribe automatic rules for the reclassification of loans to the various risk categories.

The classification is carried out by the operating structures independently or subject to the assessment/availability of central and local functions specialized in loan monitoring and collection, with the exception of loans due/overdue by more than 180 days, for which classification is carried out by automatic procedures.

Any adjustments for impairment to the carrying amount of loans are calculated taking into account the extent to which loans have become impaired, applying an individual or collective valuation, as detailed below.

The following are evaluated on an individual basis:
- non-performing loans: loans to borrowers in a state of insolvency or similar state;
- problem loans: loans to borrowers suffering temporary difficulties which are likely to be overcome in an acceptable period of time;
- restructured loans: loans in respect of which the bank (or a pool of banks), owing to the deterioration of the economic-financial standing of the borrower, allows that the original contractual terms be changed in order to avoid a loss; loans to enterprises which are expected to stop trading are not restructured loans.

The net carrying amount of impaired exposures that are evaluated on an individual basis, which is formalized by resolutions issued by the Administrative Bodies of the Parent Bank and other bodies which have been especially authorized to deal with the matter, is the net present value of the expected financial flows of capital and interest of the various exposures.

The net present value of financial flows is determined with reference to the estimated future financial flows, their timing and the applicable discount rate.

As regards impaired exposures, the estimated future cash flows and their timing (constituting expected repayment schedules) are determined on analytical assumptions made by the departments in charge of loan assessment and, where such assumptions are not available, on lump-sum estimates based on statistics of internal historical data and sector studies.

The discount rates used for the estimated future cash flows shown in the expected repayment schedules of impaired exposures were the original effective interest rates used for medium-long term loans and the weighted average of the rates charged on short-term loan exposures, reworked with similar contractual form, maturity characteristics and risk profile.

The following loans are evaluated on an collective basis:
- expired exposures: exposures to subjects that are not classified under the previous risk categories which, at the end of the period, show loans due or overdue by more than 180 days. The assessment is made on an historical statistical basis;
- exposures subject to country risk: unsecured loans to borrowers residing in countries with debt-servicing difficulties. These loans are usually valued on a lump-sum basis, taking each country separately, by applying writedown percentages that are not lower than those specified by the banking association. These loans do not include expired exposures and those listed above that are evaluated on an individual basis;
- performing loans: loans to borrowers who, at the balance sheet date, have not yet shown any specific insolvency risks. Collective adjustments to performing loans are calculated by applying a model developed on the basis of Risk Management methodologies used by banks in the Group to assess the credit impairment that it is believed to have occurred at the reference date ("incurred"), the extent of which is not known at the time the assessment is made.

The model used for the aggregate measurement of performing loans involves the following stages:
- allocation of the loan portfolio based on:
  a. customer segments
  b. business sectors

c. geographical location
- calculation of the loss given default for each portfolio, based on historical experience and the time interval between the default event and its formal occurrence which takes place when the loan is actually classified as a doubtful loan;

- application of corrective factors calculated on the basis of the qualitative analysis of the portfolio, with particular reference to the risk concentration and the impact made by the current situation of the economic cycle on the various industrial sectors.

Writedowns, whether specific or general, are made by entering a "value adjustment" to reduce the value of the asset shown in the balance sheet, on the basis of the aforementioned criteria. These writedowns, however, may be reinstated by means of write-backs recorded in a caption included in the statement of income where all net value adjustments on loans are recorded, in the event that the reason for such writedowns ceases to apply or the amount recovered on the loans is higher than the original writedown booked in the records.

Considering the methodology used to calculate the writedowns of impaired exposures, the mere passage of time, and the fact that the expected repayment dates are, as a result, brought closer, implies an automatic reduction of the implicit financial charges previously deducted from the value of the loans. This effect is recorded in the financial statements under net adjustments/write-backs (caption 130).

If the loans are disposed, they are removed from the balance sheet and the resulting net profit (or loss) is recorded in the statement of income only when all the risks and rewards of ownership connected with the loans have been transferred to the assignee. If, despite the title to the loan passing to the purchaser, the Group still maintains control over the cash flows arising from the loans as well as the risks and rewards connected with it, the loan is shown in the financial statements with a liability recorded to reflect the proceeds received from the purchaser.

Financial guarantees issued that do not represent derivative contracts are evaluated taking into account the regulations of IAS 39 which provide for the recording of commissions received, pursuant to IAS 18, on the one hand and, on the other, evaluation of risks and charges in connection to the guarantees applying the criteria contained in IAS 37. On the basis of Bank of Italy provisions, this evaluation is entered in the financial statements against other liabilities. Moreover, this type of contract is not dealt with in the insurance compartment.

Section 5 - Financial assets designated at fair value

The Group exercised the fair value option, with subsequent adjustments in value recorded in the statement of income, at the initial measurement of investments with respect to insurance policies under which total risk is borne by the insured parties.

Section 6 - Hedge accounting

According to the financial policies adopted, the Group makes use of derivative contracts to hedge against interest rate, exchange rate and credit risks as well as the risk on highly probable forecast transactions.

The hedging transactions used for the above-mentioned risks aim at covering potential losses attributable to certain types of risks through gains that may arise on hedging instruments.

Group companies use the following types of hedging transactions:
- hedging of exposures against the risk of changes in the fair value (attributable to the various types of risk) of assets and liabilities recorded in the financial statements or portions of these, of groups of assets and liabilities, of irrevocable commitments, and of portfolios of financial assets and liabilities, including core deposits, as permitted by IAS 39 approved by the European Commission;
- hedging of the variability of cash flows of assets/liabilities recorded in the financial statements or of highly probable forecast transactions;
- net investment hedges in foreign operations.

For the purpose of applying hedge accounting, governed by the related accounting principles, the Group formally documents the relationship between the hedging instruments and the hedged items as well as its risk management objectives, its strategy for undertaking the various hedging transactions and the methods used to verify hedge effectiveness. In line with IAS/IFRS, hedge effectiveness is assessed both at inception and on an ongoing basis. Generally a hedge is considered to be highly effective if, both at inception and during its life, the changes in the fair value or in the cash flows of the hedged item are almost completely offset by the changes in the fair value or in the cash flows of the hedging derivative, that is to say that the actual results fall within an interval ranging between 80% and 125%.

The hedging relationship ceases to exist when: (i) the derivative is not, or has ceased to be, highly effective as a hedge, (ii) it expires, or is sold, terminated or exercised, (iii) the hedged item matures, is sold or repaid, or presents impairment, and (iv) the forecast transaction is no longer deemed highly probable.

Fair Value Hedge Accounting

If fair value hedges are in place, any changes in the fair value of hedging instruments and hedged items (as regards the part attributable to the hedged risk and in the case of hedge effectiveness) are recorded in the statement of income. The differences between the changes in value represent the ineffective portion of the hedge and give rise to a net economic impact.

When a hedge ceases to exist for reasons other than the sale of the hedged item, the fair value hedging adjustment made to the latter, recorded in the financial statements until such time that the effective hedge was in place, is recorded in the statement of income on the basis of the amortized cost method in the case of interest-bearing financial instruments, or as a lump sum in all other cases.

Cash Flow Hedge

With regard to cash flow hedges, the fair value gain or loss associated with the portion of the cash flow hedge deemed effective is recognized initially in shareholder's equity, with no impact on the statement of income. When the cash flows that have been hedged against eventually occur and are recorded in the statement of income, the aforementioned gains or losses on the hedging instrument are transferred from shareholders' equity to the corresponding caption in the statement of income.

When a cash flow hedge relating to a forecast transaction expires or is no longer effective, any cumulative gain or loss existing in equity at the time remains in equity under a specific reserve account until such transaction actually takes place (or the forecast transaction is no longer expected to occur). When the transaction occurs, such amount is recognized in the statement of income under "net dealing income."

Net Investment Hedge in Foreign Operations

With reference to investment hedging in foreign operations, the effective portion of the gain or loss on the hedging instrument is initially recognized directly in equity, no entries being made in the statement of income. The amount recognized in equity is transferred to the statement of income upon disposal of the foreign operation.

Section 7 - Equity investments

Equity investments which are neither consolidated on a line-by-line or proportional basis and shareholdings which are subject to joint control or significant influence by the Group are accounted for using the equity method. A company is considered as being subject to significant influence if the Group is actively involved in formulating the administrative, financial and operating policies of the company as a result of legal relationships and prevailing situations. Significant influence is assumed to exist when the Group holds at least 20% or more of the company's voting rights.

The remaining minority investments are classified in the categories provided by IAS 39. In particular, investments not held for trading purposes are generally included under "available-for-sale investments."

Section 8 - Tangible Assets

Tangible assets include:
- land
- functional property
- property investments
- electrical equipment
- furniture and fittings, machinery and equipment

"Functional property" is represented by assets either owned by the Group or held under a finance lease contract, that are used by the Group to carry out its business activity or for administration purposes, whose useful life extends beyond the financial year.

"Property investments" are represented by assets either owned by the Group or held under a finance lease contract, for the purpose of collecting lease rentals and/or held for capital appreciation.

Tangible assets are initially recorded at cost increased by any ancillary charges directly attributable to the acquisition and installation of the assets. Subsequently they are carried at cost less accumulated depreciation and provisions for impairment, if any.

Any expenses incurred after the date of purchase increase the book value of the asset or are recorded as separate assets only where their use gives rise to an increase in future economic benefits. Other types of subsequent expenditures are charged to the statement of income of the year in which they are incurred.

Depreciation is provided on the annual depreciable amount of tangible assets systematically on straight line basis over the estimated useful life of each asset. The useful life of tangible assets that are subject to depreciation is kept regularly under review, to take account of any change in circumstances and if any initial estimates are changed then the related depreciation rate is adjusted too.

In particular, as regards property, the parts relating to land and buildings represent separate assets for accounting purposes and are recorded separately at the time of acquisition.

As land is expected to have an indefinite life, no depreciation is provided on the part that relates to the land.

Similarly, no depreciation is provided on works of art included under tangible assets, as their useful life cannot be estimated and generally the related value does not depreciate due to the passage of time.

Section 9 - Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance that are held to be used over a period of more than one year. They include goodwill and software either developed internally or purchased from third parties.

Goodwill arises on the acquisition of subsidiaries, associated entities and business units and represents the excess of the purchase amount paid over the net fair value of the Group's share of the assets acquired and the liabilities assumed on the date of the acquisition.

Goodwill is not systematically amortized; in fact it is regularly reviewed for impairment. Goodwill is allocated to cash-generating units for the purpose of impairment testing. An impairment loss will be recorded where the recoverable amount is lower than its current book value in the financial statements. The recoverable amount is represented by the greater of the fair value of the cash-generating unit, net of selling costs, and the value in use, represented by the present value of the future cash flows expected to be produced by the cash-generating unit and arising on its disposal at the end of its useful life. At the consolidated level, to test for impairment, goodwill is allocated to groups of cash-generating units that represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. This is done also by taking into account the organizational structure of the Group and its Business Sectors.

Goodwill concerning investments in associates and companies subject to joint control carried in shareholders' equity is included in the value of the investments themselves.
Internal costs incurred to develop software are capitalized in the financial statements under intangible assets, only upon verification of the technical feasibility of the projects involved and their completion as well as their ability to generate future economic benefits. At the development stage, these assets are valued at cost, inclusive of any direct ancillary costs and any costs relating to internal staff employed on the development. If the results of the trial testing are negative, then the costs are charged to the statement of income.

Intangible assets arising on software developed internally or acquired externally are amortized on a straight-line basis, starting from the date of completion and implementation, over an estimated useful life of three years. Where the recoverable amount of such assets is lower than their book value, the difference is recorded in the statement of income.

Section 10 – Discontinued Operations

Discontinued operations are held for sale. Individual long-term assets, units generating cash flow, and groups of these or their individual parts, are classified as held for sale only when their disposal is considered highly probable.

Such assets are valued at the lower of book and fair value, net of selling costs. If depreciation has previously been written down on the assets, the depreciation process is suspended as of the year in which the assets were classified as discontinued operations.

"Individual" discontinued asset values, as with the net results deriving from their subsequent disposal, are carried under the relevant captions of the statement of income.

The balance, whether positive or negative, of income or charges relating to discontinued "groups of operations" are stated in the statement of income net of current and deferred taxation.

Section 11 - Current and Deferred Taxation

Income tax, calculated according to domestic tax regulations, is accounted for as a cost in compliance with the accruals concept, in line with the method followed to include, in the financial statements, the costs and income that generated them. Therefore, they represent the balance of current and deferred taxation relating to the net result for the period.

Current tax assets and liabilities include the tax balances of the single Group companies due to the relevant Italian and foreign tax authorities. More specifically, these captions include the net balance of current tax liabilities for the year, calculated on the basis of a prudent estimate of the tax charges due for the period, assessed according to the tax regulations currently in force, and the current tax assets represented by advances paid and other tax credits for withholding taxes borne or tax credits of previous financial years that any company within the Group can claim against taxes payable in future financial years.

Current tax assets also include tax credits in respect of which a tax refund claim has been filed with the relevant tax authorities.

Deferred taxation is calculated under the so-called "balance sheet liability method," taking into account the tax effect of temporary differences between the book value of assets and liabilities and their value for taxation purposes which will give rise to taxable income or deductible amounts in future years. To this end, "taxable temporary differences" are differences which will give rise to taxable income in future years while "deductible temporary differences" are those which will give rise to deductible amounts in future years.

Deferred tax liabilities are calculated by applying, with regard to each consolidated company, the tax rates currently in force to taxable temporary differences that are likely to generate a tax burden and to the deductible temporary differences if these are likely to be recovered. Deferred tax assets and liabilities relating to the same tax and expiring in the same period are offset against each other.

In the financial years where deductible temporary differences are greater than taxable temporary differences, the related anticipated taxes are included under balance sheet assets among "deferred tax assets". On the other hand, in the years where taxable temporary differences are greater than deductible temporary differences, the related deferred taxes are included under balance sheet liabilities among deferred tax liabilities.

If deferred tax assets and liabilities relate to items pertaining to the statement of income, the balancing item will be represented by income tax.

Where anticipated and deferred taxation relate to transactions that have been recorded in shareholders' equity without affecting earnings (evaluations of available-for-sale financial assets or of cash flow hedge derivative contracts), the balancing entry is made in shareholders' equity, under specific reserves where so provided (e.g. valuation reserves).

Deferred taxation on equity reserves that will become taxable "however used" is charged against shareholders' equity. Deferred taxation relating to revaluations arising on conversion to the euro, credited directly to a specific reserve named "Reserve pursuant to article 21 of D.Lgs. no. 213/98," which qualify for deferred taxation, is charged directly against this reserve.

No provision is made for the Parent Bank's reserves subject to taxation only in the event of distribution. This is because such reserves are allocated to accounts that are not available for distribution and because the events which would give rise to such taxation are not expected to occur.
Deferred taxation on shareholders' equity items of consolidated companies is not recorded in the financial statements if it is unlikely that any tax liability will actually arise, also bearing in mind the permanent nature of the investment.

Section 12 - Provisions for Risks and Charges

Provisions for risks and charges represent liabilities, the timing and amount of which is uncertain and are shown in the financial statements for the following reasons:
- a current (legal or implicit) obligation exists owing to a past event;
- it is likely that financial resources will be used to fulfill the obligation;
- it is possible to make an estimate of the likely future cash outflow.

The sub-caption "post-retirement benefit obligations" includes provisions booked according to IAS 19 "Employee Benefits" to balance the technical deficit of the supplementary defined pension benefit plan.

Actuarial calculations are carried out in this case too, as provided by the aforementioned accounting standard, by an external actuary based on the "Projected Unit Credit Method."

For employee provisions, this method, which falls within the scope of general techniques relating to so-called "accrued benefits," takes into account each period of service by the employee with the company as an additional unit of benefit entitlement. Hence, the actuarial liability must be quantified exclusively on the basis of the employee's length of service as at the date of measurement. The overall liability is therefore usually recalculated based on the ratio of total years of service matured as at the date of measurement to the total number of years of service accrued at the time the benefit will be paid. Furthermore, the above method takes into account any future salary increases due for any reason (inflation, seniority and promotion, contract renewal, etc.), up until the time the employment relationship is terminated. With regard to employee pension commitments, the above corrective measures are not applied as the commitment is fully matured.

The discount rate used for the evaluations is based on the market rate of zero coupon bonds, considered most representative of market performance, taking into account the expected future cash outflows of the pension fund.

The current year accrual to the statement of income represents the sum of the annual interest matured on the average present value of pension benefits at the beginning of the year and the average present value of services rendered by the employees in service during the year, net of the expected yearly yield on the pension fund assets invested.

To this end, the discount rate used to calculate the interest on the average present value of pension benefits is the discount rate of benefits forecast at the beginning of the year, and the rate used to calculate the yield expected on the pension fund assets is the yield rate of pension fund investments forecast at the beginning of the year.

More specifically, the Group's commitment is calculated as the algebraic sum of the following values:
- the present average value of pension benefits calculated considering, for the employees in service, only the years of service already rendered and assumptions that take into account future pay increases;
- the current value of the assets of the pension fund.

Resulting actuarial gains and losses are stated in a specific valuation reserve balancing the specific asset or liability.
As required by IAS 19, as amended by EC Regulation no. 1910/2005 of November 8, 2005, in the case of defined benefit plans that spread risks between the various entities under joint control, the information reported in the Explanatory Notes, as required by section 120 A of IAS 19, refers to the plans taken on a collective basis.
"Other funds" include provisions made to cover estimated losses on legal disputes, including revocatory actions, sums paid in connection with the renegotiation of subsidized home mortgage loans (Law no. 133/99 and that dictated by Budget Law 2001 and other regional laws), the estimated amounts payable in relation to customer disputes in respect of dealing activities in securities, other sums payable in connection with legal or implicit obligations existing at the end of the financial year, including accruals for incentive voluntary redundancy payments, other welfare and social contributions as well as contractual indemnities due to Private Bankers of the Group.

Where the liability crystallizes after a significant period of time, the Group calculates the amount of the provisions and of the accruals based on the present value of the sums that will eventually be paid out in respect of such liability. The discount rate used is gross of taxes and is such that it reflects current market valuations of the present value of currencies and the specific risks associated with the liability.

If the accruals are discounted to present value, the amount of the provisions included in the financial statements increases in each financial year to reflect the passage of time. Adjustments to the funds are stated in the statement of income.

"Other funds" include provisions to set up the reserve necessary to pay out seniority bonuses to employees that become payable at the terms set forth under company by-laws. These provisions have also been accrued on the basis of an independent actuary by adopting the methods recommended by IAS 19 dealt with earlier. Considering the characteristics of the Group's commitment, the 'corridor' method is not applicable, therefore any actuarial gain or loss is recorded in the financial statements regardless of its amount.

The provisions made are re-examined at each balance sheet date and adjusted to reflect the best current estimates. When it looks unlikely that resources will be needed to produce economic benefits to meet the obligation, the accrual is reversed.

The caption 'provisions for risks and charges' does not include however the writedowns owing to the deterioration of guarantees given, the derivative contracts assimilated to the former according to international accounting standards and the irrevocable commitments to grant finance. These writedowns are included under 'other liabilities'.

Termination Indemnities

The liability relating to staff termination indemnities is shown in the financial statements based on its actuarial value, the latter being the quantifiable benefit due to employees according to a defined benefit plan.

Again in this case, the present value of the Bank's commitments is calculated by an external expert using the Projected Unit Credit Method, illustrated above.

The annual discount rate adopted for the calculations is assumed to be equal to the market rate at the end of the period as regards zero coupon bonds, deemed most representative of market performance, with the average remaining life of the liability taken into consideration.

The recording of defined benefit plans requires an actuarial estimate of the sum total of benefits matured by employees on the basis of service rendered over the current and previous years, and the discounting of such service, in order to determine the current value of the Group's commitments.

The amount of termination indemnities accrued in the year and charged to the statement of income under personnel costs is equal to the sum of the average present value of entitlements matured by current employees in the year, and the annual interest accrued on the present value of the Bank's commitments at the beginning of the year, calculated using the discount rate applied to expected future payments to estimate the liability at the end of the previous financial year.

Resulting actuarial gains or losses are stated in a special reserve balancing the reduction or addition to the balance sheet liability recorded.

Section 13 - Debts and Securities Issued

Loans to banks and loans to customers include all technical forms of funding granted to the aforesaid counterparts including operating debts and finance lease liabilities.

Securities issued, both listed and unlisted, including investment certificates and certificates of deposits, are shown in the financial statements net of any repurchased portions.

Debts and securities issued are shown in the financial statements at fair value amended, where necessary, for any charges and income that are directly attributable to these liabilities. Fair value usually coincides with the proceeds received or the issue price of the securities.

Debts and securities issued, except for repayable on demand and short-term customer deposits, are valued at amortized cost using the effective interest rate method.

Deposits valued at amortized cost include sums collected by the Group's insurance companies in respect of policies issued that are mainly financial products for investments where the risk is not entirely borne by the underwriter.

The difference between the cost incurred to repurchase the securities issued and their respective book value is recorded in the statement of income. The sale of any repurchased securities is, from the point of view of the accounting procedures, like a new placing and therefore gives rise to a change in the average book value of the related liabilities.

Section 14 - Financial Liabilities Held for Trading

Financial liabilities held for trading include the negative results of the valuations of dealing derivatives, and "technical losses" on securities.

Section 15 - Financial Liabilities Designated as at Fair Value

The Group exercised the fair value option for liabilities, designating insurance policies (with predominantly financial characteristics and investments under which total risk is borne by the insured parties) and certain issues of structured securities with characteristics similar to the former. Investments relating to such forms of deposits were also designated at fair value, thereby eliminating or considerably reducing "accounting biases" that would otherwise arise from measuring assets and liabilities on different bases. The effects of initial recognition of liabilities at fair value on the balance sheet are recorded in the statement of income.

Bonds issued by subsidiaries whose return is correlated to the performance of investment fund portfolios are also designated at fair value and recorded as balance sheet assets. The adoption of the fair value option for this category of structured financial instruments enables their recording in the financial statements on a basis that reflects the natural hedging approach taken through their structuring.

These liabilities are recorded at fair value as at the date of issue through the application of the fair value option, and include the value of any embedded derivatives, net of placement fees paid. The difference between the amounts collected upon issue, net of placement fees, and the fair value of the bonds as at the date of issue is recorded in the statement of income on an accrual basis over the bond life term.

Section 16 - Currency Transactions

Foreign currency transactions are recorded in euros, that represent the Group's functional currency, applying the exchange rate applicable as at the date of the transaction.

In general terms, assets, liabilities and the components of net equity related to currency transactions that differ from those arising from costs and income in the period are converted using the exchange rate at the date of closure, while costs and income for the year are converted using the exchange rate at the date of transaction, or by using an average rate if the exchange fluctuations for period used as reference to establish the average are not significant. All the differences arising from the above-mentioned conversions are recorded in net equity. In the case of net investment in a foreign unit, the exchange difference, initially recorded in net equity, is later moved to the statement of income when and if the investment is ceded.

Monetary items are translated at the exchange rate applicable as at the end of the period. Non-monetary items that are not hedged against the exchange rate risk and which are not measured at fair value are translated at the rate applicable as at the date when they are first included in the financial statements.

Exchange differences arising on the settlement of monetary and non-monetary items are recorded in the statement of income.

The exchange differences arising on the translation of monetary items using rates that differ from those applied when the transaction was initially recorded or those applicable as at end of the previous are recorded in the statement of income.

The exchange differences arising on the translation of non-monetary items at rates that differ from those used when the transaction was originally booked in the records, if applicable based on the above-mentioned principle, are recorded in the financial statements as follows:
- in the statement of income if the non-monetary items are hedged against exchange rate risk, as regards the effective portion of the hedge;
- otherwise, either in the statement of income or in the balance sheet under shareholders' equity if the non-monetary items are valued at fair value, based on the principles for recording the related changes in fair value in the financial statements.

Section 17 – Insurance Assets and Liabilities

Insurance Products

Products for which insurance risk is deemed significant include, among other things, temporary first branch death policies and income and mixed policies with guaranteed fixed conversion rates at the time of issue, and certain types of unit-linked policies and damage cover. As regards these products, IAS/IFRS substantially confirm the national accounting standards (GAAP) concerning insurance. In brief, IFRS 4 sets forth:
- gross premiums are to be recorded in the statement of income under income; they include all amounts matured during the financial year as a result of insurance contracts signed, net of cancellations; likewise, all premiums ceded to reinsurers are recorded under current year costs;
- if gross premiums are collected and recorded under income, the corresponding commitment towards the insured is accrued in technical reserves, such amount being calculated on a contract-by-contract basis using the prospective method taking into account demographic/financial assumptions currently used by the market;
- the insurance products entered under separate management are valued by applying so-called "shadow accounting," whereby the differences between the book value and the market value of securities classified as available-for-sale investments are allocated to technical reserves as regards the insured parties' portion and to net equity as regards the insurance companies' portion. If, on the other hand, the securities are recorded at fair value in the statement of income, the difference between the book value and the market value is recorded in the statement of income giving rise to a change in technical reserves equal to the amount of the insured parties' portion;
- the Group deems the discretional participation in profits (DPF) is equal to the rates for contractual reconveyance guaranteed in policies for insured parties;
- liabilities related to DPF products are given as a whole with no distinction between the guaranteed and discretional components.

Financial Products Included Under Separate Management

Financial products included under separate management despite their not being subject to significant insurance risk, and which therefore contain discretionary profit sharing features, include the majority of life policies and mixed first branch policies, as well as fifth branch capitalization policies. These are accounted for according to the principles set forth in IFRS 4, in brief:
- the products are shown in the financial statements according to principles that are very similar to the principles that are locally in force on the subject, any premiums, payments and changes in technical reserves being recorded in the statement of income;
- the Group deems the discretional participation in profits (DPF) is equal to the quotas for contractual reconveyance guaranteed in policies for insured parties;
- liabilities related to DPF products are given as a whole with no distinction between the guaranteed and discretional components;
- the products are evaluated using shadow accounting.

Financial Products Not Included Under Separate Management

Financial products that are not subject to significant insurance risk and are not included under separate management, and which therefore do not contain discretionary profit sharing features, are mostly represented by index-linked policies and some of the unit-linked ones,

as well as those specific asset policies that are not included under separate management. These products are accounted for according to the principles set forth in IAS 39, as summarized below:
- the products are shown in the financial statements as financial liabilities and are measured at fair value, on the basis of the option provided or at amortized cost. In particular, the portion of index- and unit-linked policies that are considered investment contracts are measured at fair value, whereas the specific asset products not included under separate management are valued at amortized cost;
- the statement of income does not reflect the premiums, payments and change in reserve concerning these products, but only the income items represented by the charges and commissions payable, and the cost items represented by the provisions and other charges. More specifically, the international accounting standards, contained in IAS 39 and 18, provide that income and costs relating to the products in question be identified and classified under two headings: (i) *origination*, to be recorded in the statement of income at the time the product is issued and (ii) *investment and management services*, to be amortized over the life of the product which depends on how the service is provided. In addition, as regards specific asset products not included under separate management, income and cost items are included in the calculation of the amount to be amortized;
- the insurance component included in the index- and unit-linked products, where it can be unbundled, is independently valued and recorded.

Section 18 - Other Information

Reserves

This item, reporting profit reserves, also includes the consolidation differences from the companies consolidated in shareholders' equity.

Valuation Reserves

Valuation reserves include reserves arising from the valuation of available-for-sale investments, net of “shadow accounting” of insurance liabilities, net derivative contracts used as cash flow hedges and the revaluation reserves set up pursuant to special laws in past financial years that have not been allocated to other items making up Group shareholders’ equity. Furthermore, the caption also includes revaluations of tangible assets made when the IAS/IFRS were first applied, as a result of the “deemed cost” evaluation of tangible assets.

Own Shares

Own shares purchased are shown in the financial statements at cost under a specific caption, with a minus sign, as part of the Group shareholders’ equity and as a result they are not valued.
In the event that they are sold on the market, any difference between the purchase cost and the selling price is recorded under shareholders’ equity.

Accruals, Prepayments and Deferrals

Accruals, prepayments and deferrals for the year which include income and charges for the period, matured on assets and liabilities, are shown in the financial statements as an increase or decrease of the assets and liabilities they relate to.

Stock Option Plans

As regards the stock option plans in favor of employees and private bankers of the Group approved, starting from November 2002 and December 2002 respectively, the Group applies the accounting treatment set out in IFRS 2 which deals with share-based payments.

According to this accounting method, the options granted are valued at the fair value prevailing at the grant date, which coincides with the date the plan is approved by the competent bodies. Such fair value is included in the statement of income under a specific caption, being allocated over the period that the rights assigned mature, the other side of the entry being in a caption included under shareholders’ equity which is not available for distribution.

The fair value of the options is calculated on the basis of a valuation model that takes into account not only the exercise price but also the volatility of the stock price of the options, the expected dividend yield and the risk-free interest rate at grant date.

In the event that the options are not exercised owing to the non-occurrence of certain conditions, not dependent on market trends, the cumulative cost included in the financial statements in respect of the stock option plans is reversed in the statement of income, the corresponding entry being in shareholders’ equity under a specific reserve not available for distribution.

If the stock options are exercised, the cumulative cost stated in the specific reserve of shareholders' equity is charged as an addition to share premiums.

Failure to exercise the stock option rights due to market conditions does not give rise to a reversal of the cumulative cost, but the equity amount recorded as the corresponding entry to personnel costs in the period over which the plan matures becomes available for distribution.

Revenue and Cost Recognition

Revenue arising from the sale of goods or rendering of services is included in the financial statements using the fair value of the sale proceeds received, as long as the following conditions are met:
- the Group has transferred to the purchaser all the risks and rewards of the ownership of the goods;
- the value of sale proceeds can be reliably assessed;
- it is likely that economic benefits will accrue to the Group.

Commissions receivable and other income for services rendered are included in the financial statements in the period in which the services are actually provided.

In particular, revenue arising from the sale of insurance policies where the risk is borne by the insured parties are included on the basis of the duration of the contract. The costs relating to the purchase of these contracts are accounted for in the statement of income in the same period as the related revenue is recorded.

Interest is recorded in the financial statements on an accrual basis. In particular:
- interest is accounted for on an accrual basis which takes into account the effective interest earned;
- default or late payment interests are accounted for at the time they are received;
- dividends are recorded when the right to receive the payment matures and therefore at the time when the distribution is resolved upon.

As regards the trading activity in financial instruments, the difference between the fair value of the instruments and the amount paid or received is recorded in the statement of income where the fair value can be reliably assessed, a valuation model based on market parameters is used, and prices applied to recent transactions in the same market where the instrument is traded can be verified. Failing these conditions, the estimated difference is recorded in the statement of income on a straight-line basis over the duration of the transactions.

Revenue and costs are recorded in the statement of income for the periods to which they relate. If the above matching can only be done generally or indirectly, then the costs are allocated to more than one accounting period according to rational procedures and on a systematic basis. Those costs that cannot be matched with the related revenues are immediately charged to the statement of income.

Finally, insurance charges from insurance business are stated on the basis of their nature, and recorded in the relevant statement items.

PART A.3 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the value at which assets may be dealt, or liabilities extinguished, in a free trade between parties with equal contractual power.

The fair value of financial instruments listed on active markets coincides with the active market price. As concerns the identification of the active market, the Group uses specific rules and procedures to fix the price and verify the reliability of the shares bought.

The market price, considered representative of fair value, for assets owned by the Bank is taken at the bid price, whilst for assets to be acquired, the market price is taken at the asking price. If the bid and asking prices are not available, current fair value is evaluated at the price of the last transaction made. Where financial assets and liabilities are matched in terms of market risk, reference is made to average market prices in order to establish their fair value.

Financial assets with more than one listing price on distinct active markets are designated at the price the Bank deems most favorable.

If no market price exists for a financial instrument in its entirety, but only for its components, the fair value is calculated on the basis of the relevant market prices of the components.

For a considerable portion of the assets and liabilities held or issued by SAN PAOLO IMI, market prices are not available. In these cases, appropriate measurement techniques were employed which involved the net present value of future cash flows, using parameters based on the market conditions prevailing at the date of the financial statements.

Since the measurement results may be significantly influenced by the assumptions made, mainly as concerns the timing of future cash flows, the discount rates used, and the credit risk estimate methods employed, the fair value estimated would not necessarily be realized if the financial instruments were sold immediately.

In determining the fair value of the financial instruments reported in the tables of the Explanatory Notes - Part B, where required by Bank of Italy Circular no. 262 of December 22, 2005, the following methods and key assumptions were used:
- for debt securities owned by the Bank, independently of the classifications provided by IAS 39, the Group adopted a specific procedure for the determination of the situations constituting an active market based on an analysis of the trading volumes, the price range and the number of shares on the market. In the event that no active market was found to exist, comparables were identified with the same financial characteristics of the instrument or, as a final resort, cash flow discounting including all factors that could influence the value of the instrument (e.g. credit risk, volatility and illiquidity)
- for financial assets and liabilities with a residual term equal to or less than 18 months, fair value was reasonably assumed to equal carrying value;
- for loans and deposits on demand (funding), the maturity date of contractual obligations was assumed to be immediate and to coincide with the date of the financial statements; hence fair value was taken at the carrying value;
- for medium-/long-term loans to customers, fair value was measured using internally defined measurement techniques involving the time discounting of residual contractual flows at current interest rates, adjusted to take into account the credit rating of each individual borrower (or the probability of default resulting from the rating) and loss given default;
- for impaired assets, fair value was taken at book value;
- for medium/-long-term liabilities, consisting of unsecured securities or deposits, fair value was measured by time discounting contractual flows at rates which the Bank, at the time of measurement, could reasonably apply on the market of reference at the date of the financial statements for similar deposits; in the case of Tier 1 subordinated loans, account was taken of the near impossibility of anticipated repurchase/reimbursement and the existence of eventual clauses/options in favor of the issuer;
- for medium-long term liabilities and fixed rate, structured securities issued, singly hedged for variations in fair value, fair value was taken at the book value already adjusted for the effects of hedging, on the assumption that there had been no significant deviations in the credit spread of the issuer since origination and that there were no other particular or significant risk elements with a possible impact on fair value.

Finally, it should be noted that the parameters assumed and models used may differ from one financial institution to another; hence where different assumptions are used, the results may significantly differ. It should further be noted that IAS/IFRS exclude certain financial instruments (e.g. deposits on demand) and non-financial instruments (e.g. goodwill, tangible assets, equity investments, etc.) from the fair value option, and therefore overall fair value cannot be taken as an estimate of the economic value of the Group.

Part B - Information on the consolidated balance sheet

Assets

SECTION 1 - CASH AND CASH EQUIVALENTS – CAPTION 10

1.1 Cash and cash equivalents: break-down

	31/12/2005 (€/mil)	31/12/2004 (*) (€/mil)
a) Cash	1,007	1,045
b) Demand deposits at central banks	100	302
Total	**1,107**	**1,347**

(*) Does not include 18 million euro included in the caption "Insurance business assets" (L/Ass/13).

SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING – CAPTION 20

2.1 Financial assets held for trading: break-down by type

Caption/Value	31/12/2005 (€/mil)	
	Listed	Unlisted
A. Non-derivative financial assets		
1. Debt securities	9,915	1,121
2. Equities	447	7
3. OICR shares	2,767	430
4. Financing	-	-
5. Impaired assets	5	-
6. Assets sold and not cancelled	1,550	-
Total A	**14,684**	**1,558**
B. Derivative instruments		
1. Financial derivatives	427	8,346
2. Credit derivatives	-	22
Total B	**427**	**8,368**
Total (A+B)	**15,111**	**9,926**

Financial assets held for trading include mainly the portfolios held by Banca IMI for trading on financial markets. The amount of financial assets held for trading relating to the insurance sector is 278 million euro.

2.2 Financial assets held for trading: break-down by debtor/issuer

Caption/Value	31/12/2005 (€/mil)
A. Non-derivative financial assets	
1. Debt securities	11,036
a) Governments and central banks	8,443
b) Other public entities	190
c) Banks	1,872
d) Other issuers	531
2. Equities	454
a) Banks	7
b) Other issuers	447
- insurance companies	-
- financial institutions	20
- non-financial companies	393
- other	34
3. OICR shares	3,197
4. Loans	-
a) Governments and central banks	-
b) Other public entities	-
c) Banks	-
d) Other entities	-
5. Impaired assets	5
a) Governments and central banks	5
b) Other public entities	-
c) Banks	-
d) Other entities	-
6. Assets sold and not cancelled	1,550
a) Governments and central banks	1,550
b) Other public entities	-
c) Banks	-
d) Other issuers	-
Total A	16,242
B. Derivative instruments	
a) Banks	7,674
b) Customers	1,121
Total B	8,795
Total (A + B)	25,037

The OICR quotas in the portfolio are predominantly made up of bond funds.

2.3 Financial assets held for trading: derivative instruments held for trading

(€/mil)

Type of derivative/Underlying asset	Interest rates	Currencies and gold	Equities	Loans	Other	Total 31/12/2005
A. Listed derivatives						
1) Financial derivatives:	3	-	424	-	-	427
with underlying asset exchange	3	-	14	-	-	17
- purchased options	*-*	*-*	*2*	*-*	*-*	*2*
- other derivatives	*3*	*-*	*12*	*-*	*-*	*15*
without underlying asset exchange	-	-	410	-	-	410
- purchased options	*-*	*-*	*410*	*-*	*-*	*410*
- other derivatives	*-*	*-*	*-*	*-*	*-*	*-*
2) Credit derivatives:	-	-	-	-	-	-
with underlying asset exchange	-	-	-	-	-	-
without underlying asset exchange	-	-	-	-	-	-
Total A	3	-	424	-	-	427
B. Unlisted derivatives						
1) Financial derivatives:	6,967	556	768	-	55	8,346
with underlying asset exchange	-	515	11	-	-	526
- purchased options	*-*	*306*	*9*	*-*	*-*	*315*
- other derivatives	*-*	*209*	*2*	*-*	*-*	*211*
without underlying asset exchange	6,967	41	757	-	55	7,820
- purchased options	*765*	*20*	*741*	*-*	*25*	*1,551*
- other derivatives	*6,202*	*21*	*16*	*-*	*30*	*6,269*
2) Credit derivatives:	15	2	-	5	-	22
with underlying asset exchange	15	2	-	-	-	17
without underlying asset exchange	-	-	-	5	-	5
Total B	6,982	558	768	5	55	8,368
Total (A + B)	6,985	558	1,192	5	55	8,795

Details on the technical form of derivative contracts can be found in the summary in Section 17 – “Other information” in this part of the Explanatory Notes.

SECTION 3 - FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE – CAPTION 30

3.1 Financial assets designated as at fair value: break-down by type

Caption/Value	31/12/2005 (€/mil)	
	Listed	Unlisted
1. Debt securities	13,737	1,110
2. Equities	3,411	-
3. OICR shares	-	4,266
4. Loans	-	4
5. Impaired assets	-	-
6. Assets sold and not cancelled	-	-
Total	**17,148**	**5,380**
Cost	**15,729**	**5,376**

Assets valued at fair value essentially include assets in which money collected through insurance policies where the total risk is retained by the insured (so-called Class D) was invested. The amount of assets evaluated at fair value which relates to the insurance business is 21,832 million euro.

The remainder essentially refers to debt securities with incorporated derivatives or subject to hedging in the portfolio of the Parent Bank, classified in this category as "assets", in line with IASB.

3.2 Financial assets designated as at fair value: break-down by debtor/issuer

Caption/Value	31/12/2005 (€/mil)
1. Debt securities	**14,847**
a) Governments and central banks	7,351
b) Other public entities	62
c) Banks	3,584
d) Other issuers	3,850
2. Equities	**3,411**
a) Banks	479
b) Other issuers:	2,932
- insurance companies	152
- financial institutions	222
- non-financial companies	2,557
- other	1
3. OICR shares	**4,266**
4. Loans	**4**
a) Governments and central banks	-
b) Other public entities	-
c) Banks	-
d) Other entities	4
5. Impaired assets	-
a) Governments and central banks	-
b) Other public entities	-
c) Banks	-
d) Other entities	-
6. Assets sold and not cancelled	-
a) Governments and central banks	-
b) Other public entities	-
c) Banks	-
d) Other entities	-
Total	**22,528**

SECTION 4 - AVAILABLE-FOR-SALE FINANCIAL ASSETS – CAPTION 40

4.1 Available-for-sale financial assets: break-down by type

Caption/Value	31/12/2005 (€/mil)	
	Listed	Unlisted
1. Debt securities	20,673	4,585
2. Equities	2,847	1,261
3. OICR shares	296	89
4. Loans	-	14
5. Impaired assets	-	-
6. Assets sold and not cancelled	32	40
Total	**23,848**	**5,989**

The amount of available-for-sale assets relating to the insurance sector is 19,057 million euro.

The available-for-sale assets include the share held by the Group in Santander Central Hispano of 1,524 million euro.

Certain unlisted equities, for 215 million euro (of which 185 million euro attributable to investments in the Bank of Italy), the fair value of which cannot be reliably established or verified, also taking into account the importance of the range of values obtainable from the valuation models generally adopted by the market, are stated in the financial statements at cost, as adjusted for any impairment losses verified.

4.2 Available-for-sale financial assets: break-down by debtor/issuer

Caption/Value	31/12/2005 (€/mil)
1. Debt securities	**25,258**
a) Governments and central banks	18,272
b) Other public entities	3,897
c) Banks	1,245
d) Other issuers	1,844
2. Equities	**4,108**
a) Banks	2,075
b) Other issuers:	2,033
- insurance companies	41
- financial institutions	288
- non-financial companies	690
- other	1,014
3. OICR shares	**385**
4. Loans	**14**
a) Governments and central banks	-
b) Other public entities	-
c) Banks	10
d) Other entities	4
5. Impaired assets	-
a) Governments and central banks	-
b) Other public entities	-
c) Banks	-
d) Other entities	-
6. Assets sold and not cancelled	**72**
a) Governments and central banks	32
b) Other public entities	-
c) Banks	-
d) Other entities	40
Total	**29,837**

4.3 Available-for-sale financial assets: hedged assets

	31/12/2005 (€/mil)	
	Fair value	Cash flows
1. Debt securities	3,702	414
2. Equities	4	-
3. OICR shares	-	-
4. Loans	-	-
5. Portfolio	-	-
Total	**3,706**	**414**

4.4 Available-for-sale financial assets: assets subject to specific hedging

Only about 15% of the Group's available-for-sale financial assets portfolio is subject to hedging. Hedging is largely carried out in fair value hedge transactions and only residually through specific cash flow hedge transactions.

SECTION 5 - INVESTMENTS HELD TO MATURITY – CAPTION 50

5.1 Held-to-maturity investments: break-down by type

Type of transaction/Value	31/12/2005 (€/mil)	
	Book value	Fair value
1. Debt securities	764	764
2. Loans	-	-
3. Impaired assets	-	-
4. Assets sold and not cancelled	1,771	1,769
Total	**2,535**	**2,533**

Held-to-maturity investments which relate to the Parent Bank amount to 2,312 million euro. Most of the contribution by other companies comes from Banka Koper D.D. (196 million euro). At 31 December 2005 the insurance area portfolio did not include investments held to maturity.

5.2 Held-to-maturity investments: break-down by debtor/issuer

Caption/Value	31/12/2005 (€/mil)
1. Debt securities	764
a) Governments and central banks	548
b) Other public entities	21
c) Banks	-
d) Other issuers	195
2. Loans	-
a) Governments and central banks	-
b) Other public entities	-
c) Banks	-
d) Other entities	-
3. Impaired assets	-
a) Governments and central banks	-
b) Other public entities	-
c) Banks	-
d) Other entities	-
4. Assets sold and not cancelled	1,771
a) Governments and central banks	1,771
b) Other public entities	-
c) Banks	-
d) Other entities	-
Total	2,535

5.3 Held-to-maturity investments: hedged

At 31 December 2005 the SANPAOLO IMI Group had no hedged investments held to maturity.

SECTION 6 - LOANS TO BANKS – CAPTION 60

6.1 Loans to banks: break-down by type

Type of transaction/Value	31/12/2005 (€/mil)
A. Due to Central Banks	**345**
1. Tied deposits	65
2. Compulsory reserve	196
3. Repurchase agreements	49
4. Other	35
B. Due to banks	**28,491**
1. Current accounts and sight deposits	2,839
2. Tied deposits	10,670
3. Other financing	13,984
4. Debt securities	998
5. Impaired assets	-
6. Assets sold and not cancelled	-
Total (book value)	**28,836**
Total (fair value)	**28,814**

6.2 Loans to banks: assets subject to specific hedging

Type of transaction/Value	31/12/2005 (€/mil)
1. Loans subject to fair value hedging	106
2. Loans subject to cash flow hedging	-
Total	**106**

6.3 Financial leases

At 31 December 2005 the Group did not have significant financial leasing operations in place with banks.

SECTION 7 - LOANS TO CUSTOMERS – CAPTION 70

Loans to customers include 595 million euro of loans to Società per la gestione di attività S.p.A. (Sga), of which 545 million euro (814 million euro at 31 December 2004) was granted under Law 588/96. Furthermore, in accordance with the international accounting standards, loans to customers include also loans for performing leasing contracts assigned in the last quarter of 2004, by Sanpaolo Leasint within the context of the Split2 securitization transaction (assets sold and not cancelled).

Details about credit quality and the degree of risk of the loan portfolio can be found in Part E of these Notes.

7.1 Loans to customers: break-down by type

Type of transaction/Value	31/12/2005 (€/mil)
1. Current accounts	16,245
2. Repurchase agreements	2,302
3. Mortgage loans	73,706
4. Credit cards, personal loans, loans on salary	4,747
5. Financial leases	4,932
6. Factoring	1,449
7. Other transactions	30,825
8. Debt securities	312
9. Impaired assets	3,310
10.Assets sold and not cancelled (*)	1,679
Total (book value)	**139,507**
Total (fair value)	**141,237**

(*) Including four million euro of impaired assets.

In the above table, "Other transactions" mainly include prepayments and other subsidies not in current accounts, loans to inland revenue and public bodies for the collection company and import-export financing, as well as the mentioned loans to the Sga.

7.2 Loans to customers: break-down by debtor/issuer

Type of transaction/Value	31/12/2005 (€/mil)
1. Debt securities:	**312**
a) Governments	-
b) Other public entities	-
c) Other issuers	312
- non-financial companies	5
- financial companies	307
- insurance companies	-
- other	-
2. Loans to:	**134,206**
a) Governments	2,852
b) Other public entities	10,696
c) Other entities	120,658
- non-financial companies	76,906
- financial companies	11,821
- insurance companies	690
- other	31,241
3. Impaired assets:	**3,310**
a) Governments	-
b) Other public entities	9
c) Other entities	3,301
- non-financial companies	2,443
- financial companies	32
- insurance companies	-
- other	826
4. Assets sold and not cancelled:	**1,679**
a) Governments	-
b) Other public entities	-
c) Other entities	1,679
- non-financial companies	1,679
- financial companies	-
- insurance companies	-
- other	-
Total	**139,507**

7.3 Loans to customers: assets subject to specific hedging

Type of transaction/Value	31/12/2005 (€/mil)
1. Loans subject to fair value hedging	19,733
2. Loans subject to cash flow hedging	93
Total	**19,826**

Loans subject to fair value hedging are indicated at cost modified for the fair value of the hedging risk. In the case of partial hedging, of part of the amount or of part of the duration, the entire amount of the loan is indicated, including the part not subject to hedging, modified for the fair value of the hedging risk. Loans subject to financial flow hedging are indicated at the amortised cost.

7.4 Financial leases

Reconciliation between the total value of minimum contractual payments and their present value

	31/12/2005 (€/mil)
Minimum contractual payments	6,904
Present value of minimum contractual payments as at 31/12/2005	6,078

Time frame between reconciliation amounts *(€/mil)*

	Within 1 year	1-5 years	Beyond 5 years	Total
Present value of minimum contractual payments as at 31/12/2005	1,433	3,157	1,488	6,078

The Group operates in the sector of financial leasing to customers mainly through Sanpaolo Leasint, the specialized company. Its loan portfolio for financial leasing is made up of 46,879 contracts, 67% of which for property letting, 26% for instrumental goods and 5% for automobiles; the remainder refers to the naval-aviation sector. The five most important contracts together show a guaranteed residual value on net investment of around 104 million and differed financial profits of 21 million; there are no potential rents for accounting as income in the year. As of 31 December 2005, the above positions showed no deterioration in minimum uncollected leasing payments nor non-guaranteed residual values.

Besides the above-mentioned company, financial leasing contracts may also be issued by Neos Finance, in the context of consumer credit, and Banca OPI in the area of public sector financing.

SECTION 8 - HEDGING DERIVATIVES– CAPTION 80

8.1 Hedging derivatives: break-down by type of contract and underlying asset

(€/mil)

Type of derivative/Underlying asset	Interest rates	Currencies and gold	Equities	Loans	Other	Total 31/12/2005
A. Listed derivatives						
1) Financial derivatives:	-	-	-	-	-	-
with underlying asset exchange	-	-	-	-	-	-
- purchased options	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
without underlying asset exchange	-	-	-	-	-	-
- purchased options	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
2) Credit derivatives:	-	-	-	-	-	-
with underlying asset exchange	-	-	-	-	-	-
without underlying asset exchange	-	-	-	-	-	-
Total A	-	-	-	-	-	-
B. Unlisted derivatives						
1) Financial derivatives:	430	5	-	-	-	435
with underlying asset exchange	-	5	-	-	-	5
- purchased options	-	-	-	-	-	-
- other derivatives	-	5	-	-	-	5
without underlying asset exchange	430	-	-	-	-	430
- purchased options	-	-	-	-	-	-
- other derivatives	430	-	-	-	-	430
2) Credit derivatives:	-	-	-	-	-	-
with underlying asset exchange	-	-	-	-	-	-
without underlying asset exchange	-	-	-	-	-	-
Total B	430	5	-	-	-	435
Total (A + B)	430	5	-	-	-	435

For details of the technical form of derivative contracts, see the summary in Section 17 – "Other information" in this part of the Explanatory Notes.

8.2 Hedging derivatives: break-down by hedged portfolio and type of hedging (book value)

The hedging derivatives recognized at caption 80 of the assets represent valuation to the market of specific fair value hedge operations against the banking book. Further information about the Group's risk hedging policies can be found in Part E of these Notes.

SECTION 9 - VALUE ADJUSTMENT OF FINANCIAL ASSETS SUBJECT TO MACROHEDGING – CAPTION 90

At 31 December 2005 the Group had no assets subject to macrohedging.

SECTION 10 - SCOPE OF CONSOLIDATION AND EQUITY INVESTMENTS – CAPTION 100

Listed below are entities included in line by line consolidation of investments in jointly-controlled companies and in companies subject to significant influence.

	Company name	Registered offices	Type of relation-ship (1)	Ownership Held by	Ownership %	Voting rights at ordinary shareholders' meeting % (2)	Book value (€/mil)	Remarks
Entities included in the consolidation using the line by line method								
	SANPAOLO IMI S.p.A. (Parent Bank)	Turin		-	-	-	-	
1	Assicurazioni Internazionali di Previdenza S.p.A. (A.I.P.)	Turin	1	New Step	99.96	99.96	XXX	(A)
2	Banca Comerciala Sanpaolo IMI Bank Romania S.A.	Romania	1	Sanpaolo IMI Internazionale	98.65	98.65	XXX	(B)
3	Banca Fideuram S.p.A.	Rome	1	New Step	73.37	73.43	XXX	(A)
4	Banca d'Intermediazione Mobiliare IMI S.p.A. (Banca IMI)	Milan	1	Sanpaolo IMI	100.00	100.00	XXX	
5	Banca IMI Securities Corp.	United States	1	IMI Capital Market USA	100.00	100.00	XXX	
6	Banca OPI S.p.A.	Rome	1	Sanpaolo IMI	100.00	100.00	XXX	
7	Banca Popolare dell'Adriatico S.p.A.	Teramo	1	Sanpaolo IMI	100.00	100.00	XXX	
8	Banka Koper d.d.	Slovenia	8	Sanpaolo IMI	63.93	32.99	XXX	(C)
9	Banque Privée Fideuram Wargny S.A.	France	1	Financiere Fideuram	99.91	99.91	XXX	(D)
10	Cassa di Risparmio di Padova e Rovigo S.p.A.	Padua	1	Sanpaolo IMI	100.00	100.00	XXX	
11	Cassa di Risparmio di Venezia S.p.A.	Venice	1	Sanpaolo IMI	100.00	100.00	XXX	
12	Cassa di Risparmio in Bologna S.p.A.	Bologna	1	Sanpaolo IMI	100.00	100.00	XXX	
13	Egida Compagnia di Assicurazioni e Riassicurazioni S.p.A.	Turin	1	A.I.P.	50.00	50.00	XXX	(E)
14	Eolo Investments B.V.	Netherlands	1	A.I.P.	100.00	-	XXX	(F)
15	Farbanca S.p.A.	Bologna	5	Sanpaolo IMI	22.69	22.69	XXX	(G)
16	Fideuram Asset Management (Ireland) Ltd	Ireland	1	Banca Fideuram	100.00	100.00	XXX	
17	Fideuram Assicurazioni S.p.A.	Rome	1	A.I.P.	100.00	100.00	XXX	
18	Fideuram Bank S.A.	Luxembourg	1	Banca Fideuram	99.99	99.99	XXX	
				A.I.P.	0.01	0.01	XXX	
					100.00	100.00		
19	Fideuram Bank (Suisse) A,G.	Switzerland	1	Fideuram Bank	99.95	99.95	XXX	
20	Fideuram Fiduciaria S.p.A.	Rome	1	Banca Fideuram	100.00	100.00	XXX	
21	Fideuram Fund Bond Global Emerging Markets	Luxembourg	8	A.I.P.	59.68	-	XXX	(F)
22	Fideuram Fund Bond Global High Yield	Luxembourg	8	A.I.P.	58.17	-	XXX	(F)
23	Fideuram Fund Equity Europe	Luxembourg	8	A.I.P.	94.67	-	XXX	(F)
24	Fideuram Fund Equity Global Emerging Markets	Luxembourg	8	A.I.P.	91.94	-	XXX	(F)
25	Fideuram Fund Equity Italy	Luxembourg	8	A.I.P.	92.58	-	XXX	(F)
26	Fideuram Fund Equity Japan	Luxembourg	8	A.I.P.	93.14	-	XXX	(F)
27	Fideuram Fund Equity Pacific Ex Japan	Luxembourg	8	A.I.P.	88.81	-	XXX	(F)
28	Fideuram Fund Equity Usa	Luxembourg	8	A.I.P.	93.93	-	XXX	(F)
29	Fideuram Fund Euro Bond Long Risk	Luxembourg	8	A.I.P.	59.43	-	XXX	(F)
30	Fideuram Fund Euro Bond Low Risk	Luxembourg	8	A.I.P.	61.98	-	XXX	(F)
31	Fideuram Fund Euro Bond Medium Risk	Luxembourg	8	A.I.P.	50.11	-	XXX	(F)
32	Fideuram Fund Euro Corporate Bond	Luxembourg	8	A.I.P.	62.52	-	XXX	(F)
33	Fideuram Fund Euro Short Term	Luxembourg	8	A.I.P.	53.64	-	XXX	(F)
34	Fideuram Fund Europe Listed Consumer Discretionary Equity	Luxembourg	8	A.I.P.	55.10	-	XXX	(F)
35	Fideuram Fund Europe Listed Consumer Staples Equity	Luxembourg	8	A.I.P.	60.07	-	XXX	(F)
36	Fideuram Fund Europe Listed Financials Equity	Luxembourg	8	A.I.P.	52.56	-	XXX	(F)
37	Fideuram Fund Europe Listed T.T. Equity	Luxembourg	8	A.I.P.	57.33	-	XXX	(F)
38	Fideuram Fund Usa Listed Consumer Discretionary Equity	Luxembourg	8	A.I.P.	55.47	-	XXX	(F)

(contd: Entities included in the consolidation using the line by line method)

	Company name	Registered offices	Type of relation-ship (1)	Ownership		Voting rights at ordinary shareholders' meeting % (2)	Book value (€/mil)	Remarks
				Held by	%			
39	Fideuram Fund Usa Listed Consumer Staples Equity	Luxembourg	8	A.I.P.	51.81	-	XXX	(F)
40	Fideuram Fund Usa Listed Financials Equity	Luxembourg	8	A.I.P.	51.94	-	XXX	(F)
41	Fideuram Fund Usa Listed T.T. Equity	Luxembourg	8	A.I.P.	56.51	-	XXX	(F)
42	Fideuram Fund Zero Coupon 2006	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
43	Fideuram Fund Zero Coupon 2007	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
44	Fideuram Fund Zero Coupon 2008	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
45	Fideuram Fund Zero Coupon 2009	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
46	Fideuram Fund Zero Coupon 2010	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
47	Fideuram Fund Zero Coupon 2011	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
48	Fideuram Fund Zero Coupon 2012	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
49	Fideuram Fund Zero Coupon 2013	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
50	Fideuram Fund Zero Coupon 2014	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
51	Fideuram Fund Zero Coupon 2015	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
52	Fideuram Fund Zero Coupon 2016	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
53	Fideuram Fund Zero Coupon 2017	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
54	Fideuram Fund Zero Coupon 2018	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
55	Fideuram Fund Zero Coupon 2019	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
56	Fideuram Fund Zero Coupon 2020	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
57	Fideuram Fund Zero Coupon 2021	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
58	Fideuram Fund Zero Coupon 2022	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
59	Fideuram Fund Zero Coupon 2023	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
60	Fideuram Fund Zero Coupon 2024	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
61	Fideuram Fund Zero Coupon 2025	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
62	Fideuram Fund Zero Coupon 2026	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
63	Fideuram Fund Zero Coupon 2027	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
64	Fideuram Fund Zero Coupon 2028	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
65	Fideuram Fund Zero Coupon 2029	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
66	Fideuram Fund Zero Coupon 2030	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
67	Fideuram Fund Zero Coupon 2031	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
68	Fideuram Fund Zero Coupon 2032	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
69	Fideuram Fund Zero Coupon 2033	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
70	Fideuram Fund Zero Coupon 2034	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
71	Fideuram Fund Zero Coupon 2035	Luxembourg	8	A.I.P.	100.00	-	XXX	(F)
72	Fideuram Gestions S.A.	Luxembourg	1	Banca Fideuram	99.94	99.94	XXX	
				A.I.P.	0.06	0.06	XXX	
					100.00	100.00		
73	Fideuram Investimenti S.G.R. S.p.A.	Rome	1	Banca Fideuram	99.50	99.50	XXX	
74	Fideuram Wargny Active Broker S.A.	France	1	Banque Privée Fideuram Wargny	100.00	100.00	XXX	(D)(H)
75	Fideuram Wargny Gestion S.A.	France	1	Banque Privée Fideuram Wargny	99.97	99.97	XXX	(D)(I)
76	Fideuram Wargny Gestion S.A.M.	Monaco	1	Banque Privée Fideuram Wargny	99.95	99.95	XXX	(D)
77	FIN. OPI S.p.A.	Turin	1	Banca OPI	100.00	100.00	XXX	
78	Financière Fideuram S.A.	France	1	Banca Fideuram	99.98	99.98	XXX	(D)
79	Fondo Caravaggio	Luxembourg	8	Sanpaolo Life	100.00	100.00	XXX	(F)
80	Fondo Doppia Opportunità	Luxembourg	8	Sanpaolo Life	100.00	100.00	XXX	(F)
81	Friulcassa S.p.A.	Gorizia	1	Sanpaolo IMI	100.00	100.00	XXX	
82	GEST Line S.p.A.	Naples	1	Sanpaolo IMI	100.00	100.00	XXX	
83	IE Befektetesi Alapkezelo Rt. (ex Europool Befektetesi Alapkezelo Rt.)	Hungary	1	Inter-Europa Bank	100.00	100.00	XXX	

(contd: Entities included in the consolidation using the line by line method)

Company name		Registered offices	Type of relation-ship (1)	Ownership Held by	%	Voting rights at ordinary shareholders' meeting % (2)	Book value (€/mil)	Remarks
84	IE-New York Broker Rt	Hungary	1	Inter-Europa Bank	100.00	100.00	XXX	
85	IMI Capital Markets USA Corp.	United States	1	IMI Investments	100.00	100.00	XXX	
86	IMI Finance Luxembourg S.A.	Luxembourg	1	IMI Investments	100.00	100.00	XXX	
87	IMI Investimenti S.p.A.	Turin	1	Sanpaolo IMI	100.00	100.00	XXX	
88	IMI Investments S.A.	Luxembourg	1	Banca IMI	99.99	99.99	XXX	
				Banca IMI Securities	0.01	0.01	XXX	
					100.00	100.00		
89	Inter-Europa Bank Rt	Hungary	1	Sanpaolo IMI Internazionale	85.87	85.87	XXX	(J)
90	Inter-Europa Beruhazo Kft	Hungary	1	Inter-Europa Bank	100.00	100.00	XXX	
91	Inter-Europa Consulting Kft	Hungary	1	Inter-Europa Fejlesztesi	51.00	51.00	XXX	
				Inter-Europa Szolgaltato	49.00	49.00	XXX	
					100.00	100.00		
92	Inter-Europa Ertekesitesi Kft	Hungary	1	Inter-Europa Bank	100.00	100.00	XXX	
93	Inter-Europa Fejlesztesi Kft	Hungary	1	Inter-Europa Bank	100.00	100.00	XXX	
94	Inter-Europa Szolgaltato Kft	Hungary	1	Inter-Europa Bank	100.00	100.00	XXX	
95	Inter-Invest Risk Management Vagyonkezelo Rt	Hungary	1	Inter-Europa Bank	48.00	48.00	XXX	
				Inter-Europa Consulting	48.00	48.00	XXX	
				Inter-Europa Szolgaltato	4.00	4.00	XXX	
					100.00	100.00		
96	LDV Holding B.V.	Netherlands	1	Sanpaolo IMI Private Equity	100.00	100.00	XXX	
97	Lyxor Global Equity Capital Guaranteed Fund	Luxembourg	8	A.I.P.	96.52	-	XXX	(F)
98	Lyxor Noricum Cash Guaranteed	Luxembourg	8	A.I.P.	98.44	-	XXX	(F)
99	Neos Banca S.p.A. (ex Finemiro Banca S.p.A.)	Bologna	1	Sanpaolo IMI	99.49	99.49	XXX	
100	Neos Finance S.p.A. (ex Finemiro Finance S.p.A.)	Bologna	1	Neos Banca	100.00	100.00	XXX	
101	NEW Step S.p.A. (subsequently Eurizon Financial Group S.p.A.)	Turin	1	Sanpaolo IMI	100.00	100.00	XXX	(K)
102	NHS Investments S.A.	Luxembourg	1	IMI Investimenti	99.99	99.99	XXX	
				LDV Holding	0.01	0.01	XXX	
					100.00	100.00		
103	Sanpaolo Banco di Napoli S.p.A.	Naples	1	Sanpaolo IMI	100.00	100.00	XXX	
104	Sanpaolo Bank S.A.	Luxembourg	1	Sanpaolo IMI	100.00	100.00	XXX	
105	Sanpaolo Bank (Suisse) S.A.	Switzerland	1	Sanpaolo Bank	99.98	99.98	XXX	
106	Sanpaolo Fiduciaria S.p.A.	Milan	1	Sanpaolo IMI	100.00	100.00	XXX	
107	Sanpaolo IMI Alternative Investments S.G.R. S.p.A.	Milan	1	Sanpaolo IMI Asset Management	100.00	100.00	XXX	
108	Sanpaolo IMI Asset Management Luxembourg S.A. (ex Sanpaolo IMI WM Luxembourg S.A.)	Luxembourg	1	Sanpaolo IMI Asset Management	100.00	100.00	XXX	
109	Sanpaolo IMI Asset Management S.G.R. S.p.A.	Milan	1	Sanpaolo IMI	100.00	100.00	XXX	(L)
110	Sanpaolo IMI Bank (International) S.A.	Madeira	1	Sanpaolo IMI	100.00	100.00	XXX	
111	Sanpaolo IMI Bank Ireland Plc	Ireland	1	Sanpaolo IMI	100.00	100.00	XXX	
112	Sanpaolo IMI Capital Company I L.l.c.	United States	1	Sanpaolo IMI	100.00	100.00	XXX	
113	Sanpaolo IMI Fondi Chiusi S.G.R. S.p.A.	Bologna	1	Sanpaolo IMI Private Equity	100.00	100.00	XXX	
114	Sanpaolo IMI Insurance Broker S.p.A.	Bologna	1	Sanpaolo IMI	100.00	100.00	XXX	
115	Sanpaolo IMI International S.A.	Luxembourg	1	Sanpaolo IMI	100.00	100.00	XXX	
116	Sanpaolo IMI Internazionale S.p.A.	Padua	1	Sanpaolo IMI	100.00	100.00	XXX	
117	Sanpaolo IMI Investimenti per lo Sviluppo SGR S.p.A.	Naples	1	Sanpaolo IMI Private Equity	100.00	100.00	XXX	
118	Sanpaolo IMI Private Equity S.p.A.	Bologna	1	Sanpaolo IMI	100.00	100.00	XXX	
119	Sanpaolo IMI US Financial Co.	United States	1	Sanpaolo IMI	100.00	100.00	XXX	
120	Sanpaolo Immobiliere S.A. (ex SP Immobiliere S.A.)	Luxembourg	1	Sanpaolo Bank	99.99	99.99	XXX	
				Sanpaolo IMI Asset Management Luxembourg	0.01	0.01	XXX	
					100.00	100.00		

(contd: Entities included in the consolidation using the line by line method)

Company name	Registered offices	Type of relation-ship (1)	Ownership Held by	%	Voting rights at ordinary shareholders' meeting % (2)	Book value (€/mil)	Remarks
121 Sanpaolo Invest Ireland Ltd	Ireland	1	Banca Fideuram	100.00	100.00	XXX	
122 Sanpaolo Invest SIM S.p.A.	Rome	1	Banca Fideuram	100.00	100.00	XXX	
123 Sanpaolo Leasint S.p.A.	Milan	1	Sanpaolo IMI	100.00	100.00	XXX	
124 Sanpaolo Life Ltd	Ireland	1	A.I.P.	100.00	100.00	XXX	
125 Sanpaolo Real Estate S.A. (ex IMI Real Estate S.A.)	Luxembourg	1	Sanpaolo Bank	99.99	99.99	XXX	
			Sanpaolo IMI International	0.01	0.01	XXX	
				100.00	100.00		
126 SEP S.p.A.	Turin	1	Sanpaolo IMI	100.00	100.00	XXX	
127 Sirens B.V.	Netherlands	8	A.I.P.	82.88	-	XXX	
			Sanpaolo Life	16.75	-	XXX	
				99.63			(F)
128 Spilt 2 S.r.l.	Treviso	8	Sanpaolo Leasint	-	-	XXX	(M)
129 Sygman Szolgaltato es Kereskedelmi Kft	Hungary	1	Inter-Europa Bank	100.00	100.00	XXX	
130 Universo Servizi S.p.A.	Milan	1	A.I.P.	100.00	100.00	XXX	

Notes to the table on the scope of line by line consolidation:

(1) Type of relationship:
1 = majority of voting rights at ordinary shareholders' meeting
2 = dominant influence at ordinary shareholders' meeting
3 = agreements with other shareholders
4 = other forms of control
5 = single management pursuant to clause 26, paragraph 1, of legislative decree 87/92
6 = single management pursuant to clause 26, paragraph 2, of legislative decree 87/92
7 = joint control
8 = majority of benefits and risks (SIC 12).
(2) Availability of voting rights at ordinary shareholder's meeting. Any "potential votes" are highlighted in specific notes.

(A) In November 2005 the company was sold by the Parent Bank to New Step S.p.A..
(B) Sanpaolo IMI Internazionale holds options for acquisition of the remaining 1.35% of the holding.
(C) The Parent Bank holds options for acquisition of a further 33.25% of the holding.
(D) Company for which Banca Fideuram has initiated the disposal process (IFRS5).
(E) The company is considered to be controlled by virtue of the call option rights that can be exercised from 31 December 2005.
(F) Collective investment entity in which the A.I.P. Group holds the majority of the risks/benefits (SIC 12).
(G) Company subject to management pursuant to clause 26 – paragraph 1 – D.Lgs. 87/92.
(H) In January 2006 the company was incorporated by Banque Privée Fideuram Wargny S.A..
(I) In June 2005 the company incorporated Sogesmar S.A..
(J) Sanpaolo IMI Internazionale holds options for acquisition of a further 10% of the holding.
(K) In November 2005 the company was the beneficiary of the transfer, by the Parent Bank,, of the holdings in Banca Fideuram S.p.A. and A.I.P. S.p.A..
(L) In December 2005 the company incorporated Sanpaolo IMI Institutional Asset Management S.p.A..
(M) SDS – Società a Destinazione Specifica (Specific Purpose Company) for securitization of leasing loans (in accordance with Law 130 of 30 April 1999).

10.1 Investments in jointly-controlled companies (carried at equity) and in companies subject to significant influence: information on investments

	Company name	Registered offices	Type of relation-ship (1)	Ownership Held by	Ownership %	Voting rights at ordinary shareholders' meeting % (2)	Book value (€/mil)	Remarks
Investments carried at equity								
1	Aeroporti Holding S.r.l.	Turin	4	IMI Investimenti	30.00	30.00	9	(A)
2	Allfunds Bank S.A.	Spain	7	Sanpaolo IMI	50.00	50.00	19	
3	Banque Palatine S.A. (ex Banque Sanpaolo S.A.)	France	4	Sanpaolo IMI	40.00	40.00	183	(B)
4	Cassa dei Risparmi di Forlì S.p.A.	Forlì	7	Sanpaolo IMI	38.25	38.25	82	
5	Cassa di Risparmio di Firenze S.p.A.	Florence	4	Sanpaolo IMI	18.66	18.70	239	(C)
6	CBE Service S.p.r.l.	Belgium	4	Sanpaolo IMI	31.70	31.70	-	
7	Cedar Street Securities Corp.	United States	1	Banca IMI Securities	100.00	100.00	-	
8	Consorzio Studi e Ricerche Fiscali	Rome	1	Sanpaolo IMI	55.00	55.00	-	
				Banca Fideuram	10.00	10.00	-	
				A.I.P.	10.00	10.00	-	
				Sanpaolo IMI Asset Management	5.00	5.00	-	
				Banca IMI	5.00	5.00	-	
				Banca OPI	5.00	5.00	-	
				Sanpaolo Leasint	5.00	5.00	-	
				IMI Investimenti	2.50	2.50	-	
				Sanpaolo IMI Private Equity	2.50	2.50	-	
					100.00	100.00		
9	Consumer Financial Services S.r.l.	Bologna	1	Neos Banca	100.00	100.00	1	
10	CR Firenze Gestion Internationale S.A.	Luxembourg	4	Sanpaolo IMI	20.00	20.00	4	
11	Finor d.o.o.	Slovenia	1	Banka Koper	100.00	100.00	2	
12	Global Menkul Degerler A.S.	Turkey	4	Banca IMI	20.00	20.00	3	(D)
13	I. Tre Iniziative Immobiliari Industriali S.p.A.	Rovigo	4	Cassa di Risparmio Padova e Rovigo	20.00	20.00	-	
14	Immobiliare 21 S.r.l.	Milan	1	Sanpaolo IMI	100.00	100.00	-	
15	Immobiliare Nettuno S.p.A.	Bologna	1	Cassa di Risparmio Bologna	100.00	100.00	1	
16	IW Bank S.p.A.	Milan	4	Banca IMI	20.00	20.00	5	
17	Lama Dekani d.d.	Slovenia	1	Banka Koper	78.41	78.41	2	
18	Liseuro S.p.A.	Udine	4	Sanpaolo IMI	35.11	35.11	1	
19	Sagat S.p.A.	Turin	4	IMI Investimenti	12.40	12.40	7	
20	Sanpaolo IMI Equity Management S.A.	Luxembourg	1	Sanpaolo IMI Private Equity	99.99	99.99	1	
				LDV Holding	0.01	0.01	-	
					100.00	100.00	1	
21	Sanpaolo IMI Management Ltd	United Kingdom	1	Sanpaolo IMI Private Equity	100.00	100.00	1	
22	Sanpaolo IMI Private Equity Scheme B.V.	Netherlands	4	Ldv Holding	23.50	29.38	-	
				Sanpaolo IMI Equity Management	20.00	-	-	
					43.50	29.38	-	(E)
23	Sanpaolo Leasint G.M.B.H.	Austria	1	Sanpaolo Leasint	100.00	100.00	1	
24	Sinloc - Sistemi Iniziative Locali S.p.A.	Turin	4	FIN. OPI	11.85	11.85	6	
				Banca OPI	8.15	8.15	4	
					20.00	20.00	10	
25	Società Friulana Esazione Tributi S.p.A.	Udine	4	Gest Line	33.33	33.33	2	
26	Società Gestione per il Realizzo S.p.A.	Rome	4	Sanpaolo IMI	28.31	28.31	1	
				Banca Fideuram	0.64	0.64	-	
					28.95	28.95	1	
27	Splosna Plovba Portoroz d.o.o.	Slovenia	4	Banka Koper	21.00	21.00	-	

(contd: investments carried at equity)

	Company name	Registered offices	Type of relation-ship (1)	Ownership Held by	%	Voting rights at ordinary shareholders' meeting % (2)	Book value (€/mil)	Remarks
28	Studi e Ricerche per il Mezzogiorno	Naples	1	Sanpaolo IMI	16.67	16.67	-	
				Banca OPI	16.67	16.67	-	
				Sanpaolo IMI Investimenti	16.67	16.67	-	
				Sanpaolo Banco di Napoli	16.66	16.66	-	
					66.67	66.67		
29	Synesis Finanziaria S.p.A.	Turin	4	IMI Investimenti	25.00	25.00	112	
30	Tobuk Ltd	Ireland	1	Sanpaolo IMI Bank Ireland	100.00	100.00	-	
31	Trivimm S.r.l.	Verona	4	Sanpaolo IMI	23.00	23.00	-	
32	W.D.W. S.A.	France	1	Banque Privèe Fideuram Wargny	99.92	99.92	-	
33	West Trade Center S.A.	Romania	1	Sanpaolo IMI Internazionale	100.00	100.00	-	
34	Aeroporto di Napoli S.p.A. (in liq.)	Naples	4	Sanpaolo IMI	20.00	20.00	-	
35	BN Finrete S.p.A. (in liq.)	Naples	1	Sanpaolo IMI	99.00	99.00	-	
36	Cardine Suisse S.A. (in liq.)	Switzerland	1	Sanpaolo IMI	100.00	100.00	-	
37	Centradia Group Ltd (in liq.)	United Kingdom	4	Sanpaolo IMI	30.45	30.45	-	
38	Cioccolato Feletti S.p.A. (in liq.)	Aosta	1	Sanpaolo IMI	95.00	100.00	-	
39	Consorzio Bancario SIR S.p.A. (in liq.)	Rome	4	Sanpaolo IMI	32.84	32.84	-	
40	Cotonificio Bresciano Ottolini S.r.l. (in liq.)	Brescia	1	Sanpaolo IMI	97.58	97.58	-	
41	Emil Europe '92 S.r.l. (in liq.)	Bologna	1	Cassa di Risparmio Bologna	93.47	93.47	-	
42	G.E.CAP S.p.A. (in liq.)	Foggia	4	GEST Line	37.25	37.25	-	
43	Imifin S.p.A. (in liq.)	Rome	1	Sanpaolo IMI	100.00	100.00	-	
44	IMI Bank A.G. (in liq.)	Germany	1	Sanpaolo Bank	100.00	100.00	-	
45	Integra S.r.l. (in liq.)	Belluno	4	Cassa di Risparimio Padova e Rovigo	29.64	29.64	-	
46	ISC Euroservice G.M.B.H. (in liq.)	Germany	1	Sanpaolo IMI	80.00	80.00	-	
47	Mega International S.p.A. (arrangement with creditors)	Ravenna	4	Neos Banca	48.00	48.00	-	
48	Progema S.r.l. (in liq.)	Turin	4	SEP	10.00	10.00	-	
				Neos Banca	10.00	10.00	-	
					20.00	20.00		
49	S.A.G.E.T. S.p.A. (in liq.)	Teramo	1	GEST Line	99.98	99.98	-	
50	Sanpaolo U.S. Holding Co. (in liq.)	United States	1	Sanpaolo IMI	100.00	100.00	3	
51	Se.Ri.T. S.p.A. (in liq.)	Teramo	1	GEST Line	100.00	100.00	-	
52	Sicilsud Leasing S.p.A. (in liq.)	Palermo	1	FIN. OPI	100.00	100.00	-	(F)
53	West Leasing S.A. (in liq.)	Romania	1	Sanpaolo IMI Bank Romania	88.71	88.71	1	

Total investments "carried at equity"	690
Total excess in net shareholders' equity	129
Total caption 100. Investments	819

Notes to the table of investments carried at equity:

(1) Type of relationship:
1 = majority of voting rights at ordinary shareholders' meeting
2 = dominant influence at ordinary shareholders' meeting
3 = agreements with other shareholders
4 = companies subject to significant influence
5 = single management pursuant to clause 26, paragraph 1, of legislative decree 87/92
6 = single management pursuant to clause 26, paragraph 2, of legislative decree 87/92
7 = joint control
8 = majority of benefits and risks (SIC 12).
(2) Availability of voting rights at ordinary shareholder's meeting. Any "potential votes" are highlighted in specific notes.

(A) In November 2005 the company was sold by Sanpaolo IMI Private Equity to IMI Investimenti.
(B) The evaluation was carried out on the basis of the consolidated financial statements drawn up by the subsidiary.
(C) The evaluation was carried out on the basis of the consolidated financial statements drawn up by the subsidiary as at 30 September 2005.
(D) The holding was acquired in November 2005.
(E) Company for which LDV B.V. has initiated the disposal process (IFRS5).
(F) In January 2006 the company was removed from the Company Register.

The following table highlights the goodwill arising on shareholders' equity as a result of investments carried at equity included in the financial statements under "Equity investments" (caption 100).

Company name	Goodwill arising on application of the equity method
A. Investments carried at equity:	
Cassa dei Risparmi di Forlì S.p.A.	66
Cassa di Risparmio di Firenze S.p.A.	47
Sagat S.p.A.	10
Allunds Bank S.A.	6
Total	**129**

10.2 Investments in jointly-controlled companies and in companies subject to significant influence: accounting data

(€/mil)

Company name	Total assets	Total revenues	Profit (loss)	Shareholders' equity	Consolidated book value	Fair value	Notes
A. Companies evaluated using the equity method							
A.1 subject to joint control							
1 Allfunds Bank S.A.	113	118	9	39	19	XXX	
2 Cassa dei Risparmi di Forlì S.p.A.	2,946	188	3	214	82	XXX	
A.2 subject to significant influence							
3 Aeroporti Holding S.r.l.	39	-	-	30	9	XXX	(A)
4 Banque Palatine S.A. (ex Banque Sanpaolo S.A.)	8,173	433	34	458	183	XXX	(B)
5 Cassa di Risparmio di Firenze S.p.A.	21,626	746	121	1,280	239	527	(C)
6 CBE Service S.p.r.l.	-	-	-	-	-	XXX	(A)
7 Cedar Street Securities Corp.	-	-	-	-	-	XXX	
8 Consorzio Studi e Ricerche Fiscali	1	2	-	-	-	XXX	
9 Consumer Financial Services S.r.l.	9	1	-	1	1	XXX	
10 CR Firenze Gestion Internationale S.A.	32	60	16	18	4	XXX	
11 Finor d.o.o.	18	4	-	2	2	XXX	
12 Global Menkul Degerler A.S.	31	1,421	-	10	3	XXX	(A)
13 I. Tre Iniziative Immobiliari Industriali S.p.A.	10	4	-	-	-	XXX	(A)
14 Immobiliare 21 S.r.l.	2	-	-	-	-	XXX	
15 Immobiliare Nettuno S.p.A.	1	-	-	1	1	XXX	
16 IW Bank S.p.A.	572	50	6	27	5	XXX	
17 Lama Dekani d.d.	7	3	-	2	2	XXX	(D)
18 Liseuro S.p.A.	9	4	-	4	1	XXX	
19 Sagat S.p.A.	142	60	7	54	7	XXX	(E)
20 Sanpaolo IMI Equity Management S.A.	1	2	1	1	1	XXX	
21 Sanpaolo IMI Management Ltd	1	2	-	1	1	XXX	
22 Sanpaolo IMI Private Equity Scheme B.V.	-	-	-	-	-	XXX	
23 Sanpaolo Leasint G.M.B.H.	4	1	-	1	1	XXX	
24 Sinloc - Sistemi Iniziative Locali S.p.A.	48	2	1	47	10	XXX	
25 Società Friulana Esazione Tributi S.p.A.	43	9	-	6	2	XXX	(A)
26 Società Gestione per il Realizzo S.p.A.	63	36	5	25	1	XXX	(A)
27 Splosna Plovba Portoroz d.o.o.	10	5	-	4	-	XXX	(A)
28 Studi e Ricerche per il Mezzogiorno	1	1	-	1	-	XXX	(A)
29 Synesis Finanziaria S.p.A.	9,687	753	30	449	112	XXX	
30 Tobuk Ltd	-	-	-	-	-	XXX	
31 Trivimm S.r.l.	2	1	-	1	-	XXX	
32 W.D.W. S.A.	-	-	-	-	-	XXX	
33 West Trade Center S.A.	-	-	-	-	-	XXX	
34 Aeroporto di Napoli S.p.A. (in liq.)	-	-	-	-	-	XXX	(A)
35 BN Finrete S.p.A. (in liq.)	2	-	-	-	-	XXX	
36 Cardine Suisse S.A. (in liq.)	1	-	-	1	-	XXX	(F)
37 Centradia Group Ltd (in liq.)	3	6	-2	-26	-	XXX	(E)
38 Cioccolato Feletti S.p.A. (in liq.)	-	-	-	-	-	XXX	
39 Consorzio Bancario SIR S.p.A. (in liq.)	1	-	-	-500	-	XXX	(A)
40 Cotonificio Bresciano Ottolini S.r.l. (in liq.)	-	-	-	-	-	XXX	
41 Emil Europe '92 S.r.l. (in liq.)	20	19	-	1	-	XXX	
42 G.E.CAP S.p.A. (in liq.)	31	-	-	1	-	XXX	
43 Imifin S.p.A. (in liq.)	1	-	-	-	-	XXX	
44 IMI Bank A.G. (in liq.)	-	-	-	-	-	XXX	(A)

(cont'd: accounting information on companies evaluated using the equity method) *(€/mil)*

Company name	Total assets	Total revenues	Profit (loss)	Shareholders' equity	Consolidated book value	Fair value	Notes
45 Integra S.r.l. (in liq.)	-	-	-	-	-	XXX	(A)
46 ISC Euroservice G.M.B.H. (in liq.)	-	-	-	-	-	XXX	(D)
47 Mega International S.p.A. (arrangement with creditors)	-	-	-	-2	-	XXX	(A)
48 Progema S.r.l. (in liq.)	-	-	-	-	-	XXX	(A)
49 S.A.G.E.T. S.p.A. (in liq.)	1	-	-	-	-	XXX	
50 Sanpaolo U.S. Holding Co. (in liq.)	6	2	2	6	3	XXX	
51 Se.Ri.T. S.p.A. (in liq.)	17	1	-	-	-	XXX	
52 Sicilsud Leasing S.p.A. (in liq.)	1	2	-1	-	-	XXX	(G)
53 West Leasing S.A. (in liq.)	1	-	-	1	1	XXX	

Notes to the tables on information on investment relationships:

(A) Data refers to the financial statements at 31 December 2004 drawn up by the subsidiary.
(B) Data refers to the consolidated financial statements drawn up by the subsidiary.
(C) Data refers to the consolidated financial statements at 30 September 2005 drawn up by the subsidiary. The total revenue caption contains the total company's consolidated "net operating income".
(D) Data refers to the financial statements at 30 June 2005 drawn up by the subsidiary.
(E) Data refers to the consolidated financial statements at 31 December 2004 drawn up by the subsidiary.
(F) Data refers to the liquidation financial statements at 31 October 2004 drawn up by the subsidiary.
(G) Data refers to the liquidation financial statements at 14 December 2005 drawn up by the subsidiary.

10.4 Commitments re. investments in companies subject to joint control

The purchase contract for shares in Cassa dei Risparmi di Forlì S.p.A., executed on 29 November 2000 between Fondazione CR Forlì (seller) and SANPAOLO IMI and Cassa di Risparmio di Firenze (purchasers), provides that the purchasers transfer to the Fondazione an option to sell a maximum number of ordinary shares representing 51.35% of the CR Forlì capital, exercisable in several tranches, at the unit price of 8.11 euro per share for the first two tranches and at a determined price with reference to the fair market value for the remaining tranches. The put option may be exercised by the Fondazione from 12 June 2002 and up to the 15th day before the expiry of the first period for the termination of the Shareholders' Agreement entered into by the same parties (31 December 2008). On 12 May 2003 Fondazione CR Forlì exercised the option to purchase on the first tranche of 8,335,370 ordinary shares (representing 8.75% of the share capital) at a price of 68 million euro for the SANPAOLO IMI quota; subsequently, on 15 November 2005 it exercised the put option on the second tranche of 8,103,596 ordinary shares (representing 8.48% of the share capital) at a price of 66 million euro for the SANPAOLO IMI quota. After these acquisitions, the holding of SANPAOLO IMI rose to 38.25%, while the option on the quota of capital still owned by the Fondazione involved 21.29% of the capital.

10.5 Commitments re. investments in companies subject to significant influence

1 May 2005 saw the expiry of the Shareholders' Agreement executed on 15 November 1999 between Ente Cassa di Risparmio di Firenze, BNP Paribas and SANPAOLO IMI concerning the capital investment of the Cassa di Risparmio di Firenze. Subsequently, on 28 September, 2005 SANPAOLO IMI, in acknowledging the lengthy period in which the agreement had not been renewed, resolved to exercise its option to purchase ordinary shares in the Cassa di Risparmio di Firenze, held by the Ente, of 10.78% of capital. The exercise of the option, the validity of which was disputed by the Ente, provided for a price of 3 euro per share, which represented 1.5 times the "base value" of the Cassa di Risparmio di Firenze share, to be calculated in this case by taking into account the evaluation methods normally used for the sector.
Because of the dispute by the Ente, the arbitration process required by the agreement was initiated. The board of arbitrators was set up following the appointment of its chair by the Florence court, but has not yet released a decision.

For completeness, the characteristics of the other commitments undertaken by the Parent Bank for the purchase of Banka Koper (company consolidated line by line), Banca delle Marche, Si Holding (Available-for-sale assets) and Banca Italo Albanese are outlined below.

- The agreement entered into by the Bank with the majority shareholders in Banka Koper D.D. aimed at the acquisition of a controlling holding in the company, provides that SANPAOLO IMI guarantee, in the case of the successful outcome of the OPA launched on the entire capital of the company in March 2002, a put option on the shares owned by the relevant shareholders that had not contributed to OPA; this right is extended to each shareholder who contributes at least one share to OPA. Each shareholder could exercise the put option in the 30 days following 31 March, 30 June, 30 September and 31 December of each year starting from 30 days subsequent to 31 December 2002 and up to 30 days following 30 June 2006. The price was the OPA price increased by the interest calculated at the rate paid by Banka Koper for deposits to one year and one day in Slovenian Tolar for the period running from the last day of validity of the OPA to the day of exercise of the option, reduced by the dividends received on the shares that were the subject of the option.

- With regard to the agreement entered into on 16 July 2003 by SANPAOLO IMI with the Foundation shareholders of the Banca delle Marche S.p.A., which led to the purchase of 7% of that credit company, SANPAOLO IMI acknowledged to the Foundations a put option on 8% of the Bank's capital, that can be exercised by 31 December 2006. The unit price of exercising the put option will be the greater amount between: (i) 1.8 euro, increased by interest at the Euribor rate at a month (base 365) from the date of fulfillment of the contract to the date of exercise of the option, less the dividends received by the Foundations in the same period and (ii) 1.8 euro increased by any rise in shareholders' equity per share of Banca delle Marche S.p.A. from 31 December 2002 to the date of exercise of the option on the basis of the last financial statements or half-year financial report, whichever is closer. With regard to the shareholders' agreements valid up to 31 December 2006, which the parties may agree to extend, SANPAOLO IMI's right of pre-emption was acknowledged on the purchase of residual shares that the Foundations may decide to sell, with the exception of limited situations, as well as the right of co-selling (at a price not less than the purchase price) if the pre-emption right is not exercised.
- On 22 September 2005, SANPAOLO IMI, together with a pool of other banks, issued a "purchase offer" on some Si Holding shares held by shareholders other than the offering parties, subject to certain conditions and representing the acquisition of around 23% of the share capital.
- On 7 December 2005, SANPAOLO IMI signed an agreement to acquire a holding of 80% in Banca Italo Albanese from the Capitalia Group and from the Albanian Ministry of Finance. SANPAOLO IMI also entered into a put and call agreement with the third shareholder European Bank for Reconstruction for the acquisition of the remaining 20% of the share capital.

SECTION 11 - TECHNICAL RESERVES REASSURED WITH THIRD PARTIES – CAPTION 110

11.1 Insurance reserves attributable to reassures: break-down

	31/12/2005 (€/mil)
A. Casualty branch	24
A1. premiums reserves	12
A2. claims reserves	12
A3. other reserves	-
B. Life branch	5
B1. mathematical reserves	4
B2. reserves for amounts to be disbursed	1
B3. other reserves	-
C. Technical reserves for investment risks to be borne by the insured	-
C1: reserves for contracts with disbursements connected with investment funds and market indices	-
C2: reserves from pension fund management	-
D. Total technical reserves carried by reinsurers	29

11.2 Changes in caption 110 “Insurance reserves attributable to reinsurers”

Insurance reserves attributable to reinsurers did not undergo significant variations as compared with the previous financial year.

SECTION 12 - TANGIBLE ASSETS – CAPTION 120

12.1 Tangible assets: break-down of assets valued at cost

Asset/Value	31/12/2005 (€/mil)	31/12/2004 (€/mil)
A. Functional assets		
1.1 owned by the Bank	1,987	2,101
a) land	912	922
b) buildings	819	886
c) fixtures and fittings	99	105
d) electrical equipment	118	149
e) other	39	39
1.2 leased	69	92
a) land	31	30
b) buildings	26	26
c) fixtures and fittings	1	-
d) electrical equipment	10	35
e) other	1	1
Total A	2,056	2,193
B. Tangible assets held for investment		
2.1 owned by the Bank	121	135
a) land	91	96
b) buildings	30	39
2.2 leased	-	-
a) land	-	-
b) buildings	-	-
Total B	121	135
Total (A + B)	2,177	2,328

12.2 Tangible assets: break-down of assets evaluated at fair value or revaluated

The SANPAOLO IMI Group did not carry out an evaluation at fair value of tangible assets.

12.3 Tangible assets: annual changes

(€/mil)

	Land	Buildings	Fixtures and fittings	Electrical equipment	Other	31/12/2005 Total
A. Gross opening balance	**952**	**2,711**	**460**	**1,290**	**557**	**5,970**
A.1 Total net decreases in value	-	1,799	355	1,106	517	3,777
A.2 Net opening balance	952	912	105	184	40	2,193
B. Increases	**12**	**67**	**23**	**72**	**92**	**266**
B.1 Purchases	5	16	20	68	91	200
B.2 Capitalized improvement expenses	-	37	-	-	-	37
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive fair value changes charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) statement of income	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfers from assets held for investment	3	6	-	-	-	9
B.7 Other changes	4	8	3	4	1	20
C. Decreases	**(21)**	**(134)**	**(28)**	**(128)**	**(92)**	**(403)**
C.1 Sales	(6)	(34)	(1)	(6)	(1)	(48)
C.2 Depreciation	-	(77)	(20)	(108)	(28)	(233)
C.3 Value adjustments due to deterioration charged to:	(1)	(1)	(2)	-	-	(4)
a) shareholders' equity	-	-	-	-	-	-
b) statement of income	(1)	(1)	(2)	-	-	(4)
C.4 Negative fair value changes charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) statement of income	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfers to:	(14)	(18)	(3)	-	-	(35)
a) tangible assets held for investment	-	-	-	-	-	-
b) assets being disposed of	(14)	(18)	(3)	-	-	(35)
C.7 Other changes	-	(4)	(2)	(14)	(63)	(83)
D. Net closing balance	**943**	**845**	**100**	**128**	**40**	**2,056**
D.1 Total net decreases in value	-	1,722	335	998	489	3,544
D.2 Gross closing balance	**943**	**2,567**	**435**	**1,126**	**529**	**5,600**

12.4 Tangible assets held for investment: annual changes

	31/12/2005 (€/mil)	
	Land	Buildings
A. Opening balance	**96**	**39**
B. Increases	**8**	**3**
B.1 Purchases	5	3
B.2 Capitalized improvement expenses	-	-
B.3 Net positive fair value changes	-	-
B.4 Write-backs	-	-
B.5 Positive exchange differences	-	-
B.6 Transfers from tangible assets	-	-
B.7 Other changes	3	-
C. Decreases	**(13)**	**(12)**
C.1 Sales	(6)	(1)
C.2 Amortization/depreciation	-	(1)
C.3 Net negative fair value changes	-	-
C.4 Adjustments for impairment	(1)	-
C.5 Negative exchange differences	-	-
C.6 Transfers to other asset portfolios	(6)	(9)
a) tangible assets	(3)	(6)
b) assets being disposed of	(3)	(3)
C.7 Other changes	-	(1)
D. Closing balance	**91**	**30**
E. Evaluated at fair value	**91**	**39**

12.5 Commitments to purchase tangible assets

The Group has no significant commitments to purchase tangible assets.

Depreciation rate of tangible assets

Tangible assets	Depreciation rate applied (range %)
Property	
- buildings	3.75%
Furniture and plant fixtures	
- fixtures and fittings	from 24% to 30%
- electrical equipment	40%
- other	from 30% to 60%

SECTION 13 - INTANGIBLE ASSETS – CAPTION 130

13.1 Intangible assets: break-down by type of asset

Caption/Value	31/12/2005 (€/mil)		31/12/2004 (€/mil)	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	**X**	**756**	**X**	**766**
A.1.1 attributable to the group	X	756	X	766
A.1.2 attributable to minority interests	X	-	X	-
A.2 Other intangible assets	**252**	**-**	**289**	**-**
A.2.1 Assets valued at cost	252	-	289	-
a) Intangible assets generated internally	169	-	194	-
b) Other assets	83	-	95	-
A.2.2 Assets valued at fair value	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**252**	**756**	**289**	**766**

The following table shows the list of goodwill amounts for the SANPAOLO IMI Group as of 31 December 2005 and highlights the company to which such goodwill relates.

Analysis of goodwill

	31/12/2005 (€/mil)
Banco di Napoli	636
Banka Koper	57
Noricum	24
Gruppo Cardine	11
Sanpaolo IMI Private Equity	7
Inter-Europa Bank	5
Eptaconsors	5
Banca Popolare dell'Adriatico	4
Other	7
Total	**756**

Information on the method used to undertake the impairment test on the goodwill

For the purposes of the impairment test, the goodwill amounts of the SANPAOLO IMI Group were allocated to the following three business areas:
- Banking
- Savings and Assurance
- Asset Management and International Private Banking

Goodwill is monitored at the central function level. However, in conformity with international accounting standards, which require the allocation of goodwill to entities, single cashflow-generating units or groups thereof, no larger than the segments identified for management reporting, goodwill has been attributed to the above business areas.

Of a total goodwill book value of 756 million euro, 727 million euro can be allocated to the business area "Banking". The impairment test carried out on the three business areas did not reveal any impairment in the goodwill.

Parameters used for impairment test of the goodwill allocated to the "Banking activities" business area

An impairment loss to goodwill will be recorded where the recoverable amount is lower than its current book value in the goodwill allocated to "Banking".

The recoverable value of the business area "Banking" was determined through the calculation of its value in use. For the purposes of the impairment test the following data, methods and assumptions were used:
- economic-financial and asset "protections" contained the Group's 2006-2008 Industrial Plan approved by the Board of Directors, including analysis on specific issues;
- "maximum dividend distribution" method, for which the estimate, beyond the scope of the plan, extrapolates on the basis of the assumptions of sustainable growth of the economic and financial indicators of the business area "Banking ";
- net "capital cost" of 8.5-9.5%, calculated using the Capital Asset Pricing Model.

13.2 Intangible assets: annual changes

(€/mil)

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		Definite life	Indefinite life	Definite life	Indefinite life	
A. Opening balance	**766**	**368**	**-**	**218**	**-**	**1,352**
A.1. Total net decreases in value	-	174	-	123	-	297
A.2. Net opening balance	766	194	-	95	-	1,055
B Increases	**-**	**104**	**-**	**68**	**-**	**172**
B.1 Purchases	-	87	-	68	-	155
B.2 Increases in internal intangible assets	X	17	-	-	-	17
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value changes charged to:	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- statement of income	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**(10)**	**(129)**	**-**	**(80)**	**-**	**(219)**
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	(1)	(127)	-	(71)	-	(199)
- Amortization	X	(127)	-	(69)	-	(196)
- Write-downs	(1)	-	-	(2)	-	(3)
+ shareholders' equity	X	-	-	-	-	-
+ statement of income	(1)	-	-	(2)	-	(3)
C.3 Negative fair value changes charged to:	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- statement of income	X	-	-	-	-	-
C.4 Transfers to assets being disposed of	-	(1)	-	(2)	-	(3)
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	(9)	(1)	-	(7)	-	(17)
D. Net closing balance	**756**	**169**	**-**	**83**	**-**	**1,008**
D.1 Total net adjustments	1	301	-	192	-	494
E. Gross closing balance	**757**	**470**	**-**	**275**	**-**	**1,502**

13.3 Other information

The Group has no significant commitments to purchase intangible assets.

Amortization rate of intangible assets

Intangible assets with limited useful life	31/12/2005 (€/mil)
	Depreciation rate applied (range %)
Software yet to be implemented	-
Software in use	33.33%

SECTION 14 - TAX ASSETS AND LIABILITIES –CAPTION 140 UNDER ASSETS AND CAPTION 80 UNDER LIABILITIES

Tax assets and liabilities are analyzed as follows

	31/12/2005 (€/mil)	31/12/2004 (€/mil)
Tax assets	2,728	3,304
current	988	1,798
deferred	1,740	1,506
Tax liabilities	860	783
current	216	304
deferred	644	479

The following tables provide details on prepaid/anticipated and deferred tax assets and liabilities and their movements. With regard to their break-down, they are essentially related to taxable income or deductible losses for Italian companies in future years.

14.1 Deferred tax assets: break-down

	31/12/2005 (€/mil)
Corresponding statement of income caption	1,136
1 Provisions and reserves	390
2 Loans	202
3 Employee termination indemnities and personnel charges	126
4 Losses carried forward	4
5 Other	540
Corresponding shareholders' equity caption	604
1 Cash flow hedge	14
2 Recognition of actuarial losses	98
3 Available for sale assets	-
4 Compensated goodwill pursuant to D.Lgs. 87/92	226
5 Adjustments on technical insurance reserves	182
6 Other	84

The residual categories "other" also include tax adjustments consequent upon the assessment of taxable income in accordance with criteria other than the IAS/IFRS.

14.2 Deferred tax liabilities: break-down

	31/12/2005 (€/mil)
Corresponding statement of income caption	**192**
1 Securities at fair value	27
2 Deductible generic loan losses	119
3 Other	46
Corresponding shareholders' equity caption	**452**
1 Reserves pursuant to Law 169/83	4
2 Reserves pursuant to Law 213/98	8
3 Financial instruments of the insurance sector	228
4 Available for sale assets	37
5 Other	175

The residual categories "other" also include tax adjustments consequent upon the assessment of taxable income in accordance with criteria other than the IAS/IFRS.

14.3 Change in advanced taxes (with corresponding caption under statement of income)

	31/12/2005 (€/mil)	31/12/2004 (€/mil)
1. Initial amount	**1,269**	**1,362**
2. Increases	**687**	**248**
2.1 Advanced taxes recognized during the year	642	248
a) from previous years	7	-
b) due to adoption of different accounting standards	278	-
c) write-backs	-	-
d) other	357	248
2.2 New taxes or increases in fiscal rates	-	-
2.3 Other increases	45	-
3. Decreases	**820**	**341**
3.1 Advanced taxes cancelled during the year	498	323
a) reallocation	498	323
b) write-downs due to irrecoverability	-	-
c) due to adoption of different accounting standards	-	-
3.2 Decreases in fiscal rates	-	-
3.3 Other decreases	322	18
4. Final amount	**1,136**	**1,269**

"Other decreases" include, with no impact on the statement of income, 194 million euro for redistribution of tax amounts entered as open balances in the deferred taxes for FTA which, following the clarifications introduced by Bank of Italy Circular 262, have been entered (net amount) in prepaid assets.

14.4 Change in deferred taxes (with corresponding caption under statement of income)

	31/12/2005 (€/mil)	31/12/2004 (€/mil)
1. Initial amount	141	126
2. Increases	199	62
2.1 Deferred taxes recognized during the year	124	62
a) from previous years	-	-
b) due to adoption of different accounting standards	87	-
c) other	37	62
2.2 New taxes or increases in fiscal rates	-	-
2.3 Other increases	75	-
3. Decreases	148	47
3.1 Deferred taxes cancelled during the year	78	36
a) reallocation	74	36
b) due to adoption of different accounting standards	-	-
c) other	4	-
3.2 Decreases in fiscal rates	-	-
3.3 Other decreases	70	11
4. Final amount	192	141

14.5 Change in advanced taxes (with corresponding caption under statement of income)

	31/12/2005 (€/mil)	31/12/2004 (€/mil)
1. Initial amount	237	237
2. Increases	526	-
2.1 Advanced taxes recognized during the year	524	-
a) from previous years	-	-
b) due to adoption of different accounting standards	523	-
c) other	1	-
2.2 New taxes or increases in fiscal rates	-	-
2.3 Other increases	2	-
3. Decreases	159	-
3.1 Advanced taxes cancelled during the year	16	-
a) reallocation	16	-
b) write-downs due to irrecoverability	-	-
c) due to adoption of different accounting standards	-	-
3.2 Decreases in fiscal rates	-	-
3.3 Other decreases	143	-
4. Final amount	604	237

The "deferred taxes recognized during the year- due to adoption of different accounting standards" also include 98 million euro relating to actuarial losses charged to shareholders' equity.

14.6 Change in deferred taxes (with corresponding caption under statement of income)

	31/12/2005 (€/mil)	31/12/2004 (€/mil)
1. Initial amount	**338**	**341**
2. Increases	**388**	-
2.1 Deferred taxes recognized during the year	363	-
a) from previous years	-	-
b) due to adoption of different accounting standards	351	-
c) other	12	-
2.2 New taxes or increases in fiscal rates	20	-
2.3 Other increases	5	-
3. Decreases	**274**	**3**
3.1 Deferred taxes cancelled during the year	12	1
a) reallocation	-	1
b) due to adoption of different accounting standards	-	-
c) other	12	-
3.2 Decreases in fiscal rates	-	-
3.3 Other decreases	262	2
4. Final amount	**452**	**338**

"Other decreases" include, with no impact on the statement of income, 194 million euro for redistribution of tax amounts entered as open balances in the deferred taxes for FTA which, following the clarifications introduced by Bank of Italy Circular 262, have been entered (net amount) in prepaid assets.

14.7 Other information

With D.Lgs. 344 of 12 December 2003 the reform was implemented of taxation on corporate income which provided for the introduction of domestic tax consolidation. At the end of 2004 following the authorization of the Board of Directors on 12 October 2004, the domestic tax consolidation of the SANPAOLO IMI Group began (through communication to the finance authorities). Listed below are the companies that adopted this form of taxation for the financial year 2005:

Holding companies:
- SANPAOLO IMI S.p.A.

Subsidiary companies:
- Cassa di Risparmio di Padova e Rovigo S.p.A.
- Cassa di Risparmio di Venezia S.p.A.
- Cassa di Risparmio in Bologna S.p.A.
- Friulcassa S.p.A.
- Sanpaolo Banco di Napoli S.p.A.
- Banca di Intermediazione Mobiliare IMI S.p.A.
- Emil Europe '92 S.r.l. in liquidazione
- FIN. OPI S.p.A.
- GEST Line S.p.A.
- IMI Investimenti S.p.A.
- Immobiliare 21 S.r.l.
- Eurizon Financial Group S.p.A.
- Sanpaolo Fiduciaria S.p.A.
- Sanpaolo IMI Insurance Broker S.p.A.
- Sanpaolo IMI Internazionale S.p.A.
- Sanpaolo Leasint S.p.A.
- Banca Fideuram S.p.A.
- Fideuram Investimenti S.G.R. S.p.A.
- Fideuram Fiduciaria S.p.A.
- Sanpaolo Invest SIM S.p.A.
- Sanpaolo IMI Asset Management S.G.R. S.p.A.
- Sanpaolo IMI Alternative Investments S.G.R. S.p.A.
- Sanpaolo IMI Institutional Asset Management S.G.R. S.p.A. (*)
- Assicurazioni Internazionali di Previdenza S.p.A.
- Fideuram Assicurazioni S.p.A.
- Universo Servizi S.p.A.
- Sanpaolo IMI Private Equity S.p.A.
- Sanpaolo IMI Investimenti per lo Sviluppo S.G.R. S.p.A.
- Sanpaolo IMI Fondi Chiusi S.G.R. S.p.A.
- Neos Banca S.p.A.
- Neos Finance S.p.A.
- Consumer Financial Services S.r.l.
- Servizi S.r.l. (**)

(*) Incorporated into Sanpaolo IMI Asset Management SGR.
(**) Incorporated into Neos Banca S.p.A..

Information on principal tax litigation can be found in Part B – Section 12 - Provisions for risks and charges - of these Notes.

SECTION 15 - DISCONTINUED OPERATIONS AND GROUPS OF OPERATIONS BEING DISPOSED, AND ASSOCIATED LIABILITIES – CAPTION 150 UNDER ASSETS AND CAPTION 90 UNDER LIABILITIES

15.1 Discontinued operations and groups of operations being disposed: break-down

	31/12/2005 (€/mil)
A. Single assets	
A.1 Equity investments	9
A.2 Tangible assets	40
A.3 Intangible assets	-
A.4 Other non-current assets	-
Total A	**49**
B. Groups of assets (operating units sold)	
B.1 Financial assets held for trading	29
B.2 Financial assets designated as at fair value	-
B.3 Available-for-sale investments	-
B.4 Held-to-maturity investments	-
B.5 Due from banks	66
B.6 Loans to customers	41
B.7 Equity investments	-
B.8 Tangible assets	-
B.9 Intangible assets	-
B.10 Other assets	35
Total B	**171**
C. Liabilities on single assets being disposed of	
C.1 Debts	-
C.2 Securities	-
C.3 Other liabilities	-
Total C	-
D. Liabilities on groups of assets being disposed of	
D.1 Due to banks	12
D.2 Due to customers	86
D.3 Securities issued	-
D.4 Financial liabilities held for trading	-
D.5 Financial liabilities evaluated at fair value	-
D.6 Provisions	25
D.7 Other liabilities	41
Total D	**164**

The caption investments (individual assets) refers to the subsidiary Sanpaolo IMI Private Equity Scheme B.V. (subsidiary company of Sanpaolo IMI Private equity).

The caption tangible assets refers to portfolio assets to be sold to the Parent Bank and to the network banks.

The groups of assets (and related liabilities) being disposed of reflect the impact of the classification of assets of the French subsidiaries belonging to the Fideuram Wargny group into those classes.

During 2005, the Board of Directors of Banca Fideuram appointed consultancy company Banca Rothschild Italia to look into the possibility of selling the French group. The consultancy company began that process, preparing an Information Memorandum and making contact with potential purchasers.

As a result, several non-binding offers were brought to the attention of the Board of Directors of Banca Fideuram at its meeting of 10 November 2005. The consultancy company then organized meetings with potential purchasers to consider the preliminary Terms Sheet and define the binding offers. These offers are being defined and it is likely that the entire process will be concluded by the end of 2006.

SECTION 16 - OTHER ASSETS – CAPTION 160

	31/12/2005 (€/mil)
Unprocessed transactions	2,586
Amounts in transit with bank branches and subsidiaries	641
Amounts related to insurance business	532
Amounts due from tax authorities	326
Items related to securities transactions	268
Deposit at Bank of Italy in relation to liquidation of Isveimer	58
Checks and other instruments held	36
Deposits with clearing houses	31
Deposit at Bank of Italy in relation to settlement of SGA losses	7
Other items	1,970
Total	**6,455**

Liabilities

SECTION 1 - DUE TO BANKS – CAPTION 10

1.1 Due to banks: break-down by type

Type of transaction/Value	31/12/2005 (€/mil)
1. Due to central banks	3,210
2. Due to banks	32,472
2.1 Current accounts and demand deposits	4,853
2.2 Tied deposits	11,793
2.3 Loans	9,481
2.4 Debts for repurchase of own capital instruments	7
2.5 Liabilities corresponding to assets sold and not cancelled	6,078
2.6 Other amounts due	260
Total	35,682
Fair Value	35,773

1.2 Detail of caption 10 “Due to Banks”: subordinated liabilities

At 31 December 2005 there were no subordinated liabilities due to banks.

1.4 Break-down of caption 10 "Due to banks": debts subject to microhedging

Type of transaction/Value	31/12/2005 (€/mil)
1. Debts subject to fair value hedging	78
2. Debts subject to cash flow hedging	1,633
Total	1,711

1.5 Detail of caption 10 “Due to Banks”: liabilities for financial leasing

At 31 December 2005 the Group did not have significant debt positions for financial leasing.

SECTION 2 - DUE TO CUSTOMERS – CAPTION 20

2.1 Due to customers: break-down by type

Type of transaction/Value	31/12/2005 (€/mil)
1. Current accounts and demand deposits	74,562
2. Tied deposits	5,734
3. Public funds administered	145
4. Loans	585
5. Debts for repurchase of own capital instruments	79
6. Liabilities corresponding to assets sold and not cancelled	10,545
7. Other amounts due	656
Total	**92,306**
Fair value	**92,306**

2.2 Detail of caption 20 “Due to customers”: subordinated liabilities

At 31 December 2005 subordinated liabilities amounted to two million euro.

Part F of these Notes contains detail of the subordinated liabilities.

2.4 Break-down of caption 20 "Due to customers": debts subject to microhedging

Type of transaction/Value	31/12/2005 (€/mil)
1. Debts subject to fair value hedging	110
a) interest rate risk	110
b) exchange rate risk	-

2.5 Detail of caption 20 “Due to customers”: liabilities for financial leasing

At 31 December 2005 the Group did not have significant debt positions for financial leasing.

SECTION 3 - SECURITIES ISSUED – CAPTION 30

3.1 Securities issued: break-down by type

Type of security/Value	31/12/2005 (€/mil)	
	Book value	Fair value
A. Listed securities	**13,698**	**13,953**
1. Bonds	10,056	10,311
2. Other securities	3,642	3,642
B. Unlisted securities	**33,287**	**33,287**
1. Bonds	24,415	24,415
2. Other securities	8,872	8,872
Total	**46,985**	**47,240**

3.2 Detail of caption 30 " Securities issued": subordinated securities

At 31 December 2005 the amount of subordinated securities issued was 6,219 million euro.

Part F of these Notes contains detail of the subordinated liabilities.

3.3 Break-down of caption 30 "Securities issued": securities subject to microhedging

Type of transaction/Value	31/12/2005 (€/mil)
1. Debt securities subject to fair value hedging	21,669
2. Debt securities subject to cash flow hedging	889
Total	**22,558**

SECTION 4 - FINANCIAL LIABILITIES HELD FOR TRADING – CAPTION 40

4.1 Financial liabilities held for trading: break-down by type

Type of transaction/Value	31/12/2005 (€/mil)		
	Nominal or notional value	Fair Value	
		Listed	Unlisted
A. Cash liabilities			
1. Due to banks	39	151	5
2. Due to customers	1,905	2,150	39
3. Debt securities	-	-	-
3.1 Bonds	-	-	-
3.2 Other securities	-	-	-
Total A	**1,944**	**2,301**	**44**
B. Derivatives			
1. Financial derivatives	X	648	8,329
2. Credit derivatives	X	-	20
Total B	X	**648**	**8,349**
Total (A + B)	X	**2,949**	**8,393**

The financial liabilities held for trading mainly include the portfolios held by Banca IMI in relation to its trading on the financial markets, and are essentially technical exposures on securities.

4.2 Detail of caption 40 "Financial liabilities held for trading": subordinated liabilities

At 31 December 2005 no subordinated liabilities held for trading had been incurred.

4.4 Financial liabilities held for trading: derivative instruments

(€/mil)

Type of derivative/Underlying asset	Interest rates	Currencies and gold	Equities	Loans	Other	Total 31/12/2005
A. Listed derivatives						
1) Financial derivatives:	1	-	647	-	-	648
with underlying asset exchange	1	-	259	-	-	260
- issued options	-	-	-	-	-	-
- other derivatives	1	-	259	-	-	260
without underlying asset exchange	-	-	388	-	-	388
- issued options	-	-	387	-	-	387
- other derivatives	-	-	1	-	-	1
2) Credit derivatives:	-	-	-	-	-	-
with underlying asset exchange	-	-	-	-	-	-
without underlying asset exchange	-	-	-	-	-	-
Total A	1	-	647	-	-	648
B. Unlisted derivatives						
1) Financial derivatives:	7,361	366	494	-	108	8,329
with underlying asset exchange	1	323	47	-	-	371
- issued options	1	78	36	-	-	115
- other derivatives	-	245	11	-	-	256
without underlying asset exchange	7,360	43	447	-	108	7,958
- issued options	610	9	440	-	18	1,077
- other derivatives	6,750	34	7	-	90	6,881
2) Credit derivatives:	17	-	-	3	-	20
with underlying asset exchange	17	-	-	-	-	17
without underlying asset exchange	-	-	-	3	-	3
Total B	7,378	366	494	3	108	8,349
Total (A + B)	7,379	366	1,141	3	108	8,997

For details of the technical form of derivative contracts, see the summary in Section 17 – “Other information” in this part of the Explanatory Notes.

SECTION 5 - FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE - CAPTION 50

5.1 Financial liabilities designated at fair value: break-down by type

Type of transaction/Value	31/12/2005 (€/mil)		
	Nominal value	Fair Value	
		Listed	Unlisted
1. Due to banks	-	-	-
2. Due to customers	22,317	-	22,317
3. Debt securities	3,559	-	3,622
Total	**25,876**	-	**25,939**

Liabilities valued at fair value traditionally include amounts collected by the Group's insurance companies through the issuing of mainly financial policies against investments where the risks are borne wholly by the subscribers. The amount of liabilities evaluated at fair value which relate to the insurance business is 22,413 million euro.

The nominal value of policies relating to the insurance business is indicated at fair value.

5.2 Detail of caption 50 "Financial liabilities designated at fair value": subordinated liabilities

At 31 December 2005 there were no subordinated liabilities evaluated at fair value.

SECTION 6 - HEDGING DERIVATIVES – CAPTION 60

6.1 Hedging derivatives: break-down by type of contract and underlying asset

(€/mil)

Type of derivative/Underlying asset	Interest rates	Currencies and gold	Equities	Loans	Other	Total 31/12/2005
A. Listed derivatives						
1) Financial derivatives:	-	-	-	-	-	-
with underlying asset exchange	-	-	-	-	-	-
- issued options	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
without underlying asset exchange	-	-	-	-	-	-
- issued options	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-
2) Credit derivatives:	-	-	-	-	-	-
with underlying asset exchange	-	-	-	-	-	-
without underlying asset exchange	-	-	-	-	-	-
Total A	-	-	-	-	-	-
B. Unlisted derivatives						-
1) Financial derivatives:	293	433	1	-	3	730
with underlying asset exchange	-	433	-	-	3	436
- issued options	-	-	-	-	-	-
- other derivatives	-	433	-	-	3	436
without underlying asset exchange	293	-	1	-	-	294
- issued options	-	-	1	-	-	1
- other derivatives	293	-	-	-	-	293
2) Credit derivatives:	-	-	-	-	-	-
with underlying asset exchange	-	-	-	-	-	-
without underlying asset exchange	-	-	-	-	-	-
Total B	293	433	1	-	3	730
Total (A + B)	293	433	1	-	3	730

For details on the technical form of derivative contracts, see the summary in Section 17 – “Other Information” in this part of the Explanatory Notes.

6.2 Hedging derivatives: break-down by hedged portfolio and type of hedging

The hedging derivatives recognized at liabilities caption 60 represent the market evaluation of specific fair value hedges transactions against the banking book. Further information on the Group’s risk coverage policies can be found in Part E of these Notes.

SECTION 7 - ADJUSTMENT FOR FINANCIAL LIABILITIES OF MACROHEDGED ITEMS - CAPTION 70

7.1 Value adjustment of hedged liabilities

Value adjustment of hedged liabilities	31/12/2005 (€/mil)
1. Positive adjustment of financial liabilities	2
2. Negative adjustment of financial liabilities	(37)
Total	(35)

7.2 Liabilities subject to macrohedging of interest-rate risk: break-down

This caption contains the balance of variations in value of liabilities subject to macrohedging against interest rate risk. Taking advantage of the option that emerged in the definition of the carve out IAS 39, the Group adopted the abovementioned macrohedging, limited to coverage of core deposits.

SECTION 8 - TAX LIABILITIES – CAPTION 80

See Assets - section 14.

SECTION 9 - LIABILITIES ON GROUPS OF ASSETS BEING DISPOSED – CAPTION 90

Detail of and comments on the liabilities associated with groups of assets being disposed of can be found at the corrisponding assets in section 15 of Assets.

SECTION 10 - OTHER LIABILITIES – CAPTION 100

10.1 Other liabilities

	31/12/2005 (€/mil)
Unprocessed transactions and amounts in transit with branches and subsidiaries	3,010
Amounts available for third parties	1,902
Amounts relating to insurance business	1,656
Tax payment accounts	642
Amounts due to personnel	460
Provisions for guarantees and commitments	354
Due to tax authorities	271
Illiquid balances from portfolio transactions	159
Amounts payable due to settlement value date	153
Other items	1,966
Total	**10,573**

Other items include 58 million euro and seven million euro for the Bank of Italy respectively for the liquidation of Isvemeir and loans to restructure SGA.

SECTION 11 - PROVISIONS FOR EMPLOYEE TERMINATION INDEMNITIES – CAPTION 110

11.1 Provisions for employee termination indemnities: annual changes

	(€/mil)
A. Opening balance as at 31/12/04	**882**
B. Increases	**193**
B.2 Provisions during the year	82
B.3 Other increases	111
C. Decreases	**74**
C.2 Amounts paid	60
C.3 Other decreases	14
D. Closing balance as at 31/12/05	**1,001**

The other increases include 99 million euro relating to the recording of actuarial losses, on the basis of the assessment of an independent actuary, offset against a specifically set-up reserve (66 million euro after the recognition of deferred tax assets of 33 million euro).

11.2 Other information

Since the provision for employee termination indemnities is contained as a defined benefit fund, the variations in the actuarial evaluations are set out in detail in Section 12 of these Notes (see Defined benefit company pension funds).

SECTION 12 - PROVISIONS FOR RISKS AND CHARGES – CAPTION 120

12.1 Provisions for risks and charges: break-down

Caption/Value	31/12/2005 (€/mil)	31/12/2004 (€/mil)
1. Company pension funds	425	209
2. Other provisions for risks and charges	1,457	1,525
2.1 Legal disputes	551	547
2.2 Personnel charges	415	448
2.3 Other	491	530
Total	1,882	1,734

12.2 Provisions for risks and charges: annual changes

(€/mil)

	Pension funds	Other funds	Total
A. Opening balance as at 31/12/04	**209**	**1,525**	**1,734**
B. Increases	**314**	**529**	**843**
B.1 Provisions during the year	25	269	294
B.2 Changes due to the elapsing of time	84	18	102
B.3 Changes due to discount rate adjustments	198	-	198
B.4 Other increases (*)	7	242	249
C. Decreases	**98**	**597**	**695**
C.1 Use during the year	12	564	576
C.2 Changes due to discount rate adjustments	2	-	2
C.3 Other decreases	84	33	117
D. Closing balance as at 31/12/05	**425**	**1,457**	**1,882**

(*) Includes the recording of 84 million euro in major funds determined by the application of IAS 32 and 39 and IFRS 4.

Provision for tax litigation

Banca Fideuram S.p.A.

On 20 December 2005 Banca Fideuram S.p.A. received notice of a challenge by regional revenue officials in Lazio in relation to the financial period 2003-2004 concerning, as well as other less significant matters, the overall taxation regime of the Loyalty Plan of the Network of Private Bankers (Partnership), regarding which the Bank's choice of taxation regime was called into question. The detailed evaluations that were carried out reveal that the taxation regime used in previous years is valid. Consequently, no allocations for potential future disputes were carried out as the risk was considered fairly remote.

Assicurazioni Internazionali di Previdenza S.p.A.

The pending taxation case involves Fideuram Vita incorporated by Compagnia Assicurazioni Internazionali di Previdenza S.p.A., and is largely recuperative, aimed at obtaining payment by the finance authorities of debts resulting from income declarations and reimbursement demands. In summary:

- the disputes began with a taxation inspection concerning the taxation periods 1985 to 1990 by the Central Taxation Inspectorate (Servizio Centrale degli Ispettori Tributari – SEC.IT) after which IRPEG and ILOR taxation notices were issued concerning the deductibility of the allocations to the mathematical reserves, commissions on purchases and expenditure, where there were income exemptions. The consequent cases were concluded in favour of the Company, after various levels of judgements: the taxation periods 1985, 1986 and 1987 concluded with the judgement of the Supreme Court, and the taxation periods 1988, 1989 and 1990 concluded with the final judgement of the Rome Regional Taxation Commission. Following the finalization of the cases, recovery actions were begun and satisfactorily concluded, as indicated below;

- for the tax period from 1991 to 2001 – excluding 1994 – the Company, purely on a precautionary basis in order to avoid penalties, in its income tax return conformed with arguments sustained by the tax authorities and, in parallel, made specific claims for reimbursement. This resulted, in addition to the 33 million euro overall, in over 16 million euro in interest resulting from the income declarations, and a further 120 million euro as well as 34 million euro in interest. To obtain the recognition of the latter it became necessary to undertake legal proceedings, currently pending in the Court of Cassation, after the favorable outcome of the proceedings in the first and second instance. Except for the dispute relating to 1997 tax year involving the repayment of credits for an amount of 24 million euro plus seven million euro in interest, for which favorable second-grade sentence was passed with a final judgment. In addition, the very recent sentence issued following the subsequent judgment of compliance established, the Regional Tax Commission of Rome order the Tax Authorities to repay the credit requested as repayment of the legal interest and expenses. Therefore, the repayment should take place in the very near future;
- during 2005 the credits resulting from the income tax declarations relating to the years 1987 to 1993 totaling 25 million euro plus 16 million of interest were repaid.
- in total, the Company claims from the Treasury credits amounting to 138 million euro, plus 44 million euro in interest, including 58 million of capital and interest, definitively due for recovery, and 124 million euro of capital and interest, pending in the Court of Cassation. With regard to the latter, the Company's Board of Directors, in view of the outcome of the proceedings, is of the opinion that the arguments sustained by the Tax Authorities are groundless.

Sanpaolo IMI Bank International S.A.

On 5 January 2006 Sanpaolo IMI Bank International S.A. was notified by the Portuguese tax authorities of a judgment relating to 2001 in which the company was charged with failure to carry out withholding of interest from bonds for an amount of 28 million euro, demanding its repayment together with compensating interest of five million euro. Subsequently, on 30 January 2006, notification of further judgment was received in which the company the company was charged with same omission for the year 2002 for an amount of 18 million euro for omitted withholdings and two million euro for compensating interest.

It was immediately reported that the notification relating to 2001 must be considered as untimely, since the deadline for the notification expired on 31 December 2005.

Therefore, from the substantive point of view, only the dispute relating to 2002 is effectively pending. In this regard the company intends to sustain that the conduct adopted was in conformity with Portuguese tax legislation. Should the local authorities not share this opinion we consider, in any case, that it can be proved that 80% of the interest for 2002 was paid to investors not resident in Portugal and therefore the amount of the withholdings to be paid and the interest must be reduced proportionally. As a result, four million euro have been allocated in the company's financial statements against potential commitments to the tax authorities.

12.3 Defined benefit company pension funds

12.3.1 Details of the funds

This item provides the information required by IAS 19 for defined benefit funds, including that relating to the employee termination indemnities which are part of them.

As required by the international accounting standards with reference to plans that share the risk between various entities under common control, the information detailed in the tables below relates to the plans as a whole, with a note specifying the Bank's share.

As they are defined benefit pension funds, the calculation of the actuarial values required by the adoption of IAS 19 "employee benefits" is performed by an independent Actuary, using the Projected Unit Credit Method, as shown in detail in Part A – Accounting Policies.

The defined benefits funds, to which certain Group companies are committed may be divided into:
- internal complementary retirement funds;
- external complementary retirement funds.

The internal funds include:

- *The Retirement Fund for the Employees of Banca Popolare dell'Adriatico.* This is a complementary pension fund within the liabilities of the bank aimed at guaranteeing its members and beneficiaries a complementary retirement pension in the form of a defined benefit (annuity). SANPAOLO IMI contributes to this fund on behalf of the employees registered from the Banca Popolare dell'Adriatico.

- *The Pension Fund for the Employees of Cassa di Risparmio di Venezia.* This fund is aimed at covering the commitments for future payments, to those entitled, according to the procedures defined in the internal rules. SANPAOLO IMI contributes to this fund on behalf of the employees registered from the Cassa di Risparmio di Venezia.

- *Bank's employee supplementary fund (in addition to INPS benefits) of the Cassa di Risparmio di Gorizia, now Friulcassa.* This is a complementary pension fund within the assets of Friulcassa aimed guaranteeing the pensioners, from the Cassa di Risparmio di Gorizia, a supplementary defined benefit pension.

- *Bank's employee supplementary fund (in addition to INPS benefits) of the Cassa di Risparmio di Udine e Pordenone, now Friulcassa,* a complementary pension fund within the assets of Friulcassa aimed guaranteeing its members, from the Cassa di Risparmio di Udine e Pordenone, a supplementary defined benefit pension.

The external funds include:

- *Bank's employee supplementary fund for the employees of the dell'Istituto Bancario San Paolo di Torino,* a fund with legal status and full economic independence pursuant to article 12 of the Italian Civil Code and independent asset management. SANPAOLO IMI is jointly responsible for the commitments of the "Bank" to the employees registered, the pensioners and third parties.

- *The Complementary Pension Fund for the employees of Banco di Napoli – Section A* is a foundation with legal status and independent management of assets. SANPAOLO IMI is jointly responsible for the commitments of the fund to the employees registered and the other beneficiaries of the former Banco di Napoli; to the retired staff receiving the Supplementary Pension Check, formerly within SANPAOLO IMI; to the employees of the Cassa di Risparmio in Bologna, formerly registered in Complementary Pension Fund for the Employees of said Bank, transferred to the Complementary Pension Fund for the Employees of Banco di Napoli in 2004.

- *The Pension Fund for the Employees of the Cassa di Risparmio di Padova e Rovigo – Pensioners Section.* This is a fund with legal status and independence of assets pursuant to Article 12 of the Italian Civil Code and independent management of assets. The Cassa di Risparmio di Padova e Rovigo does not make any contributions but is committed to covering any technical deficit, resulting from the relevant actuarial assessment.

12.3.2 Annual change in present value of defined benefit obligations

Defined benefit obligations	31/12/2005 (€/mil)			31/12/2004 (€/mil)		
	Employee termination indemnities	INTERNAL PLANS	EXTERNAL PLANS	Employee termination indemnities	INTERNAL PLANS	EXTERNAL PLANS
Defined benefit obligations at beginning of year	**882**	**191**	**1,721**	**926**	**172**	**1,546**
Current service costs	46	3	22	53	3	18
Recognized past service costs	-	-	-	-	-	-
Unrecognized past service costs	-	-	-	-	-	-
Interests costs	36	8	76	45	8	74
Recognized actuarial losses	104	32	229	-	-	-
Unrecognized actuarial losses	-	-	-	9	19	158
Positive exchange differences	-	-	-	-	-	-
Increases - business combinations	5	-	-	14	-	-
Participants' contributions	-	-	-	-	-	-
Recognized actuarial gains	-5	-	-1	-	-	-
Unrecognized actuarial gains	-	-	-	-6	-	-
Negative exchange differences	-	-	-	-	-	-
Benefits paid	-60	-11	-173	-131	-11	-132
Decreases - business combinations	-7	-	-	-24	-	-
Curtailments	-	-	-	-	-	-30
Settlements	-	-	-	-	-	-
Other increases	2	-	7	-	-	87
Other decreases	-2	-	-	-1	-	-
Defined benefit obligations at end of year	**1,001**	**223**	**1,881**	**885**	**191**	**1,721**
Total unrecognized actuarial gains	**-**	**-**	**-**	**6**	**-**	**-**
Total unrecognized actuarial losses	**-**	**-**	**-**	**9**	**19**	**158**

Analysis of defined benefit obligations

Liabilities of defined benefit obligations pension plan	31/12/2005 (€/mil)			31/12/2004 (€/mil)		
	Employee termination indemnities	INTERNAL PLANS	EXTERNAL PLANS	Employee termination indemnities	INTERNAL PLANS	EXTERNAL PLANS
a) unfunded plans	1,001	40	-	885	32	-
b) partly funded plans	-	-	-	-	-	-
c) wholly funded plans	-	183	1,881	-	159	1,721

12.3.3 Annual changes in plan assets and other information

Annual changes in fair value of plan assets

Plan assets	31/12/2005 (€/mil)		31/12/2004 (€/mil)	
	INTERNAL PLANS	EXTERNAL PLANS	INTERNAL PLANS	EXTERNAL PLANS
Fair value of plan assets at beginning of year	**155**	**1,721**	**152**	**1,684**
Expected return	6	76	7	83
Recognized actuarial losses	-7	-	-	-
Unrecognized actuarial losses	-	-	-	-
Positive exchange differences	-	-	-	-
Employer contributions	3	8	3	88
Participants' contributions	-	-	-	-
Recognized actuarial gains	-	44	-	31
Unecognized actuarial gains not recorded	-	-	-4	-3
Negative exchange differences	-	-	-	-
Benefits paid	-10	-173	-10	-132
Curtailments	-	-	-	-30
Settlements	-	-	-	-
Other changes	4	3	7	-
Fair value of plan assets at end of year	**151**	**1,679**	**155**	**1,721**
Total unrecognized actuarial gains	-	-	**4**	**3**
Total unrecognized actuarial losses	-	-	-	-

Plan assets

	31/12/2005 (€/mil)				31/12/2004 (€/mil)			
	INTERNAL PLANS	%	EXTERNAL PLANS	%	INTERNAL PLANS	%	EXTERNAL PLANS	%
Equity securities	-	-	356	21.2	-	-	304	17.6
Debt securities	139	92.1	1,011	60.2	145	93.5	1,089	63.3
Real estate	-	-	154	9.2	-	-	158	9.2
Insurance activities	-	-	124	7.4	-	-	119	6.9
Other assets	12	7.9	34	2.0	10	6.5	51	3.0

12.3.4 Reconciliation between the current value of the pension plan, the current value of plan assets and the assets and liabilities recognized in the financial statements.

Assets and liabilities recognized

	31/12/2005 (€/mil)			31/12/2004 (€/mil)		
	Employee termination indemnities	INTERNAL PLANS	EXTERNAL PLANS	Employee termination indemnities	INTERNAL PLANS	EXTERNAL PLANS
Current value of defined benefit obligations	1,001	223	1,881	885	191	1,721
Fair value of the plan assets	N/A	151	1,679	N/A	155	1,721
Fund status	**-1,001**	**-72**	**-202**	**-885**	**-36**	**-**
Unrecognized actuarial gains (summation of those accumulated)	-	-	-	6	4	3
Unrecognized actuarial losses (summation of those accumulated)	-	-	-	-9	-19	-127
Unrecognized past service costs	-	-	-	-	-	13
Unrecognized assets because not reimbursable	N/A	-	-	N/A	-	144
Fair value of assets reimbursable by third parties	N/A	-	-	N/A	-	-
	-	**-**	**-**	**-3**	**-15**	**33**
Recognized assets	**-**	**151**	**-**	**-**	**155**	**-**
Recognized liabilities	**1,001**	**223**	**202**	**882**	**176**	**33**

12.3.5. Description of main actuarial assumptions

Actuarial assumptions

Employee termination indemnities	31/12/2005	31/12/2004
Discount rate	3.7%	4.3%
Expected increase in salaries	2.0%	2.0%
Inflation rate	2.0%	2.0%

Actuarial assumptions

INTERNAL PLANS	31/12/2005				31/12/2004			
	Discount rate	Rate of expected return	Rate of expected salary increases	Inflation rate	Discount rate	Rate of expected return	Rate of expected salary increases	Inflation rate
Banca popolare dell'Adriatico	3.9%	N/A	2.0%	2.0%	4.5%	N/A	2.0%	2.0%
Cassa di Risparmio di Venezia	4.0%	4.5%	2.0%	2.0%	4.5%	5.0%	2.0%	2.0%
Friulcassa (ex Crup)	3.5%	4.0%	2.0%	2.0%	4.0%	5.0%	2.0%	2.0%
Friulcassa (ex Carigo)	3.6%	N/A	2.0%	2.0%	4.1%	N/A	2.0%	2.0%

Actuarial assumptions

EXTERNAL PLANS	31/12/2005				31/12/2004			
	Discount rate	Rate of expected return	Rate of expected salary increases	Inflation rate	Discount rate	Rate of expected return	Rate of expected salary increases	Inflation rate
Supplementary pension fund for staff of Istituto Bancario Sanpaolo di Torino	4.0%	4.5%	2.0%	2.0%	4.5%	5.0%	2.0%	2.0%
Supplementary pension fund for staff of Banco di Napoli	3.7%	4.2%	2.0%	2.0%	4.2%	5.0%	2.0%	2.0%
Employee pension fund Cariparo-retired employees section	3.7%	4.2%	2.0%	2.0%	4.2%	5.0%	2.0%	2.0%

12.3.6 Comparative information

State of the Fund

	31/12/2005 (€/mil)			31/12/2004 (€/mil)			31/12/2003 (€/mil)		
	Employee termination indemnities	INTERNAL PLANS	EXTERNAL PLANS	Employee termination indemnities	INTERNAL PLANS	EXTERNAL PLANS	Employee termination indemnities	INTERNAL PLANS	EXTERNAL PLANS
Current value of defined benefit obligations	1,001	223	1,881	885	191	1,721	926	172	1,547
Fair value of plan assets	N/A	151	1,679	N/A	155	1,721	N/A	152	1,684
Fund status	**-1,001**	**-72**	**-202**	**-885**	**-36**	**-**	**-926**	**-20**	**137**
Adjustments to plan assets	-	-	-	-	-	-	-	-	-
Adjustments to liabilities deriving from the plan	-	-	-	-	-	-	-	-	-

12.4 Provisions for risks and charges – other provisions

Caption/Value	31/12/2005 (€/mil)	31/12/2004 (€/mil)
2. Other funds		
2.1 legal disputes	551	547
2.2 personnel charges	415	448
staff leaving incentives	175	280
seniority bonuses to employees	117	83
sundry personnel charges	123	85
2.3 other risks and charges	493	530
other indemnities due to agents of the distribution network	95	62
renegotiation of mortgage loans	18	70
customers' complaints on Cirio, Argentina and Parmalat placements	22	29
other	358	369
Total	**1,459**	**1,525**

Average disbursement times for the main appropriations subject to time discounting

	31/12/2005 months
	Timing for use of own resources
Total Provisions for legal disputes	39
Total Sundry personnel provisions	64
Total Sundry provisions for other risks and charges	60

SECTION 13 - TECHNICAL RESERVES – CAPTION 130

13.1 Technical reserves: break-down

	Direct work	Indirect work	Total 31/12/2005 (€/mil)
A. Casualty branch	**76**	-	**76**
A1. premiums fund	52	-	52
A2. claims fund	23	-	23
A3. other reserves	1	-	1
B. Life branch	**18,356**	-	**18,356**
B1. Mathematical reserves	17,588	-	17,588
B2. Funds for amounts to be disbursed	73	-	73
B3. Other reserves	695	-	695
C. Technical reserves for investment risks to be borne by the insured	**3,681**	-	**3,681**
C1. funds for contracts with disbursements connected with pension funds and market indices	3,681	-	3,681
C2. funds from pension fund management	-	-	-
D. Total technical reserves	**22,113**	-	**22,113**

13.2 Technical reserves: annual changes

	31/12/2005 (€/mil)
A. Casualty branches	**76**
- opening balance as at 31/12/04 (*)	61
+/- effect of IFRS 4 adoption	-
+/- change to the reserve	15
Total casualty branch reserves	76
B. Life branches	**22,037**
- opening balance as at 31/12/04 (*)	38,788
+/- effect of IFRS 4 adoption	(18,866)
+/- change to the reserve	2,115
Total life branch reserves	22,037
Total technical reserves	**22,113**

(*) Excl. IFRS 4

SECTION 14 - REDEEMABLE SHARES – CAPTION 150

14.1 Redeemable shares: break-down

At 31/12/2005 the Group had not issued any redeemable shares.

SECTION 15 - GROUP'S SHAREHOLDERS' EQUITY – CAPTIONS 140, 160, 170, 180, 190, 200 AND 220

15.1 Group's shareholders' equity: break-down

Caption/Value	31/12/2005 (€/mil)	31/12/2004 (€/mil)
1. Capital	5,239	5,218
2. Additional paid-in capital	769	725
3. Reserves (*)	4,298	4,575
4. (Own shares)	(92)	-
a) Parent Bank	(51)	-
b) Subsidiaries	(41)	-
5. Valuation reserves	1,286	343
6. Capital instruments	-	-
7. Profit (loss) for the year attributable to the Group	1,983	1,447
Total	**13,483**	**12,308**

(*) Includes valuation reserves for companies carried at equity for 31 million euro.

15.2 "Capital and own shares": break-down

At 31 December 2005 the Parent Bank's capital, increased during the year by 21,544,600 euro following the exercise of stock options assigned to management, was 5,239,223,740.80 euro, divided into 1,586,967,318 ordinary shares and 284,184,018 preference shares, both with a nominal value of 2.8 euro.

At 31 December 2005 there were 4,774,774 SANPAOLO IMI shares held by the Group, representing 0.26% of capital, set out on the basis of the new IAS/IFRS criteria as negative components in the shareholders' equity accounts, amounting to 51.0 million euro overall. These shares were held by the Parent Bank and its subsidiaries, as well as by the collective investment entities held within the Group's insurance business and wholly integrated in line with international standards.

In the year 2005, transactions on SANPAOLO IMI shares were as follows:
- the Parent Bank, not having carried out buying or selling transactions during the year, had 4,015,919 own shares in its portfolio (11.2 million euro nominal value), representing 0.21% of share capital, for a value of 42.5 million euro;
- as part of its institutional dealing activity, at 31December 2004, Banca IMI held 1,166 SANPAOLO IMI shares in its portfolio. During the year it acquired 4,399,256 shares (12.3 million euro nominal value) for a cost of around 52,3 million euro and sold 4,184,152 shares (11.7 million euro nominal value) for a total cost of 49.6 million euro. At 31 December 2005 the company therefore had 216,270 SANPAOLO IMI shares in its portfolio (0.6 million euro nominal value) equal to 0.01% of the share capital of the Parent Bank, for a value of 2.7 million euro;
- during the year, Banca Fideuram, sold off all SANPAOLO IMI shares it had in its portfolio at the beginning of the financial period;
- at 31 December 2004, the collective investment entities, mainly owned by the subsidiary A.I.P. and consolidated for the first time according to IAS/IFRS standards, held a total of 519,585 shares (1.5 million euro nominal value) for a value of 5.4 million euro. During the half year, these companies acquired 544,000 SANPAOLO IMI shares (1.5 million euro nominal value) for a total of 6.5 million euro and sold 521,000 shares (1.5 million euro nominal value) for a total of 6.1 million euro. Therefore at 31 December 2005, these companies held 542,585 SANPAOLO IMI shares (1.5 million euro nominal value), equal to 0.03% of the share capital of the Parent Bank, for a value of 5.8 million euro.

In the light of the amount of own shares in the portfolio, the Parent Bank and Banca IMI have the same amount in the non-disposable reserve required by law.

The own shares of the subsidiaries refer to Banca Fideuram S.p.A. shares in that bank's portfolio.

At 31 December 2005 those shares, held exclusively by Banca Fideuram in support of the stock option plan, numbered 12,655,273 (2.4 million euro nominal value), equal to 1.3% of share capital (14,997,000 at 31/12/2004).

In application of IAS 32, these shares are shown, at historic values, in adjustment of Banca Fideuram's shareholders' equity (including the third party quota) for 54.4 million euro.

The number of own shares decreased in the second half of 2005, following the exercise of 2,341,727 stock options in the context of the 2004 Incentive plan, which provides for the assignment to the Group's Private Bankers of options to acquire Banca Fideuram shares in the ratio of one option per share, to be exercised in the period June-December 2005 at the unit price of 4.43 euro. Following the exercise of the stock options, 2,341,727 shares had been sold.

15.3 Capital - Number of parent company shares: annual changes

Caption/Type	Ordinary	Other
A. Number of shares at the beginning of the year	**1,475,122,818**	**388,334,018**
- fully paid-up shares	1,475,122,818	388,334,018
- shares not fully paid up	-	-
A.1 Own shares (-)	(4,774,774)	-
A.2 Shares in circulation: opening balance	**1,470,348,044**	**388,334,018**
B. Increases	**111,844,500**	-
B.1 New issues	111,844,500	-
- on a payment basis:	111,844,500	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	111,844,500	-
- on a free basis:	-	-
- in favor of employees	-	-
- in favor of directors	-	-
- other	-	-
B.2 Sale of own shares	-	-
B.3 Other changes	-	-
C. Decreases	-	**(104,150,000)**
C.1 Cancellation	-	-
C.2 Purchase of own shares	-	-
C.3 Sale of companies	-	-
C.4 Other changes	-	(104,150,000)
D. Shares in circulation: closing balance	**1,582,192,544**	**284,184,018**
D.1 Own shares (+)	4,774,774	-
D.2 Number of shares at the end of the year	1,586,967,318	284,184,018
- fully paid-up shares	1,586,967,318	284,184,018
- shares not fully paid up	-	-

15.4 Capital - Other information

Further information on the calculation of “diluted” profit per share can be found in Part C - Section 24 of these Notes.

15.5 Income reserves: Other information

Further information on the availability and possibility for distribution of Parent Bank profits can be found in Part B section 14 of SANPAOLO IMI S.p.A. financial statements.

15.6 Valuation reserves: break-down

Caption/Value	31/12/2005 (€/mil)	31/12/2004 (€/mil)
1. Available for sale investments	1,157	-
2. Tangible assets	-	-
3. Intangible assets	-	-
4. Foreign investment hedge	-	-
5. Cash flow hedge	(18)	-
6. Exchange differences	-	-
7. Discontinued operations	-	-
8. Special revaluation laws	346	343
9. Recognition of actuarial gains/losses	(199)	-
Total	1,286	343

It should be noted that the Group, in application of paragraphs 93B-93D of IAS 19, as amended by regulation 1910/205 of 8 November 2005, recorded actuarial loses in a special reserve under equity, net of deferred tax, relating to the defined benefit pension funds and the employee termination indemnities for a total amount of 199 million euro. This amount is included in the caption Recognition of actuarial gains/losses.

15.7 Valuation reserves: annual changes

(€/mil)

	Available for sale investments	Tangible assets	Intangible assets	Foreign investment hedge	Cashflow hedge	Exchange differences	Recognition of actuarial gains/ losses	Special revaluation laws
A. Opening balance	-	-	-	-	-	-	-	**343**
B. Increases	**1,296**	-	-	-	**5**	-	-	**3**
B.1 Increases in fair value	544	-	-	-	4	-	-	-
B.2 Other changes	752	-	-	-	1	-	-	3
C. Decreases	**139**	-	-	-	**23**	-	**199**	-
C.1 Decreases in fair value	50	-	-	-	2	-	199	-
C.2 Other changes	89	-	-	-	21	-	-	-
D. Closing balance	**1,157**	-	-	-	**(18)**	-	**(199)**	**346**

With regard to the valuation reserves on available for sale investments and Cashflow hedge, it should be emphasized that "Other changes", increasing or decreasing, include the recognition of positive or negative valuation reserves recorded in the course of the first application of IAS 32 and 39 and IFRS 4 for a total of 691 million euro (-15 million euro of valuation reserves for Cashflow hedge and 706 million euro for available for sale investments). It should also be noted that valuation reserves for available for sale investments do not include the component of the insured parties attributable to the evaluation of products included under separate management of insurance business ("shadow accounting").

15.8 Valuation reserves of available for sale investments: break-down

	31/12/2005 (€/mil)		31/12/2004 (€/mil)	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	130	(2)	-	-
2. Equities	1,039	(10)	-	-
3. OICR shares	2	(2)	-	-
4. Loans	-	-	-	-
Total	**1,171**	**(14)**	-	-

15.9 Valuation reserves of available for sale investments: annual changes

(€/mil)

	Debt securities	Equities	OICR shares	Loans
1. Opening balance	-	-	-	-
2. Positive changes	**225**	**1,067**	**4**	-
2.1 Increases in fair value	16	527	1	-
2.2 Reallocation of negative reserves to statement of income:				
- due to impairment	-	-	-	-
- due to realization	2	-	-	-
2.3 Other changes	207	540	3	-
3. Negative changes	**97**	**38**	**4**	-
3.1 Decreases in fair value	38	10	2	-
3.2 Adjustments to impairment	-	-	-	-
3.3 Reallocation to statement of income from positive reserves:				
- due to realization	39	-	2	-
3.4 Other changes	20	28	-	-
D. Closing balance	**128**	**1,029**	-	-

SECTION 16 - MINORITY INTEREST – CAPTION 210

16.1 Shareholders' equity attributable to minority interests: break-down

Caption/Value	31/12/2005 (€/mil)	31/12/2004 (€/mil)
1. Capital	104	115
2. Additional paid-in capital	-	-
3. Reserves	81	108
4. (Own shares)	(14)	-
5. Valuation reserves	5	4
6. Capital instruments	-	-
7. Profit (loss) attributable to minority interests	57	55
Total	**233**	**282**

16.2 Valuation reserves: break-down

Caption/Value	31/12/2005 (€/mil)	31/12/2004 (€/mil)
1. Available for sale investments	-	-
2. Tangible assets	-	-
3. Intangible assets	-	-
4. Foreign investment hedge	-	-
5. Cash flow hedge	-	-
6. Exchange differences	-	-
7. Discontinued operations	-	-
8. Special revaluation laws	5	4
Total	**5**	**4**

16.3 Capital instruments: break-down and annual changes

At 31/12/2005 the Group's companies had no types of capital instruments.

16.4 Valuation reserves of available for sale investments: break-down

At 31/12/2005 there were no valuation reserves for available for sale investments attributable to minority interests.

16.5 Valuation reserves: annual changes

	31/12/2005 (€/mil)							
	Available for sale investments	Tangible assets	Intangible assets	Foreign investment hedge	Cashflow hedge	Exchange differences	Discontinued operations	Special revaluation laws
A. Opening balance	-	-	-	-	-	-	-	**4**
B. Increases	-	-	-	-	-	-	-	**1**
B.1 Increases in fair value	-	-	-	-	-	-	-	-
B.2 Other changes	-	-	-	-	-	-	-	1
C. Decreases	-	-	-	-	-	-	-	-
C.1 Decreases in fair value	-	-	-	-	-	-	-	-
C.2 Other changes	-	-	-	-	-	-	-	-
D. Closing balance	-	-	-	-	-	-	-	**5**

OTHER INFORMATION

1. Guarantees granted and commitments

Transactions	31/12/2005 (€/mil)
1) Financial guarantees granted	8,767
a) Banks	368
b) Customers	8,399
2) Commercial guarantees granted	12,598
a) Banks	610
b) Customers	11,988
3) Irrevocable commitments to grant finance	26,595
a) Banks	4,021
i) certain to be called on	3,333
ii) not certain to be called on	688
b) Customers	22,574
i) certain to be called on	1,735
ii) not certain to be called on	20,839
4) Underlying commitments to credit derivatives: hedging sales	1,892
5) Assets lodged to guarantee minority interest	48
6) Other commitments	5,407
Total	**55,307**

2. Assets lodged to guarantee own liabilities and commitments

Portfolios	31/12/2005 (€/mil)
1. Investments held for trading	1,660
2. Investments designated as at fair value	249
3. Available for sale investments	1,483
4. Held-to-maturity investments	1,799
5. Loans to banks	2,236
6. Loans to customers	4,138
7. Tangible assets	-

4. Break-down of investments including unit-linked and index-linked policies

Below is detailed information on the assets and liabilities corresponding to unit-linked and index-linked policies, set out in the format required by ISVAP provisions.

	31/12/2005 (€/mil)		
	Disbursements in connection with pension funds and market indices	Disbursements in connection with pension fund management	Total
Assets on the balance sheet	21,832	-	21,832
Infra-group assets	5,480	-	5,480
Total Assets	**27,312**	-	**27,312**
Financial liabilities on the balance sheet	22,413	-	22,413
Technical reserves on the balance sheet	3,681	-	3,681
Infra-group liabilities	-	-	-
Total Liabilities	**26,094**	-	**26,094**

5. Administration and dealing on behalf of third parties

Type of services/Amount	31/12/2005 (€/mil)
1. Financial instruments dealing on behalf of third parties	
a) Purchases	
1. settled	99,476
2. not settled	37
b) Sales	
1. settled	99,547
2. not settled	36
2. Portfolio management	
a) individual	74,745
b) collective	37,353
3. Custody and administration of securities	
a) Third-party securities held on deposit in connection with depositary bank's services (excluding asset management)	
1. securities isssued by companies included in the scope of consolidation	36
2. other	97,275
b) other third-party securities held on deposit (excluding asset management): other	
1. securities isssued by companies included in the scope of consolidation	17,243
2. other	205,109
c) third-party securities deposited with third parties	194,701
d) own securities deposited with third parties	103,025
4. Other transactions	
a) Orders collection	88,685
b) Income from third-party loans on portfolio transactions	17,047
c) Tax collection activities	
1. Amounts collected on behalf of tax offices	36,215
2. Amounts collected on mandate from preceding collectors	469
3. Amounts collected on mandate from collectors in other districts	3,477
4. Other amounts collected on behalf of other entities	153

Quantitative information on derivative contracts and forward transactions on currency

The following table shows the nominal notional capital, divided by type, the forward sales of currency and the derivative contracts on interest rates, exchange and share prices for all the companies consolidated on a line-by-line basis.

Notional amounts *(€/mil)*

	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
Unlisted trading contracts					
- *Forward* (a)	92,056	22,189	-	-	114,245
- *Swap* (b)	857,394	845	-	-	858,239
- Options purchased	40,144	18,468	3,387	250	62,249
- Options sold	68,698	19,345	3,503	-	91,546
- Other	4,920	205	-	325	5,450
Listed trading contracts					
- Futures purchased	49,850	63	98	-	50,011
- Futures sold	47,952	68	75	-	48,095
- Currency against currency futures	-	231	-	-	231
- Options purchased	3,558	-	6,344	-	9,902
- Options sold	8,048	-	6,456	-	14,504
- Other	-	-	2	-	2
Total dealing contracts	**1,172,620**	**61,414**	**19,865**	**575**	**1,254,474**
Total hedging contracts	**11,351**	**2,503**	**8,918**	**-**	**22,772**
Overall total	**1,183,971**	**63,917**	**28,783**	**575**	**1,277,246**
- of which unlisted contracts	*1,074,563*	*63,556*	*10,904*	*575*	*1,149,598*

(a) Includes F.R.A. contracts and forward transaction on currency.
(b) Mainly includes I.R.S., C.I.R.S. and basis swap contracts.

APPENDIX TO PART B – ESTIMATION OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below compares the fair value of the financial instruments with their relative value in the financial statements and summarizes the outcome already presented in Part B in the information given in the tables requested by the Bank of Italy.

(€/mil)

	Value in financial statements at 31/12/2005	Fair value at 31/12/2005	Potential capital gain (loss)
Assets			
Cash and cash equivalents	1,107	1,107	-
Investments held for trading	25,037	25,037	-
Financial assets evaluated at fair value	22,528	22,528	-
Available for sale investments	29,837	29,837	-
Held-to-maturity investments	2,535	2,533	-2
Loans to banks	28,836	28,814	-22
Loans to customers	139,507	141,237	1,730
Hedging derivatives	435	435	-
Liabilities			
Due to banks	35,682	35,773	-91
Due to customers	92,306	92,306	-
Securities issued	46,985	47,240	-255
Financial liabilities held for trading	11,342	11,342	-
Financial liabilities evaluated at fair value	25,939	25,939	-
Hedging derivatives	730	730	-
Total potential capital gain/loss			1,360

As already highlighted in Part A of these Explanatory Notes, the fair value of financial instruments has been determined using the following methods and key assumptions:

- for debt securities owned by the Group, independently of the classifications provided by IAS 39, the SANPAOLO IMI Group adopted a specific procedure for the determination of the situations constituting an active market based on an analysis of the trading volumes, the range of price movements and the number of listings on the market. When no active market is found, comparable situations are to be identified with the same financial characteristics of the instrument or, as a last resort, cash flows are actualized that include all factors that could have an impact of the value of the instrument (e.g. credit risk, volatility and illiquidity);
- for financial (asset and liability) captions with a residual term equal to or less than 18 months, fair value was reasonably assumed to equal carrying value;
- for loans and deposits on demand, the maturity date of contractual obligations was assumed to be immediate and to coincide with the date of the financial statements; hence fair value was taken at the carrying value;
- for medium-long term loans to customers, fair value was measured using internally defined measurement techniques involving the time discounting of residual contractual flows at current interest rates, adjusted to take into account the credit rating of each individual borrower (the probability of default resulting from the rating) and loss given default;
- for impaired assets, fair value was taken at book value;
- for medium-long term liabilities, consisting of unsecured securities or deposits, fair value was measured by time discounting contractual flows at rates which the Group, at the time of measurement, could apply on the market of reference at the date of the financial statements for similar deposits; in the case of Tier 1 subordinated loans, account was taken of the virtual impossibility of anticipated repurchase/reimbursement and the existence of any clauses/options in favor of the issuer;
- for medium-long term liabilities and structured securities issued, hedged for variations in fair value, the book value, already adjusted for the effects of fair value hedging attributable to the risk covered, was taken as an approximation of the fair value, on the assumption that there had been no significant deviations in the credit spread of the issuer since origination and that there were no other particular or significant risk elements that could impact the fair value.

The parameters assumed and models used may differ from one financial institution to another, hence where different assumptions are used, the results may significantly differ. IAS/IFRS exclude certain financial instruments (e.g. deposits on demand) and non-financial instruments (e.g. goodwill, tangible assets, equity investments, etc.) from the fair value option, and therefore overall fair value cannot be taken as an estimate of the economic value of the Group.

Part C - Information on the consolidated statement of income

SECTION 1 - INTERESTS – CAPTIONS 10 AND 20

Interest: contribution by type of asset

	31/12/2005 (€/mil)
10. Interest income and similar revenues	8,235
20. Interest expenses and similar charges	(3,786)
30. Interest income	**4,449**
of which: banking group (*)	*3,747*
of which: insurance sector (**)	*702*

(*) In the reclassified statement of income, the interest margins for the banking group also include the impact of the issue of actualizations on impaired loans for 48 million euro.
(**) In the reclassified statement of income, the contribution from the insurance business sector is reported in insurance business.

1.1 Interest income and similar revenues: break-down

(€/mil)

Captions/Technical types	Performing investments		Impaired investments	Other assets	31/12/2005
	Debt securities	Loans			
1. Investments held for trading	441	-	-	-	441
2. Investments designated at fair value	194	-	-	44	238
3. Available for sale investments	831	-	-	-	831
4. Held-to-maturity investments	45	10	-	-	55
5. Due from banks	28	579	-	-	607
6. Loans to customers	6	5,727	122	-	5,855
7. Hedging derivatives (*)	X	X	X	111	111
8. Investments sold and not cancelled	-	46	-	-	46
9. Other assets	X	X	X	51	51
Total	**1,545**	**6,362**	**122**	**206**	**8,235**

(*) Represent the net effect of differentials on derivative hedging contracts.

Interests matured on investments sold and not cancelled (in relation to repurchase agreements) are summarized in the asset categories.

1.3 Interest income and similar revenues: other information

1.3.1 Interest income on financial assets in currencies

At 31 December 2005 income on financial assets in currencies amounted to 498 million euro.

1.3.2 Interest income on financial leasing operations

At 31 December 2005 income on financial leasing operations amounted to 233 million euro.

Deferred financial gains relating to financial leasing amounted to 698 million euro. This profit is gross of the cost of collection.

1.3.3 Interest income on loans using public funds

At 31 December 2005 the Group did not have significant interest income on loans using public funds.

1.4 Interest expenses and similar charges: break-down

(€/mil)

Captions/Technical types	Debts	Securities	Other liabilities	31/12/2005
1. Due to banks	(761)	X	(151)	(912)
2. Due to customers	(1,138)	X	(4)	(1,142)
3. Securities issued	X	(1,504)	(90)	(1,594)
4. Financial liabilities held for trading	-	(2)	(42)	(44)
5. Financial liabilities designated as at fair value	-	-	(31)	(31)
6. Liabilities corresponding to assets sold and not cancelled	-	(42)	-	(42)
7. Other liabilities	X	X	(21)	(21)
8. Hedging derivatives (*)	X	X	-	-
Total	**(1,899)**	**(1,548)**	**(339)**	**(3,786)**

(*) Represent the net effect of differentials on derivative hedging contracts.

Interests matured on financial liabilities associated to assets sold and not cancelled (repurchase agreements) are included in due to custmers or banks according to the nature of the counterparty in the transactions.

1.6 Interest expenses and similar charges: other information

1.6.1 Interest expense on liabilities in currencies

At 31 December 2005 income on liabilities in currencies amounted to 577 million euro.

1.6.2 Interest expense on liabilities for financial leasing operations

At 31 December 2005 the Group did not have significant interest expense on liabilities for financial leasing operations.

1.6.3 Interest expense on loans using public funds

At 31 December 2005 the Group did not have significant interest income on loans using public funds.

SECTION 2 - COMMISSIONS – CAPTIONS 40 AND 50

Commissions: contribution by type of asset

	31/12/2005 (€/mil)
40. Commissions income	4,166
50. Commissions expense	(758)
60. Net commissions	**3,408**
of which: banking group	*3,476*
of which: insurance sector (*)	*(68)*

(*) In the reclassified statement of income, the contribution of insurance is included among the results of the insurance business.

2.1 Commissions income: break-down

Type of services/Value	31/12/2005 (€/mil)
a) Guarantees granted	101
b) Credit derivatives	-
c) Management, dealing and advisory services:	2,182
1. financial instruments trading	71
2. currency trading	30
3. portfolio management	1,421
3.1 individual	276
3.2 collective	1,145
4. custody and administration of securities	60
5. depositary bank	128
6. placement of securities	102
7. orders collections	84
8. advisory services	26
9. distribution of third party services	260
9.1 portfolio management	131
9.1.1 individual	-
9.1.2 collective	131
9.2 insurance products	129
9.3 other products	-
d) Collection and payment services	356
e) Servicing for securitization transactions	-
f) Services for factoring transactions	-
g) Tax collection services	193
h) Other services	1,334
Total	**4,166**

Analysis of the caption "Other services"

	31/12/2005 (€/mil)
Loans granted	294
Deposits and current account overdrafts	340
Insurance services	374
Current accounts	179
Other	147
Total	**1,334**

2.2 Commissions income: products and services distribution channels

Channel/Value	31/12/2005 (€/mil)
a) With own operating points:	1,151
1. portfolio management	1,017
2. placement of securities	34
3. third party services and products	100
b) Outside supply:	575
1. portfolio management	404
2. placement of securities	11
3. third party services and products	160
c) Other distribution channels	57
1. portfolio management	-
2. placement of securities	57
3. third party services and products	-
Total	**1,783**

2.3 Commissions expense: break-down

Service/Value	31/12/2005 (€/mil)
a) Guarantees received	(13)
b) Credit derivatives	-
c) Management and dealing services	(488)
1. financial instruments trading	(24)
2. currency trading	(1)
3. portfolio management:	(36)
3.1 own portfolio	(18)
3.2 third party portfolio	(18)
4. custody and administration of securities	(28)
5. placement of financial instruments	(18)
6. door-to-door sales of securities, financial products and services	(381)
d) Collection and payment services	(100)
e) Other services	(157)
Total	**(758)**

Analysis of the caption "Other services"

	31/12/2005 (€/mil)
Dealing activities on loan transactions	(12)
Loans obtained	(80)
Insurance services	(16)
Other	(49)
Total	**(157)**

SECTION 3 - DIVIDENDS AND OTHER REVENUES – CAPTION 70

3.1 Dividends and other revenues: break-down

Caption/Income	31/12/2005 (€/mil)	
	Dividends	Income from OICR shares
A. Investments held for trading	317	-
B. Available for sale investments	99	1
C. Investments designated at fair value	58	-
D. Equity investments	-	X
Total	**474**	**1**

In the reclassified statement of income included in the Report on Operations, the caption "Dividends and similar income" appears, together with other items, in caption D "Dividends and income from other financial assets and liabilities". Detail of the composition of the above-mentioned caption of the reclassified statement of income can be found in the following table:

	31/12/2005 (€/mil)
70. Dividends and similar revenues	475
80. Net dealing income	104
90. Net hedging income	(4)
100. Profit (loss) on disposal or repurchase of investments held for sale and financial liabilities (sub-caption b) (*)	338
110. Net fair value adjustment to financial assets and liabilities	219
Total	**1,132**
of which: banking group (a)	*436*
of which: insurance sector (**)	*696*
Reclassification of utilization of provision for risks and charges on Italenergia Bis (b)	90
Total dividends and income from other financial assets and liabilities (a + b)	**526**

(*) Caption D of the reclassified statement of income also contains the only losses on repurchase of financial liabilities subject to hedging (9 million euro).
(**) In the reclassified statement of income, the contribution of insurance is included among the results of the insurance business.

SECTION 4 - PROFITS (LOSSES) ON FINANCIAL TRADING ACTIVITIES - CAPTION 80

4.1 Profits (losses) on financial trading activities: break-down

Transaction/Income component	31/12/2005 (€/mil)				
	Capital gain (A)	Profit on trading (B)	Capital losses (C)	Losses on trading (D)	Net income [(A+B) - (C+D)]
1. Held-for-trading financial assets	147	835	(169)	(575)	238
1.1 Debt securities	63	320	(39)	(330)	14
1.2 Equities	84	504	(130)	(241)	217
1.3 OICR shares	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	11	-	(4)	7
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	X	X	X	X	40
4. Derivative instruments	1,742	35,565	(1,141)	(36,354)	(174)
4.1 Financial derivatives	1,728	35,550	(1,112)	(36,342)	(162)
- on debt securities and interest rates	871	34,530	(357)	(34,874)	170
- on equities and equity indices	608	696	(421)	(881)	2
- on currencies and gold	X	X	X	X	14
- others	249	324	(334)	(587)	(348)
4.2 Credit derivatives	14	15	(29)	(12)	(12)
Total	**1,889**	**36,400**	**(1,310)**	**(36,929)**	**104**

During the year no significant losses or devaluations were recorded in dealing income due to deterioration of debtor’s credit status.

SECTION 5 - FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING – CAPTION 90

5.1 Fair value adjustments in hedge accounting: break-down

Income component/Value	31/12/2005 (€/mil)
(A) Total income from hedging activities	882
(B) Total charges from hedging activities	(886)
(C) Net hedging income (A-B)	(4)

SECTION 6 - PROFITS (LOSSES) FROM SALES/REPURCHASES – CAPTION 100

6.1 Profits (losses) from sales/repurchases: break-down

Caption/Income component	31/12/2005 (€/mil)		
	Profits	Losses	Net income
Investments			
1. Loans to banks (*)	-	(1)	(1)
2. Loans to customers (*)	73	(15)	58
3. Available for sale investments	390	(43)	347
3.1 Debt securities	152	(18)	134
3.2 Equities	201	(22)	179
3.3 OICR shares	36	(3)	34
3.4 Loans	1	-	1
4. Held-to-maturity investments	-	-	-
Total assets	**464**	**(59)**	**404**
Financial liabilities			
1. Due to banks	-	-	-
2. Due to customers	-	(1)	(1)
3. Securities issued	5	(14)	(9)
Total liabilities	**5**	**(15)**	**(10)**

(*) In addition to profits/losses from sales, also includes penalties for early settlement of debts.

Note that in the reclassified statement of income recorded in the Report on Operations, the net result of sale of securities issued subject to hedging (-9 million euro) is re-stated in the caption "Dividends and income from other financial assets and liabilities", together with the economic effect of the relevant hedging transactions.

SECTION 7 - PROFITS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AS AT FAIR VALUE – CAPTION 110

7.1 Profits (losses) on financial assets and liabilities designated as at fair value: break-down

Transaction/Income component	31/12/2005 (€/mil)				
	Capital gain (A)	Profits on disposals (B)	Capital losses (C)	Losses on disposals (D)	Net income [(A+B) - (C+D)]
1. Investments	**1,369**	**792**	**(171)**	**(124)**	**1,866**
1.1 Debt securities	816	413	(171)	(32)	1,026
1.2 Equities	539	349	-	(76)	812
1.3 OICR shares	14	12	-	(1)	25
1.4 Loans	-	18	-	(15)	3
2. Financial liabilities	**36**	**-**	**(1,562)**	**-**	**(1,526)**
2.1 Debt securities	36	-	(62)	-	(26)
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	(1,500)	-	(1,500)
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**(108)**
4. Derivative instruments					
4.1 Financial derivatives	18	21	(1)	(21)	(13)
- on debt securities and interest rates	9	1	-	-	10
- on equities and equity indices	9	20	(1)	(21)	7
- on currencies and gold	X	X	X	X	(30)
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total derivatives	**18**	**21**	**(1)**	**(21)**	**(13)**
Total	**1,423**	**813**	**(1,734)**	**(145)**	**219**

Evaluation of financial liabilities refers essentially to insurance policies where the total risk is retained by the insured parties.

During the year no significant losses or devaluations were recorded in financial liabilities evaluated at fair value due to deterioration of debtor's credit status.

SECTION 8 - IMPAIRMENT LOSSES/WRITE-BACKS – CAPTION 130

8.1 Impairment losses/write-backs: break-down

Transaction/Income component	31/12/2005 (€/mil)							
	Adjustments (1)			Write-backs (2)				Total
	Specific		Portfolio	Specific (*)		Portfolio		(3)=(1)+(2)
	Cancellations	Other		Due to interests	Other write-backs	Due to interests	Other write-backs	
A. Loans to banks	-	(1)	(1)	-	3	-	-	1
B. Loans to customers	(13)	(614)	(192)	48	327	-	6	(438)
Total	**(13)**	**(615)**	**(193)**	**48**	**330**	**-**	**6**	**(437)**

(*) Write-backs "due to interests" are shown under interest margin in the consolidated reclassified statement of income included in the board of directors' report on operations

8.2 Impairment losses/write-backs to investments available for sale: break-down

Transaction/Income component	31/12/2005 (€/mil)				
	Adjustments (1)		Write-backs (2)		Total
	Specific		Specific		(3)=(1)+(2)
	Cancellations	Other	Due to interests	Other write-backs	
A. Debt securities	-	-	-	-	-
B. Equities	-	(1)	X	X	(1)
C. OICR shares	-	-	X	-	-
D. Loans to banks	-	-	-	-	-
E. Loans to customers	-	-	-	-	-
F. Total	**-**	**(1)**	**-**	**-**	**(1)**

8.3 Impairment losses/write-backs to investments held to maturity: break-down

No net impaired losses/write-backs to investments held to maturity were recorded during the year.

8.4 Impairment losses/write-backs to other financial transactions: break-down

Transaction/Income component	31/12/2005 (€/mil)							
	Adjustments (1)			Write-backs (2)				Total
	Specific		Portfolio	Specific		Portfolio		(3)=(1)+(2)
	Cancellations	Other		Due to interests	Other write-backs	Due to interests	Other write-backs	
A. Guarantees granted	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
C. Commitments to grant finance	-	(24)	(5)	-	25	-	-	(4)
D. Other transactions	-	-	-	-	-	-	-	-
Total	**-**	**(24)**	**(5)**	**-**	**25**	**-**	**-**	**(4)**

SECTION 9 - NET INSURANCE PREMIUMS – CAPTION 150

9.1 Net insurance premiums: break-down

	Direct work	Indirect work	Total 31/12/2005 (€/mil)
A. Life branch	**3,568**	-	**3,568**
A.1 Gross premiums accounted for (+)	3,573	-	3,573
A.2 Premiums ceded for reinsurance (-)	(5)	X	(5)
A.3 Total	3,568	-	3,568
B. Casualty branch	**31**	-	**31**
B.1 Gross premiums accounted for (+)	61	-	61
B.2 Premiums ceded for reinsurance (-)	(21)	X	(21)
B.3 Changes of the gross amount of premium reserve (+/-)	(13)	-	(13)
B.4 Changes in premium reserves reassured with third parties (-/+)	4	-	4
B.5 Total	31	-	31
C. Total net insurance premiums	**3,599**	-	**3,599**

SECTION 10 - BALANCE OF OTHER INCOME/CHARGES ARISING ON INSURANCE ACTIVITIES - CAPTION 160

10.1 Balance of other income/charges arising on insurance activities: break-down

	31/12/2005 (€/mil)
1. Net change in technical reserves	(2,295)
2. Claims accrued and paid during the year	(1,981)
3. Other income/charges arising on insurance activities	(220)
Total	**(4,496)**

10.2 Break-down of sub-caption "Net change in technical reserves"

	31/12/2005 (€/mil)
1. Life branch	
A. Technical reserves	
A.1 Gross annual amount	(2,258)
A.2 (–) Amount reassured with third parties	2
B. Other technical reserves	
B.1 Gross annual amount	(136)
B.2 (–) Amount reassured with third parties	92
C. Technical reserves for investment risks to be borne by the insured	
C.1 Gross annual amount	5
C.2 (–) Amount reassured with third parties	-
Total life branch reserves	**(2,295)**
2. Casualty branch	-
Changes in other technical reserves of casualty branch other than claims fund net of ceded reinsurance	-

10.3 Break-down of sub-caption "Claims accrued during the year"

	31/12/2005 (€/mil)
Life branch: charges associated to claims, net of reinsurance ceded	
A. Amounts paid	
A.1 Gross annual amount	(1,968)
A.2 (-) Amount reassured with third parties	-
B. Changes of funds for amounts to be disbursed	
B.1 Gross annual amount	-
B.2 (–) Amount reassured with third parties	-
Total life branch claims	**(1,968)**
Casualty branch: charges associated to claims, net of recoveries and reinsurance ceded	
C. Amounts paid:	
C.1 Gross annual amount	(15)
C.2 (–) Amount reassured with third parties	4
D. Changes of recoveries, net of amounts reassured with third parties	-
E. Changes in claims fund	
E.1 Gross annual amount	(2)
E.2 (–) Amount reassured with third parties	-
Total life branch claims	**(13)**

10.4. Break-down of sub-caption "Other income/charges arising on insurance activities"

	31/12/2005 (€/mil)
Other income	**17**
10.4.1 Life branch	6
10.4.2 Casualty branch	11
Other expenses	**(237)**
10.4.1 Life branch	(231)
10.4.2 Casualty branch	(6)

SECTION 11 - ADMINISTRATIVE COSTS – CAPTION 180

11.1 Personnel costs: break-down

Type of costs/Value	31/12/2005 (€/mil)	31/12/2004 (€/mil)
1) Employees		
a) Wages and salaries	(1,971)	(1,972)
b) Social security charges	(521)	(508)
c) Provision for termination indemnities	(38)	(34)
d) Social security costs	(5)	(1)
e) Accruals to provision for termination indemnities	(82)	(99)
f) Accruals to pension funds and similar funds	(31)	(14)
- defined contribution	(1)	-
- defined benefit	(30)	(14)
g) Amounts paid to external complementary social security funds	(59)	(54)
- defined contribution	(57)	(52)
- defined benefit	(2)	(2)
h) Costs arising on payment agreements based on own financial instruments	(7)	(2)
i) Other benefits in favor of employees	(103)	(107)
2) Other personnel	**(7)**	**(13)**
3) Directors	**(15)**	**(17)**
Total	**(2,839)**	**(2,821)**

11.2 Average number of employees by category

	31/12/2005	31/12/2004
Employees	43,181	43,244
1. executives	821	818
2. Total managers	13,673	13,499
- third and fourth level managers	*5,016*	*5,195*
3. other employees	28,687	28,927
Other personnel	245	260
Total	**43,426**	**43,504**

11.3 Defined benefit company pension funds: total costs

Costs recorded at statement of income

	31/12/2005 (€/mil)			31/12/2004 (€/mil)		
	Employee termination indemnity	INTERNAL PLANS	EXTERNAL PLANS	Employee termination indemnity	INTERNAL PLANS	EXTERNAL PLANS
Employee benefit plan costs related to work performance	(46)	(3)	(22)	(53)	(3)	(18)
Financial costs of determining the present value of the defined benefit obligations	(36)	(8)	(76)	(45)	(8)	(74)
Expected profit from the fund's assets	N/A	6	76	N/A	7	83
Reimbursement from third parties	-	-	-	-	-	-
Recognized actuarial income	-	-	-	-	-	-
Recognized actuarial losses	-	-	-	-	-	-
Employee benefit plan costs related to past work performance (*)	-	-	-	-	-	-
Reduction of the Fund	-	-	-	-	-	-
Payment of the fund	-	-	-	-	-	-
Assets incurred in the year and not recognised	-	-	-	-	-	-

(*) Yearly quota.

At 31 December 2005 costs relating to the pension funds had been entered directly in Shareholders’ equity for 199 million euro after tax.

11.4 Other benefits in favor of employees

Other benefits in favor of employees essentially include provisions for employee seniority bonuses.

11.5 Other administrative costs: break-down

	31/12/2005 (€/mil)	31/12/2004 (€/mil)
IT costs	**(399)**	**(423)**
Software maintenance and upgrades	(148)	(128)
External data processing	(76)	(93)
Maintenance of operating assets	(54)	(60)
Data transmission charges	(48)	(73)
Database access charges	(50)	(45)
Equipment leasing charges	(23)	(24)
Property costs	**(299)**	**(290)**
Rental of premises	(180)	(179)
Security services	(35)	(34)
Cleaning of premises	(31)	(32)
Maintenance of property owned by the Bank	(24)	(26)
Maintenance of leasehold premises	(29)	(19)
General expenses	**(205)**	**(231)**
Postal and telegraph charges	(61)	(58)
Office supplies	(33)	(31)
Transport and counting of valuables	(20)	(22)
Courier and transport services	(21)	(20)
Other expenses	(70)	(100)
Professional and insurance fees	**(307)**	**(283)**
Professional fees	(159)	(156)
Legal and judiciary expenses	(53)	(56)
Insurance premiums banks and customers	(57)	(45)
Investigation/commercial information costs	(38)	(26)
Promotion, advertising and marketing expenses	**(132)**	**(101)**
Advertising and entertainment	(114)	(82)
Contributions and membership fees to trade unions and business associations	(18)	(19)
Indirect personnel costs	**(101)**	**(106)**
Indirect personnel expenses	(101)	(106)
Utilities	**(80)**	**(85)**
Energy	(48)	(48)
Telephone	(32)	(37)
Recoveries	**64**	**45**
Total	**(1,459)**	**(1,474)**
Indirect duties and taxes	**(315)**	**(251)**
- stamp duties	(216)	(169)
- substitute tax (Pres. Decree 601/73)	(53)	(35)
- local property taxes	(12)	(14)
- tax on stock exchange contracts	(4)	(7)
- non-recoverable VAT on purchases	(9)	(7)
- other	(21)	(19)
Recoveries	**260**	**200**
Total	**(55)**	**(51)**
Total other administrative costs	**(1,514)**	**(1,525)**

SECTION 12 - NET PROVISIONS FOR RISKS AND CHARGES – CAPTION 190

Net provisions for risks and charges are repositioned in the reclassified statement of income as set out in the following table.

	31/12/2005 (€/mil)
Net provisions from reclassified financial statements	(143)
Reclassification of utilization of provision for risks and charges on Italenergia Bis transaction (*)	90
Total	**(53)**

(*) In the reclassified statement of income, the utilization of the provisions set up for risks associated with Italenergia Bis is reclassified under "Dividends and income from other financial assets and liabilities" together with other income/charges arising on that transaction.

Break-down of caption 190 "Net provisions for risks and charges"

	31/12/2005 (€/mil)		
	Provisions	Uses	Total
Accruals for legal disputes	(128)	6	(122)
Accruals for other personnel charges	(8)	1	(7)
Accruals for sundry charges	(107)	183	76
Total	**(243)**	**190**	**(53)**
Total 31/12/2004	**(244)**	**28**	**(216)**

Further information on the Group's operational risks and current litigation can be found in Part E of these Notes.

SECTION 13 - NET ADJUSTMENTS TO TANGIBLE ASSETS – CAPTION 200

13.1 Net adjustments to tangible assets: break-down

(€/mil)

Asset/Income component	Depreciation (a)	Impairment adjustments (b)	Write-backs (c)	31/12/2005 net income (a+b-c)
A. Tangible assets				
A.1 Owned by the Bank	(220)	(5)	-	(225)
- for business use	(219)	(4)	-	(223)
- for investment	(1)	(1)	-	(2)
A.2 Leased	(14)	-	-	(14)
- for business use	(14)	-	-	(14)
- for investment	-	-	-	-
Total	**(234)**	**(5)**	**-**	**(239)**
Total 31/12/2004	**(238)**	**(4)**	**-**	**(242)**

SECTION 14 - NET ADJUSTMENTS TO INTANGIBLE ASSETS – CAPTION 210

14.1 Net adjustments to intangible assets: break-down

(€/mil)

Asset/Income component	Amortization (a)	Impairment adjustments (b)	Write-backs (c)	31/12/2005 net income (a+b-c)
A. Intangible assets				
A.1 Owned by the Bank	(196)	(2)	-	(198)
- generated internally	(127)	-	-	(127)
- other	(69)	(2)	-	(71)
A.2 Leased	-	-	-	-
Total	**(196)**	**(2)**	**-**	**(198)**
Total 31/12/2004	**(230)**	**-**	**-**	**(230)**

SECTION 15 - OTHER OPERATING INCOME (EXPENSES) – CAPTION 220

15.1 Other operating expenses: break-down

	31/12/2005 (€/mil)	31/12/2004 (€/mil)
Other operating expenses		
Other charges on consumer credit leasing transactions	(25)	(36)
Other collection expenses	(25)	(7)
Transactions for legal disputes	(9)	(3)
Other non-recurring expenses	(35)	(47)
Other expenses	(12)	(39)
Total	**(106)**	**(132)**

Also shown is the potential amount of financial leasing fees, recognized as charges during the year, which amounts to 27 million euro.

15.2 Other operating income: break-down

	31/12/2005 (€/mil)	31/12/2004 (€/mil)
Other operating income		
Cost recoveries	17	45
Income from IT companies	2	2
Reimbursements for services to third parties	18	18
Other income on consumer credit and leasing transactions	30	19
Rent and other income from property	4	8
Other collection income	30	9
Other non-recurring income	56	20
of which: recovery of tax credits in dispute	*7*	-
Other income	23	40
Total other income	**180**	**161**

The caption "Cost recoveries" includes those recoveries that, pursuant to IAS/IFRS regulation, cannot be offset against the related expenses incurred.

SECTION 16 - PROFITS (LOSSES) ON INVESTMENTS IN ASSOCIATES AND COMPANIES SUBJECT TO JOINT CONTROL – CAPTION 240

16.1 Profits (losses) on investments: break-down

Income component/Value	31/12/2005 (€/mil)
1) Subject to joint control	
A. Income	7
1. Revaluations	7
2. Profit on disposal	-
3. Write-backs	-
4. Other positive changes	-
B. Charges	(46)
1. Write-downs	-
2. Adjustments for impairment (*)	(46)
3. Losses on disposal	-
4. Other negative changes	-
Net income	**(39)**
2) Companies subject to significant influence	
A. Income	112
1. Revaluations	53
2. Profit on disposal	59
3. Write-backs	-
4. Other positive changes	-
B. Charges	(3)
1. Write-downs	(2)
2. Adjustments for impairment	-
3. Losses on disposal	(1)
4. Other negative changes	-
Net income	**109**
Total	**70**

(*) In the reclassified statement of income the adjustments for impairment on Cariforlì is shown among the adjustments to goodwill.

This table does not include the evaluation of Sanpaolo IMI Private Equity Scheme B.V. as it is included among "Non-current assets and groups of discounted assets". This evaluation had no impact on the consolidated statement of income.

The "adjustments for impairment" refer to the adjustment made by the Parent Bank to the holding in the Cassa dei Risparmi di Forlì.

SECTION 17 - NET RESULT OF FAIR VALUE ADJUSTMENT TO TANGIBLE AND INTANGIBLE ASSETS – CAPTION 250

17.1 Net result of fair value adjustment to tangible and intangible assets: break-down

The SANPAOLO IMI Group does not carry out an evaluation at fair value of tangible and intangible assets.

SECTION 18 - IMPAIRMENT OF GOODWILL – CAPTION 260

18.1 Impairment of goodwill: break-down

During the year, the SANPAOLO IMI Group did not incur significant impairment of goodwill. The adjustment of one million euro shown at caption 260 of the consolidated statement of income refers to the cancellation of the residual goodwill arising from an investment in a private equity company.

It should be noted for completeness that, in the reclassified statement of income, impairment of goodwill includes the adjustment for impairment on the Cassa dei Risparmi di Forlì of 46 million euro (reclassified from caption 240 *investment profits/losses*).

SECTION 19 - PROFITS (LOSSES) ON DISPOSALS OF INVESTMENTS – CAPTION 270

19.1 Profits (losses) on disposal of investments: break-down

Income component/Value	31/12/2005 (€/mil)
A. Property	9
- Profit on disposal	9
- Losses on disposal	-
B. Other assets	8
- Profit on disposal	8
- Losses on disposal	-
Net income	17

SECTION 20 - INCOME TAXES FOR THE PERIOD – CAPTION 290

20.1 Income taxes for the period: break-down

Income component/Value	31/12/2005 (€/mil)
1. Current taxes (-)	(826)
2. Changes in current taxes of previous periods (+/-)	(5)
3. Decrease in current taxes of the period (+)	67
4. Changes in advanced taxes (+/-)	(215)
5. Changes in deferred taxes (+/-)	31
6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)	**(948)**

20.2 Reconciliation of theoretical and effective tax charges in the financial statements

With a charge for taxes of 948 million euro, the tax rate of the SANPAOLO IMI Group in the financial year 2005 was 31.4%, less than the theoretical tax rate for a banking group (37.3%, 33% IRES and 4.3% IRAP). The reduction principally reflects:

	31/12/2005 (€/mil)
Theoretical taxes for the period	37.3
Impact of participation exemption (*)	(7.8)
Impact of lower foreign rates	(4.0)
Impact of non deductible IRAP for personnel costs	4.6
Impact of non deductible IRAP on loans adjustments	1.0
Other	0.3
Total	**31.4**

(*) *Reflects the impact of exemption of capital gains on participation meeting the requirement of Art. 87 of D.P.R. no. 917/1986. With regard to the changes made to "participation exemption" during the year, the exemption is total for capital gains up to 3 October 2005, 95% for capital gains between 4 October and 2 December 2005, and 91% for those from 3 December to 31 December.*

SECTION 21 - PROFITS (LOSSES) FROM DISCONTINUED OPERATIONS – CAPTION 310

21.1 Profits (losses) from discontinued operations: break-down

Income component/Value	31/12/2005 (€/mil)
Group of assets/liabilities	
Income	43
Charges	(51)
Income from valuation of the group of assets and associated liabilities	(27)
Profits (losses) on disposals	-
Taxes -	
Profit (loss)	(35)

Losses on non-current operations net of tax (35 million euro) reflect the economic impact of the contribution to the consolidation and of the evaluation of the French subsidiaries belonging to the Fideuram Wargny group (see Part B – Information on the consolidated balance sheet / Section 15 – Non-current operations and groups of discontinued operations – Assets caption 150 Assets and Liabilities caption 90).

21.2 Break-down of income taxes on groups of discontinued assets/liabilities

Evaluation of the Fideuram Wargny group does not include significant amounts of income tax.

SECTION 22 - PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO MINORITY INTERESTS – CAPTION 330

22.1 Break-down of caption 330 "profit for the period attributable to minority interests"

Income attributable to minority interests of 59 million euro refers essentially to the share attributable to minority shareholders in Banca Fideuram and its subsidiaries (apart from the Fideuram Wargny group).

22.2 Break-down of caption 330 "loss for the period attributable to minority interests"

The loss attributable to minority interests of two million euro refers essentially to the share of losses attributable to minority shareholders in Banque Privée Fideuram Wargny.

SECTION 23 - OTHER INFORMATION

Further information on the Group's consolidated results for 2005, including in relation to the various business sectors in which it operates, can be found in the Report on Operations.

SECTION 24 - PROFIT PER SHARE

24.1 Average number of ordinary shares with diluted capital

At 31 December 2005 the Bank's fully-paid share capital of 5,239,223,740.80 euro was divided into 1,586,967,318 ordinary shares and 284,184,018 preference shares, both with a nominal value of 2.8 euro.

During the year, the number of ordinary shares increased by 111,844,500 compared to 31 December 2004, 7,694,500 of which were attributable to the increases in share capital through the stock option plans and 104,150,000 of which were attributable to the conversion to preference shares.

With reference to the calculation of the base profit per share, the weighted average of the ordinary shares is increased by the weighted average of the preference shares. This decision is justified by the net result for the period which ensured an identical flow of remuneration both to ordinary and to preference shareholders.

Net of own shares held by the Parent Bank and the other subsidiaries, the weighted average of the ordinary and preference shares included in the calculation of the base gain per share was 1,862,359,089 shares.

For the purposes of calculating the "diluted" gain per share, the shares that could be issued following the conversion to shares of all the "ordinary shares with potential dilution effect" supporting the stock option plan in place at 31 December 2005 were added to the number of computable shares. Their contribution is 1,573,429 shares.

Below are the principal elements used as numerator and denominator to compute the base profit and diluted profit per share in comparison to the results for 2004.

The impact of dilution, attributable exclusively to the increase in ordinary shares consequent to the potential exercise of the residual stock option rights, is negligible.

	2005	2004 pro forma (*)	2004
Calculation of basis profit per share			
Consolidated net profit (€/mil)	1,983	1,256	1,447
of which:			
attributable to ordinary shareholders (€/mil)	*1,570*	*990*	*1,141*
attributable to preferred shareholders (€/mil)	*413*	*266*	*306*
weighted average number of shares	1,862,359,089	1,834,968,712	1,834,968,712
Basis profit per share	**1.06**	**0.68**	**0.79**
Calculation of diluted profit per share			
Contribution of potential ordinary shares arising from the stock option plans	1,573,429	2,219,967	2,219,967
Weighted average number of shares	1,863,932,519	1,837,188,679	1,837,188,679
Diluted income per share	**1.06**	**0.68**	**0.79**

(*) For completeness, it is suggested that the full IAS profit per share for 2004 be calculated also.

24.2 Other information

The amount of the base and diluted profit per share attributable to assets intended for disposal shown in the financial statements, and attributable largely to the loss from sale of the holdings in the Wargny group (36 euro/mil) was irrelevant (-0.00), for the explanatory purposes of this section of the Notes.

Part D – Segment Reporting

Primary reporting

Organization by Business Sector

Following the redesign of the organizational structure initiated on 5 July 2005, the SANPAOLO IMI Group was divided into the following Business Sectors:
- Banking
- Savings and Assurance
- Asset Management and International Private Banking
- Central Functions

This division, which focused on the banking area (divided into the business lines "retail and private" and "corporate"), on savings and assurance, including insurance business and asset gathering, and on asset management, is consistent with the provisions of IAS 14, Segment Reporting. It was specifically chosen as primary reporting, in conformity with the management approach, since it reflects the operational responsibilities laid down by the abovementioned organizational review.

The table below shows the main data summarizing the growth of the Business Sector..

Where necessary, the financial information relating to the financial year 2004 and operational data at 31/12/2004 have been reconstructed homogeneously with regard to both the adoption of the new accounting standards and the business structure.

Detailed analysis of the Business Sectors can be found in the chapter "Group Business structure" in the Report on Group Operations.

	Banking	Savings and Assurance	Asset Management and International Private Banking	Central Functions	Netting and consolidation entries	Group total
REVENUES FROM THE SECTOR (€/mil) (1)						
2005 financial year	6,649	1,072	344	341	-4	8,402
2004 financial year	6,231	900	325	125	18	7,599
Change 2005 financial year / 2004 financial year (%)	+6.7	+19.1	+5.8	+172.8	n.s.	+10.6
RESULTS OF THE SECTOR (€/mil) (2)						
2005 financial year	2,555	600	233	-380	15	3,023
2004 financial year	1,947	507	181	-659	-5	1,971
Change 2005 financial year / 2004 financial year (%)	+31.2	+18.3	+28.7	-42.3	n.s.	+53.4
TOTAL INTEREST-EARNING ASSETS (€/mil) (3)						
31/12/2005	141,463	6,460	4,137	86,730	-53,022	185,768
31/12/2004	124,132	5,063	4,549	78,206	-48,036	163,914
Change 31/12/2005 - 31/12/2004 (%)	+14.0	+27.6	-9.1	+10.9	+10.4	+13.3

(1) Total operating income.
(2) Pre-tax operating profit.
(3) Excluding Banca IMI Group.

Criteria for calculating profitability in the Business Sectors

The income statement has been prepared as follows:
- for those Sectors whose activities are carried out both by the Parent Bank and by its subsidiaries, the Parent Bank accounts attributable to the relevant Sector have been consolidated with the income statement line items of its subsidiary companies. In particular, the attribution to individual Sectors of Parent Bank line items has been made on the basis of the following principles:
  - net interest income has been calculated using appropriate internal transfer rates;
  - in addition to real commissions, notional commissions for services rendered between business units have also been quantified;
  - the direct costs of each Sector have been calculated and the costs of central structures other than those attributable to holding company functions have been allocated to the same Sectors. It should be noted that the allocation of costs for services provided to the

operating business units by head office was made on the basis of standard prices, allocating to head office the difference between costs effectively sustained and costs allocated. This method is aimed at making the central structures responsible for the recovery of efficiency;

- for those Sectors whose activities are carried out entirely by subsidiaries, the income statements of the companies are reported in terms of their contribution to the consolidated results of the Group, net of minority interest and after posting of consolidation attributable to the Sector.

Furthermore, each Sector has been attributed the average absorbed capital on the basis of the current risks (credit, market and operational risks) calculated according to the VaR (Valued at Risk) approach; these risks are covered entirely by the primary capital. The only exception is Banca Fideuram, which operates in the Savings and Assurance sector, and for which, as it is a listed company, reference has been made to end of period accounting net shareholders' equity (excluding net profit) in conformity with Group practice.

Profitability of each Sector has been expressed in terms of RORAC (Return On Risk Adjusted Capital), relating the Sector's contribution to the net profit of the Group to the amount of average absorbed capital measured according to VaR. For the Savings and Assurance sector, profitability has been calculated relating the contribution of the Sector to the Group net profit to the amount of net shareholders' equity of Banca Fideuram, and the average absorbed capital of Assicurazioni Internazionali di Previdenza.

Secondary reporting

In accordance with the Group's management approach and organizational decisions, the disclosure by Geographical Sectors constitutes the secondary reporting required by IAS 14. Below is a summary report of the main operating data for Italy that is the area where the majority of the Group's activities are concentrated, Europe and the rest of the world.

	Italy	Europe	Rest of the world	Group total
REVENUES FROM THE SECTOR (€/mil) (1)				
2005 financial year	7,504	843	55	8,402
2004 financial year	6,825	728	46	7,599
Change 2005 financial year / 2004 financial year (%)	+9.9	+15.8	+19.6	+10.6
TOTAL INTEREST-EARNING ASSETS (€/mil) (2)				
31/12/2005	167,541	11,631	6,596	185,768
31/12/2004	150,810	8,586	4,518	163,914
Change 31/12/2005 - 31/12/2004 (%)	+11.1	+35.5	+46.0	+13.3

(1) Total operating income.
(2) Excluding Banca IMI Group.

Part E – Information on risks and risk hedging policies

SECTION 1 – BANKING GROUP'S RISKS

1.1 CREDIT RISK

The SANPAOLO IMI Group is strongly committed to risk management and control, which is based on three principles:
- clear identification of the responsibilities for taking on risks;
- measurement and control systems in line with international best practice;
- organizational separation between the functions assigned that carry out day-to-day operations and those that carry out controls.

The policies relating to the acceptance of credit and financial risks are defined by the Parent Bank's Board of Directors and Executive Committee with support from specific operating Committees.

The Parent Bank also performs general functions of risk management and control and makes risk-acceptance in the case of major risks, supported by the Risk Management Department.

The Group companies that generate credit and/or financial risk are assigned limits of operational autonomy and have their own control structures. For the main Group banking networks (Sanpaolo Banco di Napoli, Cassa di Risparmio in Bologna, Cassa di Risparmio di Padova e Rovigo, Cassa di Risparmio di Venezia, Friulcassa and Banca Popolare dell'Adriatico) these functions are carried out, on the basis of an outsourcing contract, by the Parent Bank risk control functions that report periodically to the Board of Directors and the Audit Committee of the subsidiary.

QUALITATIVE INFORMATION

Credit risk management policies

Organizational aspects

SANPAOLO IMI has established lines of conduct to be followed throughout the Group when taking on risk. The Parent Bank and the subsidiaries are assigned approval limits defined in terms of total Group exposure to the counterpart and also differentiated according to the counterpart's internal rating. Any transaction exceeding the prescribed limits must be submitted to the approval/opinion of the appropriate Bodies of the Parent Bank, consisting of (according to the level of exposure) the Credit Department, the Group Credit Committee (composed of the Managing Director and the heads of the responsible structures), the Executive Committee and the Board of Directors.

The Credit Department, which is independent from the business segments, is responsible for defining and updating the credit procedures and processes at Group level. With regard to the acceptance phase, it ensures the investigation and approval/opinion phase of transactions that exceed the abovementioned approval limits. The Credit Department is also responsible for controlling and preventing the deterioration in the credit quality, and setting policies for the management and control of doubtful loans.

The Risk Management Department is responsible, at Group level, for defining and updating the credit risk measurement methods, with the objective of guaranteeing their alignment with best practice, as well as for analyzing the risk profile and preparing summary reports for SANPAOLO IMI's top management on the changes in the Group's asset quality.

The control structures operating within the individual Companies are responsible for measuring and monitoring the portion of the loan book assigned to them.
For the main Group banking networks (Sanpaolo Banco di Napoli, Cassa di Risparmio in Bologna, Cassa di Risparmio di Padova e Rovigo, Cassa di Risparmio di Venezia, Banca Popolare dell'Adriatico and Friulcassa) these functions are carried out, on the basis of an outsourcing contract, by the Parent Bank's risk control functions that report periodically to the Board of Directors and the Audit Committee of the subsidiary.

Management, measurement and control systems

SANPAOLO IMI has developed a set of instruments to ensure analytical control over the quality of the loans to customers and financial institutions, and exposures subject to country risk.

With regard to loans to customers, grading models have been developed, differentiated according to the economic sector and size of the counterpart. These models make it possible to summarize the credit quality of the counterparty's credit quality in a measurement, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. Statistical calibrations have rendered these rating fully consistent with those awarded by rating agencies, forming a single scale of reference. The periodic backtesting analyses carried out to date, comparing the insolvency forecasts with the effective defaults, confirm the validity of the models used.

In 2005, the rating, previously used in the loan approval process with regard to counterparties submitted to the Group Credit Committee or higher bodies, was introduced as an essential element of the process in relation to the credit granted by the branch network. Together with the assessment of the credit mitigating factors (typically guarantees and covenants), the rating contributes to defining the credit risk strategy, represented by the set of commercial policies and management behavior (frequency of reviews of lines of credit and recovery actions).

The new network loan approval process, designed in accordance with the Basel 2 organizational requirements, has been implemented in the Corporate, Small Business and Mortgage segments of the banking networks and Banca OPI. During the year, it will be progressively extended to the other types of customer and to all the Italian companies of the Group whose principal mission is to take on credit risks.

With regard to banking and finance counterparties, a system has been established to classify the financial institutions in a scale consistent with those used by rating agencies. The risk class forms the basic information that, integrated by the type and duration of the transaction, and by any guarantees present, makes it possible to determine the credit limits with each counterparty.

Finally, as regards country risk, the rating is assigned on the basis of a model that takes into consideration the judgment of specialized institutions and agencies, market information and internal assessments.

The ratings are not just a direct instrument to monitor credit risk, but are also a primary element for the credit risk portfolio model, which summarizes the information on asset quality in terms of risk indicators, including expected losses and capital at risk.
The expected loss is the product of exposure to default, probability of default (derived from the rating) and loss given default. The latter is measured with reference to an economic rather than accounting concept of loss including legal costs and prudently calculated on the discounted value of post-default recoveries.

The "expected" loss represents the average of the loss distribution, whereas the capital at risk is defined as the maximum "unexpected" loss that the Group may incur with a confidence level of 99.95%.

Techniques for the mitigation of credit risk

The techniques for the mitigation of credit risk are the elements that contribute to reducing the loss given default. They include guarantees, facility types and covenants.

The evaluation of the mitigating factors is performed through a procedure that assigns each individual loan a loss given default, assuming the highest values in the case of ordinary unsecured loans and decreasing in accordance with the strength given to any mitigating factors present. The "very strong" and "strong" mitigating factors include financial collateral and residential mortgages. Other mitigating guarantees include non-residential mortgages and personal guarantees issued by unrated parties, provided they have sufficient personal assets. The strength of the personal guarantee issued by rated parties (typically banks, Credit Guarantee Consortia and corporates, in general belonging to the same counterpart group) is assessed on the basis of the guarantor's credit quality through mechanisms based on "PD substitution" .
The loss given default values are subsequently aggregated at customer level in order to provide a summary evaluation of the strength of the mitigating factors.

Within the credit acceptance and management process, as mentioned above, the strength of the mitigating factors is important in the definition of the credit strategy, in particular with reference to the counterparties classified by the rating system as non investment grade. In addition, certain types of transactions, typically medium-long term, require collateral or covenants for their finalization regardless of the credit strategy defined.

Impaired financial assets

This item describes the technical-organizational and methodological procedures used in the management and control of impaired financial assets. This information includes the methods of classification of the assets by counterparty quality, the factors that allow transition from impaired exposures to performing exposures, the analysis of the exposure by length of past due, and the procedures for the assessment of the adequacy of write-downs and provisions.

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Details of the classification of the impaired assets are provided in Part A – Accounting policies. The monitoring of the correct application of the classification rules, using dedicated tools and procedures, is delegated to a central structure responsible for credit control.

With reference to loans past due by more than 180 days, restructured loans and watch list loans, the structures responsible for their management are identified, on the basis of pre-determined thresholds of increasing significance, within the operational areas, in decentralized organizational units that carry out specialist activities and in a dedicated central structure that is responsible for the entire management and coordination of these matters.

The management of non performing positions is centralized within specialized functions of the head office that, in carrying out relevant recovery actions, relies on personnel located throughout the branch network. Within these actions, in order to identify the strategies that may be implemented for each individual position, the out of court and judicial solutions are examined, in terms of cost-benefit analyses, taking into account the financial impact of the estimated recovery times.

The loss in value of impaired assets is calculated on the basis of the criteria detailed in part A – Accounting policies. The valuation is reviewed whenever significant events come to light that may alter the recovery prospects. In order for adjustments to be made in a timely manner for these events, the information relating to the debtor is periodically monitored and the progress of out of court settlements and the various phases of legal proceedings are continually verified.

The return of impaired exposures to performing status, governed by the specific internal regulations, may only take place on the proposal of the abovementioned structures responsible for their management, upon ascertainment that the critical conditions or state of default no longer exist and subject to the binding opinion, where envisaged, of the structure responsible for to credit control.

The overall doubtful loans portfolio is continually monitored through a predetermined control system and periodic managerial reporting.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 Performing and impaired loans: amounts, adjustments, changes, break-down by type and geographical area

A.1.1 Financial assets analyzed by portfolio and credit quality (book value)

(€/mil)

Portfolios/Quality	Banking group						Other companies		Total
	Non-performing loans	Problem loans	Restruc-tured loans	Expired loans	Country risk	Other assets	Impaired	Other	
1. Assets held for trading	5	-	-	-	-	24,754	-	278	25,037
2. Available for sale assets	-	-	-	-	-	10,781	-	19,056	29,837
3. Held-to-maturity assets	-	-	-	-	-	2,535	-	-	2,535
4. Due from banks	-	-	-	-	47	28,724	-	65	28,836
5. Loans to customers	1,080	1,074	94	1,066	17	136,176	-	-	139,507
6. Assets designated at fair value	-	-	-	-	-	696	-	21,832	22,528
7. Non-current assets and disposal groups classified as held for sale	-	-	-	-	-	136	-	-	136
8. Hedging derivatives	-	-	-	-	-	435	-	-	435
Total	**1,085**	**1,074**	**94**	**1,066**	**64**	**204,237**	**-**	**41,231**	**248,851**

A.1.2 Financial assets analyzed by portfolio and credit quality (gross and net values)

(€/mil)

Portfolios/Quality	Impaired assets				Other assets			Total
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	(net exposure)
A. Banking group								
1. Assets held for trading	5	-	-	5	24,754	X	24,754	24,759
2. Available for sale assets	-	-	-	-	10,781	-	10,781	10,781
3. Held-to-maturity assets	-	-	-	-	2,535	-	2,535	2,535
4. Due from banks	4	4	-	-	28,791	20	28,771	28,771
5. Loans to customers	7,275	3,807	154	3,314	137,267	1,074	136,193	139,507
6. Assets designated at fair value	-	-	-	-	696	X	696	696
7. Non-current assets and disposal groups classified as held for sale	-	-	-	-	136	-	136	136
8. Hedging derivatives	-	-	-	-	435	X	435	435
Total A	**7,284**	**3,811**	**154**	**3,319**	**205,395**	**1,094**	**204,301**	**207,620**
B. Other companies included in the scope of consolidation								
1. Assets held for trading	-	-	-	-	278	X	278	278
2. Available for sale assets	-	-	-	-	19,056	-	19,056	19,056
3. Held-to-maturity assets	-	-	-	-	-	-	-	-
4. Due from banks	-	-	-	-	65	-	65	65
5. Loans to customers	-	-	-	-	-	-	-	-
6. Assets designated at fair value	-	-	-	-	21,832	X	21,832	21,832
7. Non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	X	-	-
Total B	**-**	**-**	**-**	**-**	**41,231**	**-**	**41,231**	**41,231**
Total	**7,284**	**3,811**	**154**	**3,319**	**246,626**	**1,094**	**245,532**	**248,851**

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

(€/mil)

Type of loan/Value	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH LOANS				
A.1 Banking group				
a) Non-performing loans	3	3	-	-
b) Problem loans	1	1	-	-
c) Restructured loans	-	-	-	-
d) Expired loans	-	-	-	-
e) Country risk	55	X	8	47
f) Other assets	33,993	X	12	33,981
Total A.1	**34,052**	**4**	**20**	**34,028**
A.2 Other companies				
a) Impaired	-	-	-	-
b) Other	12,713	X	-	12,713
Total A.2	**12,713**	**-**	**-**	**12,713**
Total A	**46,765**	**4**	**20**	**46,741**
B. OFF-BALANCE SHEET LOANS				
B.1 Banking group				
a) Impaired	-	-	-	-
b) Other	7,554	X	1	7,553
Total B.1	**7,554**	**-**	**1**	**7,553**
B.2 Other companies				
a) Impaired	-	-	-	-
b) Other	-	X	-	-
Total B.2	**-**	**-**	**-**	**-**
Total B	**7,554**	**-**	**1**	**7,553**

A.1.4 Cash due from banks: changes in impaired loans subject to "country risk" - gross

(€/mil)

Type/Category	Non-performing loans	Problem loans	Restructured loans	Expired loans	Country risk
A. Opening gross exposure	3	1	-	-	26
- of which: loans sold and not cancelled	-	-	-	-	-
B. Increases	2	-	-	-	32
B.1 from performing loans	-	-	-	-	-
B.2 transfer from other categories of impaired loans	-	-	-	-	-
B.3 other increases	2	-	-	-	32
C. Decreases	2	-	-	-	3
C.1 to performing loans	-	-	-	-	-
C.2 cancellations	-	-	-	-	1
C.3 collections	2	-	-	-	2
C.4 arising from sales	-	-	-	-	-
C.5 transfer to other categories of impaired loans	-	-	-	-	-
C.6 other decreases	-	-	-	-	-
D. Closing gross exposure	3	1	-	-	55
- of which: loans sold and not cancelled	-	-	-	-	-

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

(€/mil)

Type/Category	Non-performing loans	Problem loans	Restructured loans	Expired loans	Country risk
A. Total opening adjustments	**3**	**1**	**-**	**-**	**7**
- of which: loans sold and not cancelled	-	-	-	-	-
B. Increases	**1**	**-**	**-**	**-**	**4**
B.1 adjustments	1	-	-	-	1
B.2 transfer from other categories of impaired loans	-	-	-	-	-
B.3 other increases	-	-	-	-	3
C. Decreases	**1**	**-**	**-**	**-**	**3**
C.1 write-backs due to valuation	-	-	-	-	-
C.2 write-backs due to collection	1	-	-	-	-
C.3 cancellations	-	-	-	-	1
C.4 transfer to other categories of impaired loans	-	-	-	-	-
C.5 other decreases	-	-	-	-	2
D. Total closing adjustments	**3**	**1**	**-**	**-**	**8**
- of which: loans sold and not cancelled	-	-	-	-	-

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

(€/mil)

Type of loan/Value	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH LOANS				
A.1 Banking group				
a) Non-performing loans	4,326	3,233	8	1,085
b) Problem loans	1,573	486	13	1,074
c) Restructured loans	128	34	-	94
d) Expired loans	1,253	54	133	1,066
e) Country risk	25	X	8	17
f) Other assets	162,322	X	1,066	161,256
Total A.1	**169,627**	**3,807**	**1,228**	**164,592**
A.2 Other companies				
a) Impaired	-	-	-	-
b) Other	28,289	X	-	28,289
Total A.2	**28,289**	**-**	**-**	**28,289**
Total A	**197,916**	**3,807**	**1,228**	**192,881**
B. OFF-BALANCE SHEET LOANS				
B.1 Banking group				
a) Impaired	135	36	-	99
b) Other	49,840	X	63	49,777
Total B.1	**49,975**	**36**	**63**	**49,876**
B.2 Other companies				
a) Impaired	-	-	-	-
b) Other	-	X	-	-
Total B.2	**-**	**-**	**-**	**-**
Total B	**49,975**	**36**	**63**	**49,876**

A.1.7 Cash loans to customers: changes in impaired loans subject to "country risk" - gross

(€/mil)

Type/Category	Non-performing loans	Problem loans	Restructured loans	Expired loans	Country risk
A. Opening gross exposure (*)	**4,609**	**1,642**	**193**	**1,104**	**36**
- of which: loans sold and not cancelled	-	-	-	-	-
B. Increases	**933**	**1,353**	**102**	**566**	**-**
B.1 from performing loans	139	837	13	523	-
B.2 transfer from other categories of impaired loans	491	202	39	4	-
B.3 other increases	303	314	50	39	-
C. Decreases	**1,216**	**1,422**	**167**	**417**	**11**
C.1 to performing loans	23	175	-	290	-
C.2 cancellations	616	32	-	1	-
C.3 collections	368	631	50	58	10
C.4 arising from sales	66	31	-	-	-
C.5 transfer to other categories of impaired loans	38	518	115	65	-
C.6 other decreases	105	35	2	3	1
D. Closing gross exposure	**4,326**	**1,573**	**128**	**1,253**	**25**
- of which: loans sold and not cancelled	*3*	*2*	-	-	-

(*) Excluding loans "in course of restructuring" shown in the financial statements at 31/12/2004 following the abolition of that category of impaired loans by the Bank of Italy.

A.1.8 Cash loans to customers: changes in total value adjustments

(€/mil)

Type/Category	Non-performing loans	Problem loans	Restructured loans	Expired loans	Country risk
A. Total opening adjustments (*)	**3,472**	**528**	**44**	**117**	**10**
- of which: loans sold and not cancelled	-	-	-	-	-
B. Increases	**703**	**297**	**23**	**73**	**2**
B.1 adjustments	484	200	6	32	-
B.2 transfer from other categories of impaired loans	121	43	12	-	-
B.3 other increases	98	54	5	41	2
C. Decreases	**934**	**326**	**33**	**3**	**4**
C.1 write-backs due to valuation	64	58	4	-	3
C.2 write-backs due to collection	124	81	-	-	-
C.3 cancellations	616	32	-	1	-
C.4 transfer to other categories of impaired loans	16	132	28	-	-
C.5 other decreases	114	23	1	2	1
D. Total closing adjustments	**3,241**	**499**	**34**	**187**	**8**
- of which: loans sold and not cancelled	*1*	-	-	-	-

(*) Excluding loans "in course of restructuring" shown in the financial statements at 31/12/2004 following the abolition of that category of impaired loans by the Bank of Italy.

Loans to risk countries by SANPAOLO IMI Group are 80 million euro gross of adjustments and 64 million euro net of adjustments (loans to banks and to customers). The data is essentially concentrated in the Parent Bank’s banking book.

A.2 Break-down of exposures by external and internal ratings

The break-down of exposures by external and internal ratings refers to loans and commitments on and off balance sheet of the Group companies to which the models of credit risk measurement apply (SANPAOLO IMI, Sanpaolo Banco di Napoli, Banca Popolare dell'Adriatico, Cariparo, Carisbo, Carivenezia, Friulcassa, Banca OPI, Sanpaolo IMI Bank Ireland, Sanpaolo Leasint and Neos), which overall represent more than 95% of the credit risk weighted assets of the Group.

External ratings are present on 23% of the loans to customers and on 52% of the loans to banks. Since they refer to counterparties belonging to the public and banking sector and to corporate customers of high standing, these ratings are concentrated on the highest classes, as shown in Chart 1.

Internal ratings, attributed also to counterparts with external ratings commented on above, cover loans to banks almost completely (97%) and 75% of loans to customers. This coverage is high and is steadily increasing for the Corporate and Small Business sectors, which, as described above, have been affected during the year by the introduction of new Basle 2 compliant processes. Unrated counterparties are concentrated in the family segment, where, moreover, the residential mortgage model, which represents the largest portion of the segment, has been refined during 2005 and its usage introduced in the acceptance process. The introduction of remaining rating models, for other loans issued to retail counterparties, will be implemented gradually during 2006. For the purposes of calculating the risk indicators, unrated counterparties are assigned an estimated rating on the basis of the average probabilities of default.

With reference to the breakdown of loans by class of internal rating, given in Chart 2, these are classified almost completely in the investment grade area (up to BBB-) as far as banks are concerned. Loans to customers, however, are 76% in the investment grade area, 18% in the intermediate classes (BB) and 6% in the riskiest classes; where the highest risk levels (less than B-) are almost absent.

Chart 1: break-down of on- and off-balance sheet loans by external rating class

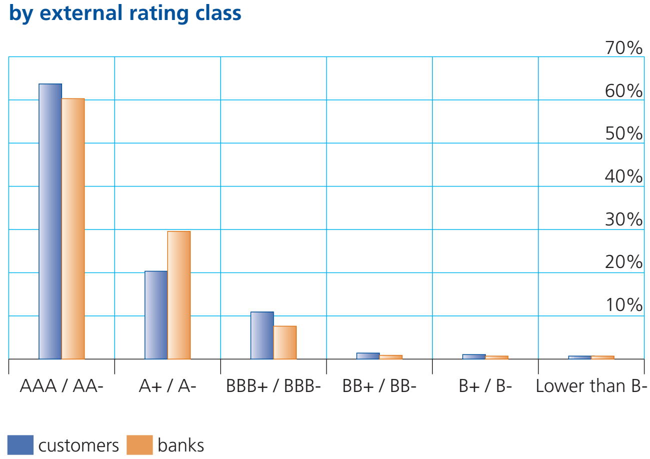
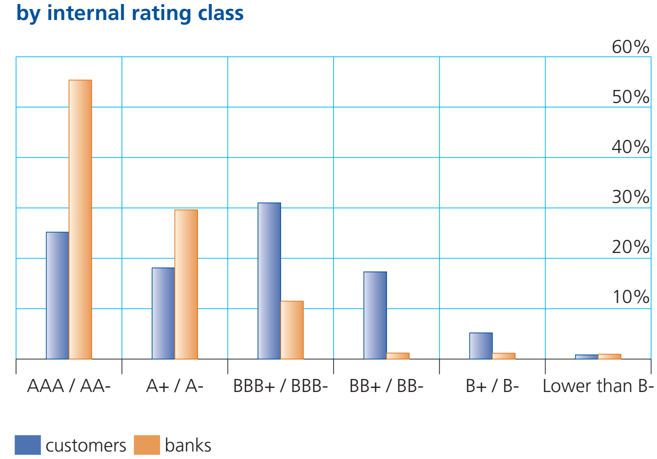


Chart 2: break-down of on- and off-balance sheet loans by internal rating class



A.3 Breakdown of guaranteed loans by type of guarantee

The following tables show the amount of guaranteed loans to banks and customers (book value of guaranteed loans).

Secured loans to customers

	31/12/2005 (€/mil)
a) From mortgage loans	36,636
b) From pledges on:	
1. cash deposits	1,730
2. securities (*)	4,018
3. other values	983
c) For guarantees from:	
1. governments	11,019
2. other public entities	6,719
3. banks	1,402
4. other operators	23,809
Total	**86,316**

(*) Include repurchase and similar transactions guaranteed by underlying securities.

Secured due from banks

	31/12/2005 (€/mil)
a) From mortgage loans	-
b) From pledges on:	
1. cash deposits	-
2. securities (*)	6,321
3. other values	-
c) For guarantees from:	
1. governments	-
2. other public entities	51
3. banks	92
4. other operators	2
Total	**6,466**

(*) Include repurchase and similar transactions guaranteed by underlying securities.

B. DISTRIBUTION AND CONCENTRATION OF LOANS

Loans to customers by counterparty (1)

	31/12/2005	
	(€/mil)	(%)
Financing to households	31,435	22.5
Financing to family businesses and non-financial companies	81,028	58.1
Financing to financial companies	12,543	9.0
Financing to governments and public entities (2)	13,557	9.7
of which: tax collection	*1,539*	*1.1*
Financing to others	632	0.5
Financing to customers	**139,195**	**99.8**
Debt securities	**312**	**0.2**
Loans to customers	**139,507**	**100.0**

(1) Including accruals and value adjustments for fair value hedge.
(2) Excluding financing to municipal companies under Banca OPI, included in financing to non-financial companies.

B.2 Distribution of loans to non-financial companies

	31/12/2005 (€/mil)
a) Other services relating to sales	16,025
b) Commercial, recovery and repair services	10,189
c) Public works	8,001
d) Transport services	4,193
e) Energy products	4,015
f) Other sectors	30,997
g) Non-resident, non-financial companies	7,608
Total	**81,028**

B.5 Large risks

	31/12/2005
a) Amount (€/mil)	6,903
b) Number	3

C. SECURITIZATION AND SALE OF ASSET TRANSACTIONS

C.1 Securitization transactions

As at 31 December 2005 SANPAOLO IMI Group has in place a securitization transaction performed by the subsidiary Sanpaolo Leasint S.p.A.:

SPLIT2 Operation – in the fourth quarter of 2004 Sanpaolo Leasint sold, without recourse, to Split2 Srl, a vehicle company specially set up pursuant to Italian law no. 130/99, the loans deriving from performing leasing contracts covering real estate, automotive vehicles and capital goods for a total amount of 1,805 million euro. In addition to this portfolio, and to meet certain conditions, the structure of the operation includes the sale of further portfolios on a quarterly basis which will replace the loans from time to time collected by Split2 in the first 18 months (revolving period). In order to gather the funding necessary for purchasing the loans, Split2 issued three classes of security with ratings assigned by all three agencies (Moody's, S & P and Fitch), which have been successfully put on the market, and a Junior class of 18 million euro, completely underwritten by Sanpaolo Leasint. The objectives of the operation were to diversify the company's sources of funding, to implement a time matching between the funding and the underlying loans and investments, and to free up economic and regulatory capital. In its role as servicer, Sanpaolo Leasint continues to manage the collections on the loans portfolio that was sold and to maintain direct relations with the customers, transferring the collections in terms of principal and interest from the portfolio to accounts opened in the name of the SPV at the depositary bank of the collections. It regularly provides information on the portfolio, necessary for monitoring by the rating agencies. The amount of loans collected as servicer as at 31 December 2005 comes to 622 million euro. The securitised assets underlying the Junior security as at 31 December 2005 are 1,622 million euro referrable to performing loans, 11 million euro reconcilable to expired and unpaid loans (delinquent loans) and three million euro referrable to defaulted loans.

Securities in portfolio representing third-party securitizations

The Group holds securities for investment and trading which represent securitizations performed by third parties as shown in the following table.

(€/mil)

Type of underlying asset	Credit quality	Senior securities	Mezzanine securities	Junior securities	Total
			book value		
Investments held for trading, available for sale and designated as at fair value					
Central and local public administration	Performing	696	32	21	749
Residential mortgage loans	Performing	18	-	-	18
Commercial/industrial/agricultural mortgage loans	Performing	32	-	-	32
Consumer credit	Performing	14	-	-	14
Leasing	Performing	14	-	-	14
Securities	Performing	81	-	-	81
Health care receivable	Performing	365	-	-	365
Public real estate assets	Performing	64	-	-	64
Social contributions	Performing	183	-	-	183
Tax credits	Performing	-	-	-	-
Other loans	Performing	20	10	-	30
		1,487	**42**	**21**	**1,550**

The assets underlying the junior securities deriving from third-party securitizations (pro-quota value) amount to 28 million euro.

D. MODELS FOR MEASURING CREDIT RISK

The synthetic risk indicators show an improvement in the credit quality of the portfolio over the course of the year: in particular, the expected loss of loans to customers, at year end, is 0.44% of loans, a slight decrease on the 0.46% recorded at the end of 2004 (on a homogeneous basis).

Economic capital is 4.5% of loans, stable compared to the end of 2004.

1.2 MARKET RISKS

The remarks below refer to the following paragraphs of Banca d'Italia Circular 262 of 22 December 2005:
1.2.1 Interest-rate risk – Trading portfolios;
1.2.2 Interest-rate risk – Non trading portfolios;
1.2.3 Price risk – Trading portfolios;
1.2.4 Price risk – Non trading portfolios;
1.2.5 Foreign exchange risk.

Organization

The main body responsible for the management and control of market risks is the Board of Directors of the Parent Bank, which defines the guidelines and strategic issues concerning market risks, allocates capital on the basis of the expected risk/return profile and approves the risk limits for the Parent Bank and the guidelines for the subsidiaries.

The Group Financial and Market Risk Committee ("CRFMG") is responsible for defining risk measurement criteria and methodologies, the risk limit framework of the Parent Bank and its subsidiaries and verifying the Group companies' risk profile. The CRFMG consists of the General Manager, the heads of the units responsible for risk-assumption, and the Risk Management Department.

The Parent Bank's Treasury Department carries out the treasury activities and the financial risk management of the national banking networks centrally. Trading activities within the Group are mainly carried out by the Group's investment bank, Banca IMI.

Parent Bank Risk Management is responsible for developing risk monitoring methodologies and proposals regarding the system of risk limits for the Parent Bank and the Group, as well as measuring risks for the main group banking subsidiaries (Sanpaolo Banco di Napoli, Cassa di Risparmio in Bologna, Cassa di Risparmio di Padova e Rovigo, Cassa di Risparmio di Venezia e Friulcassa, on the basis of a specific outsourcing contract).

The Group's financial risk profile and the appropriate action undertaken to change it are examined, at least monthly, by the CRFMG.

Market risk of non-trading portfolios

General issues and market risk management of non-trading portfolios

Non-trading market risk arises primarily in the Parent Bank and in the main subsidiaries that carry out retail and corporate banking. First of all, interest rate risk is managed by the Parent Bank in order to maximize the profitability, consistently with the stability of P&L results over a long-term basis.For this purpose, position-taking reflects the strategic views set by the CRFMG. Risk exposures are primarily managed both by monitoring the mix of assets and liabilities deriving from retail activities and liquidity management; when the natural composition of assets and liabilities plus cash management (mainly short term interbank deposits) create an interest rate risk profile which is not coherent with the goals set by CRFMG, actions are taken mainly through hedging derivatives. Short-term risk exposures (less than 18 months) are mostly managed by cash instruments (interbank deposits), with direct access to the interbank market. Other cash instruments (mainly bonds) are employed to manage long term risk exposures (greater than 18 months) residually. Differently from the Parent Bank, banking subsidiaries, with the aid of the Parent Bank's Treasury Department, pursue a substantially complete hedging against interest rate risk, in order to keep the individual risk profiles of subsidiaries within very narrow limits: for this purpose, cash and derivative deals are traded with SANPAOLO IMI or, as in the case of long-term derivatives, with Banca IMI. As to the foreign-exchange risk, spot and forward transactions are carried out by Parent Bank's Treasury Department with the task of ensuring uniform pricing standards throughout the Group and managing risk position originated by the brokerage activity of foreign currencies traded by customers. The non-trading portfolios also include market risk exposures arising from equity participations held by the Parent Bank, FIN. OPI, IMI Investimenti, Sanpaolo IMI-International, Sanpaolo IMI Internazionale and Sanpaolo IMI Private Equity, in companies with quoted market prices not fully consolidated or accounted for under either the equity method or the available for sale principle.

Measurement techniques for non-trading portfolios

The following methods are used to measure market risks of non-trading portfolios:
- *Value at Risk (VaR);*
- *Sensitivity analysis;*

Value at Risk modeling is a statistical technique that produces an estimate of the potential loss in a portfolio over a specified holding period which is a statistically unlikely to be exceeded more than once during the given holding period. The Group uses a model based on historical volatility and correlations between the individual risks of each currency made up of short and long-term interest rates, exchange rates and equity prices. The Group's model is based on the last 250 trading days, a 10 day holding period and a 99% confidence level. The VaR is used, other than for the daily monitoring of risk arising from equity investments, to assess each business unit's market risk exposure , thereby taking into account diversification benefits.. VaR models have certain limitations; they are more reliable during normal market conditions, and historical data may fail to predict the future. VaR results, therefore, cannot guarantee that actual risk will follow the statistical estimate. As a result, management also relies on other tools, such as Sensitivity Analysis and Worst Case Scenario.

Sensitivity analysis quantifies the change in value of a portfolio resulting from adverse movements in the risk factors. As regards interest rate risk, adverse movement is defined as a parallel and uniform shift of 100 basis points of the interest rate curve. The measurements include the risk originated by customer demand loans and deposits, whose features of stability and partial and delayed reactions to interest rate fluctuations have been studied by analyzing a large collection of historical data, obtaining a maturity representation model through equivalent deposits. For demand loans, the average duration is very short (approximately 1 month), whereas the estimated average duration for demand deposits is greater (approximately 12 months), depending on their stability features.

The net interest income sensitivity is also measured, which quantifies the impact on net interest income of a parallel and instantaneous shock in the interest rate curve of ±25 basis points, over a timescale of twelve months. This measure shows the effect of the changes in interest rates on the portfolio being measured, excluding assumptions regarding future changes in the mix of assets and liabilities and therefore cannot be considered a predictor of future level of net interest income.

Fair value hedge, cashflow hedge and macro-hedge

The Group's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of fixed assets and liabilities due to movements in market interest rates. The types of swap transactions mostly used are plain vanilla interest rate swap (IRS), overnight index swap (OIS), cross currency swap (CCS) and options on interest rates. Derivatives are negotiated mainly with Banca IMI, which, in turn, replicates the same transactions with third parties so that the hedging transactions meet the specified criteria to be considered IFRS eligible (to obtain hedge accounting treatment). For short-term hedging, derivatives are also negotiated with third parties. Hedged items, specifically identified (micro-hedging), are mainly bonds issued by the bank and loans to customers. Macro-hedging is carried out only on demanddemand deposits through interest rate swaps and overnight index swaps.

Cash flow hedging transactions, whose objective is to hedge against the volatility of receivable and payable floating cash flows, represent a relatively modest proportion of the Group's current outstanding derivatives.

Quantitative information

In 2005, the interest rate risk generated by non-trading portfolios, measured through sensitivity analysis, showed an average value of around 12 million euro, compared with 83 million euro in the previous year, reaching 65 million euro at the end of the year.

The net interest income sensitivity – assuming a rise in interest rates of 25 basis points – amounted at the end of December to 42 million euro (-34 million euro in the case of reduction), unchanged compared with the end of previous year and approximately 1% of the Group's net interest income.

During 2005 the VaR fluctuated around an average value of 33 million euro (compared with 36 million in 2004), with a minimum value of 13 million at the beginning of the year and a maximum of 62 million at the end of December.

The foreign exchange risk generated by non-trading portfolios was not material during the year.

Equity price risk is measured using VaR (10-day timescale and 99% level of confidence). In 2005, equity price risk generated by the non-trading portfolios, almost fully held in the available for sale portfolio, recorded an average level of 109 million euro, with a minimum of 94 million euro and a maximum of 127 million euro, reached at the end of 2005. The small increase in VaR compared with the end of 2004 can be attributed to growth in portfolio value as a result of the recovery in equity markets experienced in the second half of the year, partially offset by a decrease in average portfolio volatility (from 16% at the end of 2004 to 13% at the end of 2005).

VaR - Equity investments portfolio

	2005 (€/mil)	2004 (€/mil)
Average	109.0	135.1
Low	94.2	102.2
Hight	127.2	213.6
Year-End	127.2	114.7

Market risk of trading portfolios

General issues and market risk management of trading portfolios

The Group's policy is to concentrate trading activities in Banca IMI and its subsidiaries, where proprietary trading is carried out by both vanilla and complex products (mainly equities, bonds, foreign exchange contracts and other derivatives), either privately negotiated over-the-counter (OTC) or – in the case of standard contracts – transacted through regulated exchanges. Trading activities in the investment bank are segmented into specific books, which hold homogenous groups of transactions by type of risk and allow to reflect the risk/return profile of each individual business accurately. Management is predominantly aimed at arbitrage strategies, depending on the liquidity level of the instruments, rather than on risk-taking and positioning activities.

The Parent Bank does not carry out trading activities strictly; some of its financial assets are classified under the accounting framework as held for trading, where they are not held for the purpose of generating trading gains, but rather as a part of the Group's treasury portfolio for asset and liability management, liquidity and regulatory purposes. Moreover, the Parent Bank has classified some of its derivatives as held for trading, mostly related to brokerage transactions, and also transactions offsetting the risk arising from the securities portfolio and the hedging for certain short-term items. Therefore trading market risk assumed by the Parent Bank and the banking subsidiaries is residual and can be assigned primarily to the market risk of the banking book.

Measurement techniques for trading portfolios

Methods of measuring financial risks related to the trading portfolios mainly consist of:
- *Worst Case Scenario (or maximum potential loss);*
- *Value at Risk (VaR);*
- *Sensitivity analysis.*

Worst Case Scenario is applied limited to trading portfolios. This method establishes a risk measurement defined as "maximum potential loss", which represents the worst possible economic result of those obtained in various hypothetical scenarios. The method is designed to represent a significant shock to current market parameters on the basis of a holding period of one day and accumulating the losses deriving from the various risk factors in absolute terms. The idea underlying the determination of the shocks to be assigned to the risk factors is to ensure a high degree of prudence; the objective of the method is to quantify and limit the maximum potential loss that could emerge in extreme market conditions.

VaR and sensitivity analysis are explained in the paragraph above "Measurement techniques for non-trading portfolios".

During 2005 a VaR model was adopted based on the historical simulation method (Historical VaR), which involves constructing a distribution of hypothetical daily changes in the value of the trading portfolio based on risk factors embedded in the current portfolio and historical observations of daily changes in these risk factors to determine the expected potential loss at a 99% confidence level over a one day timescale . From top management's point of view, this model is able to satisfy the regulatory requirements set by the Supervisory Banking Authority as the internal model to calculate net capital charges for the general and specific market risks; the approval process will begin during 2006. The risk estimates calculated using the historical VaR do not differ significantly from the results shown below and obtained with the VaR model, indicated in the paragraph "Quantitative information".

Quantitative information

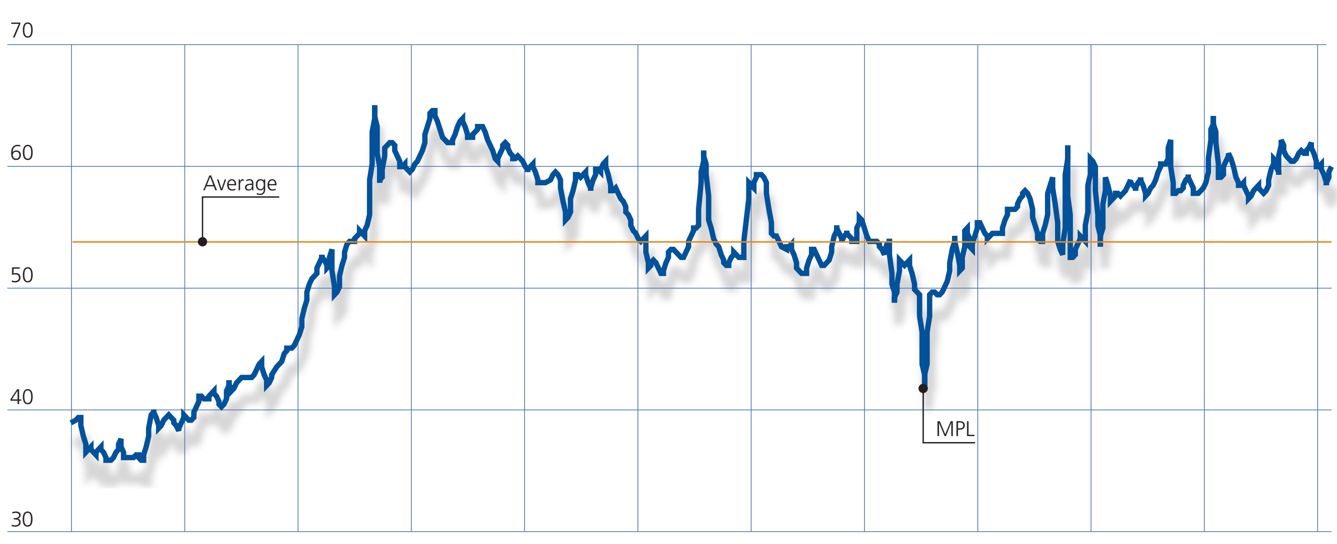
The VaR of trading activities during 2005 carried out by Banca IMI and its subsidiaries,averaged nine million euro (compared to seven million euro in 2004), with a minimum of four million euro and a maximum of 15 million euro. At the end of December, the VaR was 12 million euro, against six million euro on the same period of the previous year.

VaR - trading portfolios by type of risk

	31/12/2005 (€/mil)				31/12/2004 (€/mil)	
	Year-End	Average	Low	High	Year-End	Average
Interest rate risk	10.3	4.8	1.1	12.1	4.2	3.6
Foreign exchange risk	1.1	1.1	0.1	6.5	1.6	1.3
Equity price risk	6.1	6.5	2.8	12.9	3.5	4.8
Diversification effect	-5.3	-4.0	n.s.	n.s.	-3.6	-2.9
Total	**12.1**	**8.5**	**4.1**	**15.2**	**5.8**	**6.9**

In addition to VaR, the Worst Case Scenario analysis is used to monitor the impact of the potential losses that might arise under extreme market conditions. The maximum potential daily loss in 2005 was an average of 54 million euro (41 million euro in the previous year), registering a maximum of 65 million euro at the end of March and a minimum of 36 million euro at the beginning of the year.

Backtesting showed the prudent nature of the internal measurement technique used. In 2005, actual daily losses were never greater than the risk measures expressed in terms of maximum potential loss, while the actual trading loss exceeded the ex-ante VaR on a daily basis in only one case.



Maximum Potential Loss (€/mil)

1.2.6 Financial derivative instruments

A. Financial derivatives:

A.1 Regulatory trading portfolio: end-of-period notional values

(€/mil)

Type of transaction/underlying	Debt securities and interest rates		Equities and equity price index		Exchange rate and gold		Other values		Total as at 31/12/2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement	-	92,056	-	-	-	-	-	-	-	92,056
2. Interest rate swap	-	839,135	-	-	-	-	-	-	-	839,135
3. Domestic currency swap	-	-	-	-	-	15	-	-	-	15
4. Currency interest rate swap	-	-	-	-	-	830	-	-	-	830
5. Basis swap	-	18,259	-	-	-	-	-	-	-	18,259
6. Equity index swaps	-	-	-	-	-	-	-	-	-	-
7. Real index swaps	-	-	-	-	-	-	-	-	-	-
8. Futures	97,802	-	173	-	362	-	-	-	98,337	-
9. Cap options	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-
10. Floor options	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-
11. Other options	11,606	108,842	12,800	6,890	-	37,813	-	-	24,406	153,545
- Purchased	3,558	40,144	6,344	3,386	-	18,468	-	-	9,902	61,998
- Plain vanilla	3,558	40,144	6,186	1,294	-	15,855	-	-	9,744	57,293
- Exotic	-	-	158	2,092	-	2,613	-	-	158	4,705
- Issued	8,048	68,698	6,456	3,504	-	19,345	-	-	14,504	91,547
- Plain vanilla	8,048	68,698	6,416	716	-	13,333	-	-	14,464	82,747
- Exotic	-	-	40	2,788	-	6,012	-	-	40	8,800
12. Forward agreements	-	-	-	-	-	22,181	-	-	-	22,181
- Purchases	-	-	-	-	-	14,846	-	-	-	14,846
- Sales	-	-	-	-	-	4,539	-	-	-	4,539
- Currency against currency	-	-	-	-	-	2,796	-	-	-	2,796
13. Other derivative contracts	-	634	2	-	-	205	-	325	2	1,164
Total	109,408	1,058,926	12,975	6,890	362	61,044	-	325	122,745	1,127,185

A.2 Banking portfolio: end-of-period and average notional values

A.2.1 Hedging instruments

(€/mil)

Type of transaction/Underlying instrument	Debt securities and interest rates		Equities and equity price index		Exchange rate and gold		Other values		Total as at 31/12/2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement	-	100	-	-	-	-	-	-	-	100
2. Interest rate swap	-	10,256	-	-	-	-	-	-	-	10,256
3. Domestic currency swap	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swap	-	-	-	-	-	2,460	-	-	-	2,460
5. Basis swap	-	404	-	-	-	-	-	-	-	404
6. Equity index swaps	-	-	-	-	-	-	-	-	-	-
7. Real index swaps	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	3	-	-	-	-	-	3	-
9. Cap options	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-
10. Floor options	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-
11. Other options	-	155	-	-	-	-	-	-	-	155
- Purchased	-	75	-	-	-	-	-	-	-	75
- Plain vanilla	-	75	-	-	-	-	-	-	-	75
- Exotic	-	-	-	-	-	-	-	-	-	-
- Issued	-	80	-	-	-	-	-	-	-	80
- Plain vanilla	-	80	-	-	-	-	-	-	-	80
- Exotic	-	-	-	-	-	-	-	-	-	-
12. Forward agreements	-	-	-	-	-	43	-	-	-	43
- Purchases	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	43	-	-	-	43
- Currency against currency	-	-	-	-	-	-	-	-	-	-
13. Other derivative contracts	-	-	-	-	-	-	-	-	-	-
Total	-	10,915	3	-	-	2,503	-	-	3	13,418

A.2.2 Other derivatives

(€/mil)

Type of transaction/Underlying instrument	Debt securities and interest rates		Equities and equity price index		Exchange rate and gold		Other values		Total as at 31/12/2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement	-	-	-	-	-	-	-	-	-	-
2. Interest rate swap	-	34	-	-	-	-	-	-	-	34
3. Domestic currency swap	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swap	-	-	-	-	-	-	-	-	-	-
5. Basis swap	-	-	-	-	-	-	-	-	-	-
6. Equity index swaps	-	-	-	-	-	-	-	-	-	-
7. Real index swaps	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-
9. Cap options	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-
10. Floor options	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-
11. Other options	-	62	4,900	4,014	-	-	-	-	4,900	4,076
- Purchased	-	31	-	1,545	-	-	-	-	-	1,576
- Plain vanilla	-	31	-	641	-	-	-	-	-	672
- Exotic	-	-	-	904	-	-	-	-	-	904
- Issued	-	31	4,900	2,469	-	-	-	-	4,900	2,500
- Plain vanilla	-	31	127	925	-	-	-	-	127	956
- Exotic	-	-	4,773	1,544	-	-	-	-	4,773	1,544
12. Forward agreements	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-
- Currency against currency	-	-	-	-	-	-	-	-	-	-
13. Other derivative contracts	-	-	-	-	-	-	-	-	-	-
Total	-	**96**	**4,900**	**4,014**	-	-	-	-	**4,900**	**4,110**

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

(€/mil)

Type of transaction/Underlying instrument	Debt securities and interest rates		Equities and equity price index		Exchange rate and gold		Other values		Total as at 31/12/2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Regulatory trading portfolio:	**109,408**	**1,040,493**	**12,975**	**6,891**	**362**	**61,196**	**-**	**325**	**122,745**	**1,108,905**
1. Transactions with underlying asset exchange	12,927	144	310	494	362	60,886	-	-	13,599	61,524
- Purchase	6,416	117	175	355	63	28,495	-	-	6,654	28,967
- Sale	6,511	27	135	139	68	18,903	-	-	6,714	19,069
- Currency against currency	-	-	-	-	231	13,488	-	-	231	13,488
2. Transactions without underlying asset exchange	96,481	1,040,349	12,665	6,397	-	310	-	325	109,146	1,047,381
- Purchase	49,260	546,546	5,464	5,021	-	47	-	39	54,724	551,653
- Sale	47,221	493,803	7,201	1,376	-	220	-	286	54,422	495,685
- Currency against currency	-	-	-	-	-	43	-	-	-	43
B. Banking portfolio:										
B.1 Hedging instruments	**-**	**10,510**	**3**	**-**	**-**	**2,504**	**-**	**-**	**3**	**13,014**
1. Transactions with underlying asset exchange	-	-	-	-	-	2,504	-	-	-	2,504
- Purchase	-	-	-	-	-	2,336	-	-	-	2,336
- Sale	-	-	-	-	-	168	-	-	-	168
- Currency against currency	-	-	-	-	-	-	-	-	-	-
2. Transactions without underlying asset exchange	-	10,510	3	-	-	-	-	-	3	10,510
- Purchase	-	6,663	3	-	-	-	-	-	3	6,663
- Sale	-	3,847	-	-	-	-	-	-	-	3,847
- Currency against currency	-	-	-	-	-	-	-	-	-	-
B.2 Other derivatives	**-**	**96**	**4,900**	**4,014**	**-**	**-**	**-**	**-**	**4,900**	**4,110**
1. Transactions with underlying asset exchange	-	-	-	1,523	-	-	-	-	-	1,523
- Purchase	-	-	-	299	-	-	-	-	-	299
- Sale	-	-	-	1,224	-	-	-	-	-	1,224
- Currency against currency	-	-	-	-	-	-	-	-	-	-
2. Transactions without underlying asset exchange	-	96	4,900	2,491	-	-	-	-	4,900	2,587
- Purchase	-	62	209	927	-	-	-	-	209	989
- Sale	-	34	4,691	1,564	-	-	-	-	4,691	1,598
- Currency against currency	-	-	-	-	-	-	-	-	-	-

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

(€/mil)

Counterparty/Underlying instrument	Debt securities and interest rates			Equities and equity price index			Exchange rate and gold			Other values			Different underlying instruments	
	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Settled	Future exposure
A. Regulatory trading portfolio:														
A.1 Governments and central banks	1	4	2	-	-	-	-	-	-	-	-	-	-	-
A.2 Public entities	132	-	29	-	-	-	1	-	1	-	-	-	-	-
A.3 Banks	23	5,592	49	22	443	-	78	406	64	24	7	5	756	1,067
A.4 Financial institutions	39	220	6	-	112	7	26	45	24	-	10	-	171	160
A.5 Insurance companies	2	-	-	17	-	6	-	-	-	-	-	-	-	-
A.6 Non-financial companies	17	-	7	-	-	-	26	-	12	-	-	-	-	-
A.7 Other entities	211	-	61	4	-	25	103	-	50	-	-	-	-	-
Total	**425**	**5,816**	**154**	**43**	**555**	**38**	**234**	**451**	**151**	**24**	**17**	**5**	**927**	**1,227**
B. Banking portfolio:														
B.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	76	244	6	-	156	35	-	5	-	-	-	-	42	13
B.4 Financial institutions	5	101	1	-	-	-	-	-	-	-	-	-	98	11
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other entities	-	-	-	-	-	1	-	-	-	-	-	-	-	-
Total	**81**	**345**	**7**	**-**	**156**	**36**	**-**	**5**	**-**	**-**	**-**	**-**	**140**	**24**

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

(€/mil)

Counterparty/Underlying instrument	Debt securities and interest rates			Equities and equity price index			Exchange rate and gold			Other values			Different underlying instruments	
	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Settled	Future exposure
A. Regulatory trading portfolio:														
A.1 Governments and central banks	30	-	3	-	10	-	-	-	-	-	-	-	6	10
A.2 Public entities	46	-	13	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	560	5,903	110	26	135	25	80	291	45	30	50	-	613	359
A.4 Financial institutions	51	178	23	-	17	7	10	46	3	-	14	-	35	8
A.5 Insurance companies	1	-	-	13	-	9	-	-	-	14	-	12	-	-
A.6 Non-financial companies	9	-	3	-	-	-	7	-	2	-	-	-	-	-
A.7 Other entities	39	-	30	-	-	-	63	-	13	-	-	3	-	-
Total	**736**	**6,081**	**182**	**39**	**162**	**41**	**160**	**337**	**63**	**44**	**64**	**15**	**654**	**377**
B. Banking portfolio:														
B.1 Governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	87	123	17	-	-	-	3	386	6	-	-	-	377	35
B.4 Financial institutions	-	-	1	-	-	-	-	47	-	-	-	-	47	1
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other entities	1	-	1	182	-	-	-	-	-	-	-	-	-	-
Total	**88**	**123**	**19**	**182**	**-**	**-**	**3**	**433**	**6**	**-**	**-**	**-**	**424**	**36**

A.6 Residual maturity of over the counter financial derivatives: notional values

(€/mil)

Underlying instruments/Residual maturity	Up to 1 year	1 to 5 years	Over 5 years	Total
A. Regulatory trading portfolio				
A.1 Financial derivatives on debt securities and interest rates	528,568	341,544	188,814	1,058,926
A.2 Financial derivatives on equities and interest rates	2,572	3,907	411	6,890
A.3 Financial derivatives on exchange rate and gold	57,342	3,132	570	61,044
A.4 Financial derivatives on others	119	206	-	325
B. Banking portfolio				
B.1 Financial derivatives on debt securities and interest rates	6,090	3,031	1,890	11,011
B.2 Financial derivatives on equities and interest rates	652	2,047	1,315	4,014
B.3 Financial derivatives on exchange rate and gold	1,777	726	-	2,503
B.4 Financial derivatives on others	-	-	-	-
Total	**597,120**	**354,593**	**193,000**	**1,144,713**

B. Credit derivatives

B.1 Credit derivatives: notional end-of-year values

(€/mil)

Type of transaction	Regulatory trading portfolio		Other transactions	
	Single subject	Basket	Single subject	Basket
	Notional value	Notional value	Notional value	Notional value
1. Hedging purchases				
1.1 With underlying asset exchange				
- credit default swap	1,632	-	67	-
- credit linked note	12	110	-	-
1.2 Without underlying asset exchange				
- credit default swap	-	2,097	-	-
Total	**1,644**	**2,207**	**67**	**-**
2. Hedging sales				
2.1 With underlying asset exchange				
- credit default swap	1,510	110	-	-
2.2 Without underlying asset exchange				
- credit default swap	115	150	-	-
- credit linked note	-	6	-	-
Total	**1,625**	**266**	**-**	**-**

B.2 Credit derivatives: positive fair value - counterparty risk

(€/mil)

Type of transaction/Values	Notional value	Positive fair value	Future exposure
A. REGULATORY TRADING PORTFOLIO	2,884	24	43
A.1 Hedging purchases with counterparties:	1,348	13	41
1 Governments and central banks	-	-	-
2 Other public entities	-	-	-
3 Banks	1,168	11	28
4 Financial companies	180	2	13
5 Insurance businesses	-	-	-
6 Non-financial companies	-	-	-
7 Others	-	-	-
A.2 Hedging sales with counterparties:	1,536	11	2
1 Governments and central banks	-	-	-
2 Public entities	-	-	-
3 Banks	1,115	8	-
4 Financial companies	421	3	2
5 Insurers	-	-	-
6 Non-financial companies	-	-	-
7 Others	-	-	-
B. BANKING PORTFOLIO	67	-	5
B.1 Hedging purchases with counterparties:	67	-	5
1 Governments and central banks	-	-	-
2 Public entities	-	-	-
3 Banks	67	-	5
4 Financial companies	-	-	-
5 Insurers	-	-	-
6 Non-financial companies	-	-	-
7 Others	-	-	-
B.2 Hedging sales with counterparties:	-	-	-
1 Governments and central banks	-	-	-
2 Public entities	-	-	-
3 Banks	-	-	-
4 Financial companies	-	-	-
5 Insurers	-	-	-
6 Non-financial companies	-	-	-
7 Others	-	-	-
Total	2,951	24	48

B.3 Credit derivatives: negative fair value - financial risk

(€/mil)

Type of transaction/Values	Notional value	Negative fair value
REGULATORY TRADING PORTFOLIO		
1. Hedging purchases with counterparties:		
1.1 Governments and central banks	-	-
1.2 Public entities	-	-
1.3 Banks	1,591	-7
1.4 Financial companies	911	-4
1.5 Insurers	-	-
1.6 Non-financial companies	-	-
1.7 Others	-	-
Total	**2,502**	**- 11**

B.4 Residual maturity of credit derivative contracts: notional values

(€/mil)

Underlying instruments/Residual maturity	Up to 1 year	1 to 5 years	Over 5 years
A Regulatory trading portfolio			
A.1 Credit derivatives with "qualified reference obligation"	493	3,732	1,517
A.2 Credit derivatives with "unqualified reference obligation"	-	-	-
B Banking portfolio			
B.1 Credit derivatives with "qualified reference obligation"	-	-	-
B.2 Credit derivatives with "unqualified reference obligation"	-	67	-
Total	**493**	**3,799**	**1,517**

1.3 LIQUIDITY RISKS

QUALITATIVE INFORMATION

The metric used for liquidity risk management is based on a cash-flow analysis through the calculation of mismatches between inflows and outflows, grouped in different maturity buckets according to their contractual or expected residual maturities. A centralized approach is adopted for managing liquidity risk of the Parent Bank and the banking subsidiaries. The Parent Bank's Treasury Department, together with Sanpaolo IMI Ireland, as single points of direct access to the markets, raise funds against the assets originated from the retail and corporate activity at the branch level. In this framework, the liquidity management is overseen by the Parent Bank's Treasury Department, in line with the Group's Policy, which defines, at a consolidated level, a liquidity target ratio for the 0 – 1 month period and attention thresholds on subsequent time bands, the triggering of which activates a contingency plan. A minimum treasury securities portfolio, made up of promptly liquid assets, is held to cover very short-term liquidity risk.The consolidated liquidity position also includes obligations deriving from the liquidity requirements identified by other main Group's Subsidiaries that use the Parent Bank's Treasury Department as a single point of access to the markets.

The Risk Management Department periodically monitors liquidity risk limits (liquidity gap, ratio observance); reporting is periodically presented and discussed at the CRFMG.

QUANTITATIVE INFORMATION

Break-down by contractual residual maturity of financial assets and liabilities

(€/mil)

	Definite life					Indefinite life	Total
	On demand	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years	Beyond 5 years		
A. Assets							
A.1 Investments held for trading	3,666	552	4,502	4,522	2,949	5	16,196
A.2 Investments evaluated at fair value	5	7	366	465	153	-	996
A.3 Available for sale investments	3,732	274	219	1,676	4,869	10	10,780
A.4 Investments held to maturity	-	282	51	1,629	573	-	2,535
A.5 Due from banks	4,244	16,672	5,202	1,861	724	70	28,773
A.6 Loans to customers	22,115	20,231	15,174	41,212	38,437	2,718	139,887
Total on-balance sheet assets	**33,762**	**38,018**	**25,514**	**51,365**	**47,705**	**2,803**	**199,167**
A.7 Off-balance sheet transactions	48,946	184,039	102,230	96,473	447,378	316,597	1,195,663
Total assets	**82,708**	**222,057**	**127,744**	**147,838**	**495,083**	**319,400**	**1,394,830**
B. Liabilities							
B.1 Due to customers	73,377	16,922	3,244	618	252	2	94,415
B.2 Due to banks	6,535	14,861	4,576	2,942	6,852	-	35,766
B.3 Securities issued	1,992	9,723	6,472	25,361	8,021	-	51,569
B.4 Financial liabilities held for trading	34	24	453	942	549	339	2,341
B.5 Financial liabilities evaluated at fair value	-	143	383	2,999	3	-	3,528
Total on-balance sheet liabilities	**81,938**	**41,673**	**15,128**	**32,862**	**15,677**	**341**	**187,619**
B.6 Off-balance sheet transactions	50,832	162,497	107,463	87,663	486,946	300,262	1,195,663
Total liabilities	**132,770**	**204,170**	**122,591**	**120,525**	**502,623**	**300,603**	**1,383,282**

2. Break-down of financial liabilities by sector

(€/mil)

Loan/Counterparty	Governments and Central Banks	Other public entities	Financial companies	Banks	Insurance companies	Non-financial companies
1. Due to customers	1,888	2,204	11,829	-	1,189	23,161
2. Securities issued	-	-	2,832	505	-	4,179
3. Financial liabilities held for trading	557	1,313	88	156	-	111
4. Financial liabilities evaluated at fair value	-	-	98	3,524	-	-
Total	2,445	3,517	14,847	4,185	1,189	27,451

3. Break-down of financial liabilities by region

(€/mil)

Loan/Counterparty	Italy	Other European countries	America	Asia	Rest of the world
1. Due to customers	80,309	7,389	3,168	656	784
2. Due to banks	11,838	8,146	1,964	2,812	10,922
3. Securities issued	37,588	7,578	2,028	4,223	-
4. Financial liabilities held for trading	798	1,364	164	-	18
5. Financial liabilities evaluated at fair value	25,901	-	-	-	-
Total	156,434	24,477	7,324	7,691	11,724

1.4 OPERATIONAL RISK

SANPAOLO IMI considers two other types of risk in its models: the operational risk and the business risk.

OPERATIONAL RISK

The operational risk is defined as the risk of incurring losses as a result of failures in internal control or information systems, personnel or external events. The internal definition of operational risk includes the risk introduced by the New Basel Capital Accord, extending it to include the reputational risk.

SANPAOLO IMI has defined the overall Operational risk management framework by setting up a Group policy and organizational processes for measuring, managing and controlling operational risk. The control of operational risk is attributed to the Parent Bank's Board of Directors, that sets the management policies and the subsequent organizational structure. The Operational Risk Committee (made up of the General Manager and Department Managers) has the task of monitoring the operational risk profile of the Group and deciding the main activities of mitigation and transfer. The centralized unit at Group level, part of Risk Management, is responsible for developing methodologies for measuring risk, processing loss data and preparing the resultant management instruments. In line with Basel 2 requirements, the business lines, subsidiaries and the Corporate Centre structures are now directly involved in the Operational Risk Management process, by means of setting up specific decentralized control centers at the operational units. These decentralized centers are responsible for the processes of gathering information about events that have generated operational losses, carrying out analyses of scenarios and evaluating the riskiness associated with the business environment and the operating context.

The measurement methodology of the operational risk profile requires the combined use of information on internal and external historical operational losses, with qualitative factors deriving from scenario analyses and evaluations of the system of internal controls and of the operating context.

The internal operational losses are recorded by decentralized control centers, suitably verified by the central structure and managed by a dedicated computer system. For each category of risk, in line with the definitions of the Basel regulations, the database of historical events is analyzed, including both internal Group events and events traceable to the participation in loss data sharing initiatives (DIPO in Italy and ORX at international level). Results are obtained by applying actuarial techniques that separately analyze the frequency and the severity of events and subsequently create, by means of suitable Monte Carlo techniques, the aggregated annual loss distribution and consequently the measurement of risk.

The scenario analyses are based on structured and organized gathering of subjective estimates expressed directly by Management (Business Areas/Corporate Center) and have as their objective the evaluation of the potential economic impact for particularly serious operational events. These evaluations, calculated with statistical-actuarial techniques, give an estimate of unexpected loss that is subsequently integrated with the measurement obtained from the analysis of historical loss data.

Capital at risk is therefore identified as the minimum measurement at Group level, net of insurance cover, necessary to bear the maximum potential annual loss with a level of confidence of 99.95% (99.9% for regulation measurement). The methodology also applies a corrective factor, which derives from the qualitative analyses of the riskiness of the operating context, to take account of the efficiency of internal controls in the various organizational units.

BUSINESS RISK

The business risk (or strategic risk) is defined as the risk of incurring losses because of changes in the macro-or micro-economic scenario that could jeopardize the ability to generate income, typically by a drop in operating volumes or margin compression. It is evaluated by breaking down the activities in the Business Areas, based on the respective cost and revenue structures, in elementary "industrial" businesses (for example data processing, consultancy and distribution). The level of capitalization in line with the level observed in companies operating with the same processes is attributed to the Business Areas.

LEGAL DISPUTES

Anatocism

In March 1999, the Italian Court of Cassation declared the quarterly capitalization of interest payable to be illegitimate , thereby completely changing the previous law based on the assumption that the relevant clauses in bank contracts do not integrate "regulatory" use as believed in the past, but rather "trading" use, which contrasts with the prohibition of anatocism pursuant to Art. 1283 of the Italian Civil Code.

The subsequent D.Lgs. no. 342 of 1999 confirmed the legitimacy of capitalization of interest in current accounts, as long as it has the same periodicity of calculating interest for both debt and credit interest. From the date of this regulation coming into force (April 2000), all current account operations have been brought into line, with quarterly capitalization of both interest income and expense. Therefore, the dispute which has arisen about this concerns only those contracts which were agreed before the indicated date.

With the decision of both its Sections on 4/11/2004, the Court of Cassation has again excluded the possibility that said use may become the rule. This ruling by the Court of Cassation has not moreover eliminated the possibility of maintaining (on the basis of profiles different from those examined) the legitimacy of methods of infra-annual interest calculation: in some cases the prevailing legislation has actually recognized the soundness of these different profiles.

The overall number of pending cases is at an insignificant level in absolute terms, and is subject to careful monitoring. The risks related to these disputes are covered by prudential allocations to the provision for other risks and charges, commensurate with the amount of individual requests by the court. Also in case no specific amount is requested (on the part of the party who brings the case to court) and until the judicial accounting appraisal is carried out at the investigating stage, the risk of legal dispute is catered for by adequate allocations to the provisions for risks and charges covering pending legal disputes.

GEST Line dispute

GEST Line S.p.A. is the SANPAOLO IMI Group company that carries out tax collection activities, created as a result of the merger of Gerico, Sanpaolo Riscossioni Genova, Sanpaolo Riscossioni Prato and Esaban tax collecting companies.

The risks connected to this dispute are almost exclusively attributable to a dispute with the tax authorities in respect of claims of irregularities and vary by nature and size according to the business of each merged company.

With reference to Gerico S.p.A., previously a subsidiary of the former Cardine Banca which was later merged by incorporation into SANPAOLO IMI S.p.A., there are a number of administrative and accounting proceedings pending, filed by local Tax Offices and by the General Accounting Office for alleged tax irregularities that give rise to liabilities owing to failure to collect taxes. More specifically, the aforementioned proceedings are connected with alleged irregularities committed by some tax collection officials while carrying out report drafting activities during inspections at delinquent taxpayers' premises. These proceedings are still pending, being dealt by either first or higher-instance courts, and are constantly defended by the legal professionals engaged by the company.

The dispute involving Esaban S.p.A. (a company in the tax collection sector of former Banco di Napoli, which incorporated all the other tax collection companies of the Group, changing its name to GEST Line S.p.A.) originated from a series of provisions denying the reimbursements issued by the tax authorities in the years 1999 – 2001, all appealed against following the hierarchical line.

The risks connected with the Gerico S.p.A. and Esaban S.p.A. disputes are covered by unlimited guarantees already received by the aforementioned companies from the companies transferring the respective tax collection branches of business (each of the savings banks then merged into Cardine Banca and former Banco di Napoli). The abovementioned guarantees cover any losses or contingent liabilities following events prior to the respective dates of transfer and expire in 2005, without prejudice to the court cases pending on that date, for which the abovementioned guarantee is also valid beyond the said expiry date. In light of the events involving the merger of Cardine Banca and Banco di Napoli, SANPAOLO IMI took over the commitments deriving from the aforementioned guarantees, the risks of which are, as a whole, covered by appropriate accruals.

Pursuant to Article 1, commas 426, 426 bis and 426 ter of Law no. 311/2004, the facility has been granted to concessionary companies of correcting, with regard to the inland revenue and other bodies, the administrative responsibilities deriving from the activity carried out until 30 June 2005 by means of payment of a fixed amount per inhabitant served.
GEST Line has decided to adhere to the abovementioned correction by making the first of three payments, equal to 40% of the total sum to pay.

The risk pertaining to the dispute in respect of the tax collection activities of the concession in Venice is not comprised in the aforementioned guarantees and, instead, solely affects the capital of GEST Line. Following the proceedings for fiscal damages because of alleged irregularities by some tax officials, the local section of the General Accounting Office ruled against the licensee.
The measures have been regularly impugned before the administrative and accounting judge, and so have the previously mentioned sentences, with suspension of their executive effect.
The total risk, that – as mentioned – encumbers the equity of GEST Line in its entirety, amounts to about 13 million euro and is offset by a congruous allocation.

The Cirio group insolvency in respect of the sale of bonds

In November 2002, the Cirio group, one of the largest Italian groups operating in the agro-industrial sector, was declared insolvent in respect of the repayment of a loan issued on the Euromarket. This event led to a cross default on all the existing issues. The bonds issued by the Cirio group had a nominal value totaling around 1.25 billion euro. The SANPAOLO IMI Group, like all primary Italian banking groups, had loan transactions with the Cirio group.

Consob proceedings in relation to operations carried out on Cirio bonds

Following the investigations carried out in April-October 2003, in relation to SANPAOLO IMI's dealings in Cirio bonds during the 2000-2002 three-year period, in a letter of 4 May 2004, Consob raised a series of claims of alleged violation of the regulations governing the sector in which SANPAOLO IMI supposedly operated when trading in the aforementioned bonds.

These claims were notified to the Bank, the members of the Board of Directors and to the Board of Statutory Auditors in office at the time of the dealings, as well as to some company directors who, at various levels, were considered responsible for the activities connected to the alleged irregularities.

Both the Bank and the other accused parties have moved to formulate their statements for their defense. The administrative proceedings were concluded through a decree issued by the Ministry of Finance on 28 February 2005 which, accepting the proposal made by Consob, inflicted fines on each of the accused but it was the Bank which was ordered to pay the relevant amounts, being jointly liable with the other parties according to Art. 195, subsection 9 of D.Lgs. 58/1998.

The Bank and each of the sanctioned parties have appealed against the aforementioned ruling before the competent Court of Appeal of Turin. The relative proceedings were concluded with a measure published on 18 January 2006, in which the Court has rejected the defensive arguments of the opponents, consequently confirming the sanctions decided by the Ministry of Finance, with the exception of three individual positions in relation to which one has ascertained an invalidating defect as to the notification. The Bank has in the meanwhile provided, in its capacity of joint obligor with the parties subject to the sanctions, to comply with the payment order issued to it, reserving itself the right to value, with its consultants, the existence of elements that may serve to corroborate a possible impugnation before the Court of Cassation.

Criminal investigations related to Cirio

At the same time, the Criminal Courts are investigating a number of credit institutions, including SANPAOLO IMI, concerning dealing activities with savers in relation to bonds issued by Cirio group companies and the management of financial activities with the aforementioned group. The investigations, the preliminary stage of which were on 11 May 2005, involve also some corporate people, including two Directors who are no longer in office.

Confident of the absolute regularity, in general terms, of the Company's activities in relation to the investigations being carried out by the Criminal Courts and, in particular, of the total lack of involvement of the aforementioned company representatives, the Bank is monitoring the development of the proceedings under way.

Revocatory actions filed by the Commission for the Parmalat group companies under insolvency proceedings

In the period between the end of 2004 and mid-2005, the Commission for the Parmalat group companies filed against the SANPAOLO IMI Group - as well as against many other Italian and foreign banks - a series of revocatory actions pursuant to Art. 67, para. 2 of the Bankruptcy Law, aimed at obtaining repayment of all remittances of funds made on current accounts held with SANPAOLO IMI, Cassa di Risparmio in Bologna and Cassa di Risparmio di Padova e Rovigo by Parmalat group companies in the year before the insolvency proceedings were instituted.

The total amount claimed in the eight proceedings thus instituted is equal to approximately 1.261 million euro.

Following the internal preliminary investigation on the legitimacy of the claims, it was considered, in agreement with the legal advisors who assist the Group companies in the legal dispute, that the risk associated with these judgments is barely significant compared to the actual amounts of the claims, as many preliminary legal exceptions could resolve the dispute favorably and also because the claims for the repayment of the sums lack the requisites to be treated as payments.

In connection to some decisions issued between the end of 2005 and the beginning of 2006, the Court of Parma has seen fit, as not manifestly unfounded and significant for the purposes of the decision, to defer the questions of legitimacy raised both by the Banks of the Sanpaolo Group and by other Banks within the context of their respective legal actions aimed at revocation to the scrutiny of the Constitutional Court. The matter will remain suspended until the decision of the Court.

Such risk is sufficiently covered by specific accruals to provisions for risks and charges.

Proceedings aimed at reparation of damages against Banca IMI initiated by the Court-appointed Liquidator of Parmalat S.p.a and Parmalat Finance Corporation B.V.

With a summons of summons received by Banca IMI on 19 September 2005, the Court-appointed Liquidator of Parmalat S.p.a and Parmalat Finance Corporation B.V. has initiated, on behalf of said companies, a suit aimed at obtaining reparation of damages concerning the theorized responsibility resulting from the participation of Banca IMI, as co-lead manager, in the consortiums for the placement concerning three bonded loans issued by Parmalat Finance Corporation B.V. with the guarantee of Parmalat S.p.a. between the beginning of 2000 and the beginning of 2001.

The claim for damages is filed for presumed damages of at least 1,300 million euro, equivalent to the nominal value of the bonds subject to placement.

Banca IMI has appeared before the court raising numerous prejudicial objections concerning the unacceptability and legitimacy – in relation to both constitutional and community law – of the action initiated by the Court-appointed Liquidator and objecting, as to the merits, the complete unfoundedness of every claim for reparation.

Consequently, based on the valuations made by the lawyers assisting Banca IMI, it has not been deemed necessary to make specific allocations.

The management of claims relating to defaulted bonds

As regards complaints by customers holding Parmalat, Cirio and Argentine bonds, the Group policy is that Group companies should carefully evaluate that the financial instruments sold to customers are adequate to each investor's financial standing.

Contingent liabilities relating to complaints concerning said bonds are adequately covered by accruals to the provision for risks and charges. As of 31 December 2005, the related accruals amounted to 22 million euro.

Dispute relating to the sanction proceedings initiated by Consob against Sanpaolo IMI Asset Management S.G.R. S.p.A.

The pecuniary administrative penalties imposed by the Ministry of Finance upon proposal by Consob because of investigations carried out at the premises of Sanpaolo IMI Asset Management have been appealed against, in accordance with Art. 195 TUF (Consolidated Financial Law), by SGR and its sanctioned representatives before the Court of Appeal of Milan which, on 26 November 2003, ruled that the penalties were illegal. Consob and the Ministry have filed an appeal against this decision before the Italian Court of Cassation. SGR immediately filed a counterclaim, requesting the dismissal of the appeals filed by the Authorities. The related judgment is still pending.

Proceedings initiated by the Antitrust Authority against the former Sanpaolo IMI Wealth Management (now Sanpaolo IMI Asset Management SGR) and the former Fideuram Vita (now A.I.P.)

In January 2004 the Antitrust Authority notified Sanpaolo IMI Wealth Management, as holding company and outsourcer of Sanpaolo Vita, and Fideuram Vita that they were subject to investigations in respect of the purchase of a database from a company specialized in analyzing the insurance market. This database contained information concerning contractual conditions, prices and methods of distribution of life insurance and pension products. Having concluded the investigation, initially performed on a number of insurance companies and then on the aforementioned Group companies, the Antitrust Authority issued, on 30 September 2004, a measure in which, whilst not inflicting pecuniary sanctions, ascertained the existence, among the companies facing proceedings, in violation of Art. 2, para, 2 of Law 287/90, of a horizontal agreement consisting of the exchange of delicate commercial information between competing companies.

The abovementioned sanction was appealed against before the TAR (Regional Administrative Court) in Lazio, which overruled it on 27 April 2005, asserting that no such restriction of competition existed. The Guarantor Authority has impugned the sentence before the Council of State and the relative proceedings, in which both SANPAOLO IMI (that due to subsequent company changes, has taken over the specific positions that originally concerned Sanpaolo IMI Wealth Management) and A.I.P. will present their defenses, are still pending.

Proceedings initiated by the Legal Authorities against certain financial planners of Banca Fideuram and employees of the subsidiary Fideuram Bank Suisse

There are no developments as to the investigations initiated by the Juridical Authorities that concern a number of financial promoters of the Banca Fideuram group and employees of the subsidiary Fideuram Bank Suisse. The disputes concern, in their entirety, the hypothesis of complicity in the crime of illicit practice (that consists of the offer, on the part of a party that is not authorised in Italy, of investment services or financial products) with the exception of a single financial promoter, who is no longer active today, and who is also charged with the crime of money-laundering. The Bank has set up a specific work team for the rigorous verification of the facts, and has assured the investigating authorities the greatest possible collaboration.

Investigations initiated by the Public Prosecutor's office of Spoleto against Sanpaolo Invest SIM S.p.A. and Banca Fideuram S.p.A.

On 5 May 2005, the Public Prosecutor's office of Spoleto terminated its investigation of a case involving a number of crimes committed against some customers by a Sanpaolo Invest SIM financial planner.

The investigation involved also some representatives of Sanpaolo Invest who were accused of violating Art. 2638 of the Italian Civil Code on the assumption that they had not informed Consob of the irregularities found in connection with the abovementioned case during verification on the internal control procedures related to the financial planners.

The alleged accusations made against the previously mentioned representatives caused Sanpaolo Invest, as well as Banca Fideuram (held to be jointly responsible by virtue of being the beneficiary of the partial spin-off of the banking branch previously owned by Sanpaolo Invest Sim), to be held liable for the alleged violation of Law 231/2001.

Such responsibility, if established, entails the application of penalties which, with regard to the type of crime challenged to the company representatives, are only pecuniary.

A working group that has been set up at the Parent Bank carefully monitors the proceedings, which have only gone as far as the preliminary stage.

In June 2005, Consob launched an investigation into Sanpaolo Invest SIM with regard to the efficiency of its management and internal control processes.

On conclusion of this investigation, Consob initiated, with writ served on 4 January 2006 against representatives of Sanpaolo Invest Sim and the Company itself as jointly obliged with the former, proceedings aimed at inflicting sanctions for a number of presumed violations of regulations, principally on the subject of internal audits. Sanpaolo Invest Sim and the addressees of the contestations have formulated their deductions, among other things highlighting that the current procedures comply with the regulations in force.

Initiatives taken by Consob against Banca Fideuram S.p.A.

Following a series of meetings held with the management of Banca Fideuram, on 9 June 2005 Consob, as part of its supervisory powers, brought to the attention of Banca Fideuram that there were a number of weaknesses in the procedures followed for investment and consultancy services provided to customers as well as in those relating to the internal control systems.

Consob also requested Banca Fideuram to make all necessary arrangements to correct all the weaknesses that had been highlighted in relation to which the Bank had moreover already launched, before the intervention of Consob, a work plan aimed at making the necessary corrections.

The Bank Bodies then approved the actions to be taken to improve the abovementioned procedures, paying particular attention to the assessment of the adequacy of the transaction carried out by it.

Investigations initiated by the Attorney's Office of Cagliari against employees of Sardinian public employees as well as promoters and employees of Banca Fideuram.

In February 2005 the Attorney's Office of Cagliari, concluded the preliminary investigation carried out by it concerning a hypothesis of fraud perpetrated to the damage of a number of Sardinian regional institutions; the investigation, that was triggered by crimes committed by a promoter of Banca Fideuram, has also involved employees of the Bank and other promoters of the network structure.

IMI Sir dispute

Other assets include 1.3 million euro that refer to the estimated realizable value of the credit, which was definitively enforced by the Civil Section of the Italian Court of Cassation through sentence no. 2469/03. This sentence has substantially confirmed decision no. 2887, passed by the Rome Court of Appeal on 11 September 2001, which condemned Consorzio Bancario SIR S.p.A. (in liquidation) to reimburse the Bank the sum of 506 million euro previously paid by IMI to the heirs of Mr. Nino Rovelli as compensation for damages, in accordance with the sentence passed by the Rome Court of Appeal on 26 November 1990. However, the sentence changed the ruling on the amount of interest payable by the Consorzio - on the grounds of procedures and not of merit - in respect of whether or not it should include the amount matured from the date on which the appeal was served (equal to around 72.5 million euro as of 31 December 2001). Furthermore, the Italian Court of Cassation referred to another section of the Rome Appeal Court the decision on whether or not the total amount owed to the Bank by the Consorzio should be reduced by approximately 14.5 million euro, as compensation for the damages related to the transaction between the Consorzio and IMI in respect of the additional agreement of 19 July 1979: if the trial judge holds the claim amount unjustified, the sentence against the Consorzio to pay the sum of 506 million euro will be reduced accordingly. In this respect, proceedings have begun, within the terms, for the resummons of the sentence before the Rome Court of Appeal, where judgment is currently pending.

The same Italian Court of Cassation sentence passed final judgment on the right of the Consorzio to be held harmless by Mrs. Battistella Primarosa (heir to Mr. Nino Rovelli) and Eurovalori S.p.A.. The Italian Court of Cassation also endowed the Consorzio's right to recourse as subordinate to the previous payment of the amount owed to SANPAOLO IMI S.p.A. and assigned the sentence on this particular appeal to the trial judge. Judgment commenced in February 2004 and is still under way.

For the purposes of preparing the financial statements, the book value of the credit subject to the Italian Court of Cassation sentence has been calculated in accordance with applicable accounting standards as regards revenue recognition on the basis of its estimated realizable value, as confirmed by authoritative opinions.

With reference to the above, taking into account that the initiatives taken so far have not achieved tangible results, the Bank has considered that the estimated realizable value of the amount receivable in question should be within the bounds of the Consorzio's capital and its ability to pay; such amount, net of the effects attributable to the previously mentioned Italian Court of Cassation sentence, being substantially in line with that currently recorded.

In line with the estimated value of the amount receivable, it is worth noting that, since 2001, the investment held in the Consorzio has been written down to zero.

As regards the civil initiatives undertaken as part of the criminal proceedings in relation to the payment of offence damages, it is underlined that on 29 April 2003, the Criminal Section IV of the Court of Milan finally sentenced Rovelli's heir and the other co-defendants to different terms of imprisonment in relation to their respective levels of responsibility for the crimes committed, as well as to pay the sum of 516 million euro to the plaintiffs as moral damage.

The above sentence was overruled by the Criminal Section II of the Milan Court of Appeal through a sentence issued on 23 May 2005, which, by confirming (though with the mitigation of penalties) the responsibility of the defendants concerning the corruption case that affected the outcome of the IMI Sir dispute, has also revoked the sentence against the defendants to pay damages for moral injury, giving the civil court judge the task to establish the amount of the total offence damages. Such sentence was appealed against and is currently being examined by the Italian Court of Cassation.

In the context, it is extremely clear that the actual amount receivable from Consorzio Bancario SIR S.p.A. in liquidation is correct.

SECTION 2 – INSURANCE COMPANIES' RISKS

2.1 INSURANCE RISKS

Life branch

The typical risks of a life insurance portfolio can be divided into three main categories of risk: insurance rating risk, death risk and reserve risk.

Insurance rating risks are protected first of all during the definition of the technical features and product pricing and subsequently during the life of the instrument by means of periodic checks on the sustainability and the technical foundations and the hypotheses which were initially adopted in order to understand the effective sustainability and profitability both at the product level and at the portfolio level, including all of the Company's liabilities. Among the instruments used during definition of a product is profit testing, which apart from measuring the profitability is used to identify in advance any weaknesses (technical or economic) in the product itself, in order to correct them beforehand.

The actuarial risks arise when we record an unfavorable trend in actual accidents compared with the estimated trend when the rate was calculated and these risks are reflected in the level of reserves. The Company guards against these risks by means of statistical analysis of the evolution (subdivided by risk type) of the liabilities of its own contract portfolio. Therefore the evolution for example of the demographic components is protected on the one hand by monitoring the propensity to effective income of our own portfolio, and on the other hand by analyzing the actual accidents of some contractual categories and from the analysis of the forms supplied by the Ministry and, not least, with the active participation in work groups proposed by the Institutional Organs. In terms of reserves, these risks are accounted for via the placing in the financial statements of the supplementary allocations deriving from the abovementioned analyses, i.e. from the use of technical foundations that are updated and recognized at the level of Control Body. Among the risks that require particular attention we mention here also the risks connected with hedging the costs. To this end the Company has developed a detailed analysis model that allows it to analyze costs by product macrocategory and by life cycle of the product itself. This tool, which is shared by several departments of the Company, is used to monitor costs, the correct rate and the sustainability of the reserves.

The mathematical reserves are calculated contract by contract and the methodology used to determine the reserves takes account of all the future commitments of the company. In addition a series of checks is carried out, both detailed (with preventive checks for example on the correct system saving of the variables necessary for the calculation like yields, quotations, technical foundations, parameters for the supplementary reserves, recalculation of the value of single contracts) and overall, by comparing the results with the estimates that are produced on a monthly basis.

Casualty branch

Regarding the assuming of risk, the policies at the time of purchase are checked in order to verify the correspondence of the portfolio with the technical and rate settings agreed with the sales network.

The check, apart from being formal is therefore also substantial and allows, in particular, verification of the exposure in terms of capital – limits of liability.

Afterwards the statistical checks are carried out, to check for potentially anomalous situations (like for example a concentration by area or by type of risk), and to keep under control the accumulation at the level of individual persons (with particular reference to policies that provide cover in the accident and illness branches).

Risk concentration factors

Among the risk concentration factors used for calculating the rates and with particular reference to the R.C.Auto and illness branches, the table below shows the premium assignments for each Italian region.

Regions	premiums
PIEDMONT	34,242
VAL D'AOSTA	195
LIGURIA	673
LOMBARDY	4,060
TRENTINO ALTO ADIGE	13
VENETO	482
FRIULI VENEZIA GIULIA	99
EMILIA ROMAGNA	413
MARCHE	81
TUSCANY	177
UMBRIA	47
LAZIO	8,537
CAMPANIA	1,200
ABRUZZO	155
MOLISE	62
PUGLIA	384
BASILICATA	62
CALABRIA	216
SICILY	320
SARDINIA	115
TOTAL	**61,179**

Risk protection factors

The reinsurance structure for the year 2005 for the companies Egida and Fideuram Assicurazioni is given below.

Reinsurance structure for Egida S.p.A.

BRANCHES/PRODUCTS	TYPE	QUOTA ASSIGNED/PRIORITY
INJURY	QUOTA ASSIGNED	30%
ILLNESS	QUOTA ASSIGNED	20%
TERRESTRIAL VEHICLES	QUOTA ASSIGNED	50%
FIRE AND NATURAL ELEMENTS	QUOTA ASSIGNED +	50%
NATURAL + GCL	DAMAGE EXCESS	1° layer: 750,000 per risk and 1,000,000 per event; 2° layer: 3,000,000 per event
CL TERRESTRIAL VEHICLES	QUOTA ASSIGNED +	50%
	DAMAGE EXCESS	1° layer: 750,000 per event; 2° layer: 1,500,000 per event
OTHER BRANCHES	QUOTA ASSIGNED	60%
SANPAOLO GROUP CPI CP PRODUCT	QUOTA ASSIGNED	40%
CPI POSTS PRODUCT	QUOTA ASSIGNED	60%

Reinsurance structure for Fideuram Assicurazioni S.p.A.

BRANCHES/PRODUCTS	TYPE	QUOTA ASSIGNED/PRIORITY
INJURY	QUOTA ASSIGNED	25% AVERAGE ASSIGNED previous years; 20% 2005.
	FACULTATIVE	UP TO 60% OF 100%. Non-standard risks.
	DAMAGE EXCESS	PROTECTING THE REMNANT 1° layer: € 200,000 XS 60,000 deductible aggregate 120,000; 2° layer: € 260,000 XS 260,000; 3° layer: € 520,000 XS 520,000 (at least 2 witnesses); 4° layer: € 4,160,000 XS 1,040,000 (at least 2 witnesses).
ILLNESS	QUOTA ASSIGNED	26% AVERAGE ASSIGNED previous years.
	FACULTATIVE (IPM GUARANTEE)	UP TO 60% OF 100%. Non-standard risks.
	DAMAGE EXCESS (IPM GUARANTEE)	PROTECTING THE REMNANT 1° layer: € 200,000 XS 60,000 deductible aggregate 120,000; 2° layer: € 260,000 XS 260,000; 3° layer: € 520,000 XS 520,000 (at least 2 witnesses); 4° layer: € 4,160,000 XS 1,040,000 (at least 2 witnesses).
FIRE AND NATURAL ELEMENTS + GCL	FACULTATIVE	UP TO 80%. Non-standard risks.
	DAMAGE EXCESS	PROTECTING THE ENTIRE PORTFOLIO single layer: € 1,948,000 XS 52,000 (per risk and per event).
OTHER PROPERTY DAMAGE	FACULTATIVE	80%.
	DAMAGE EXCESS	PROTECTING THE ENTIRE PORTFOLIO. Single layer: € 1,948,000 XS 10,000 (per risk and per event).

2.2 FINANCIAL RISKS

QUALITATIVE INFORMATION

The insurance risks, concentrated in the A.I.P. Group, are generated by life policies of the traditional, revaluable type and of the index-linked and unit-linked types. The former offer the insured, apart from participation in the profit from the fund management, a minimum guaranteed level and therefore generate proprietary financial and credit risks for the insurance Company, risks that are linked to the characteristics of the investment portfolio vis-à-vis the commitments made to the insured. Index-linked and unit-linked policies which usually do not present direct risks are are in any case monitored with regard to reputation risks.

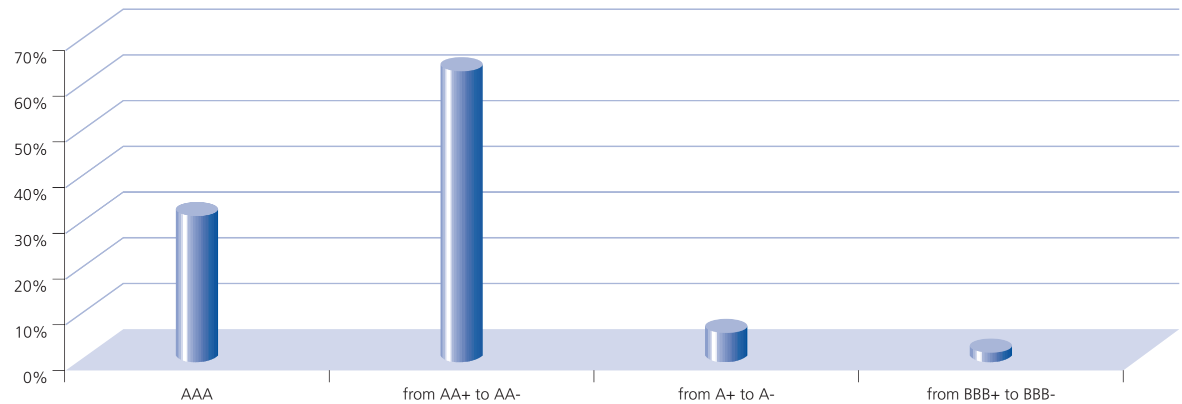
In line with the growing attention to value, risk and capital which have in the last two years affected the insurance sector, in 2005 A.I.P. began a series of initiatives aimed both at reinforcing the risk governance and at managing and controlling the risk based capital. In particular, the Company has taken on an Investment Policy that defines the goals and the limits that are needed to distinguish the investments of the separately managed accounts in terms of asset allocation, long-term investments, credit risk, concentration risk and market risk. For investiments vis-à-vis free assets there are special limits in terms of VaR with a time span of a year and a confidence level of 99%.

With regard to management and control of value and risk, in the second half of 2005 the Company launched FAP (Financial Analysis Program), which allows the construction of a dynamic model that can make forecasts of stochastically-generated economic scenarios, simulating the evolution of the value of assets and liabilities based on the technical characteristics of the products, the significant financial variables and a management rule that directs investments disinvestments. The risk factors considered by the model are of an actuarial and financial nature. Among the former, the FAP models risks deriving from the dynamics of an extreme surrendering of policies, from sharp changes in mortality and longevity, and from pressure on costs; among the latter, the FAP takes into consideration scenarios of stress over year-long time spans on interest rates, on credit spread and on stock market trends.

QUANTITATIVE INFORMATION

At the end of 2005, the investment portfolio for traditional revaluable policies and free assets amounted, at market value, to over 20 billion euro and is 94.3% made up of bond securities while the stock component amounts to 5.7%.

In conformance with the directives established by the Investment Policy, the credit quality of the bond investments is high, as is shown in the chart.



A.I.P.: exposure of debt securities by rating

The 10-day VaR of the investments made by A.I.P. vis-à-vis free assets amounts, at the end of December, to 13 million euro.

Financial derivative instruments

The notional values of the financial derivatives at the end of 2005 are shown below:

Financial derivatives: end-of-period notional values

(€/mil)

Type of portfolio/Underlying instrument	Debt securities and interest rates		Equities and equity price index		Exchange rate and gold		Other values		Total as at 31/12/2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A Trading	-	4,286	-	-	-	-	-	250	-	4,536
B Hedging	-	106	-	-	-	-	-	-	-	106
Total	-	**4,392**	-	-	-	-	-	**250**	-	**4,642**

The related positive and negative fair values amount, respectively, to 262 million euro and 189 million euro as at 31 December 2005.

Part F – Information on consolidated shareholders’ equity

SECTION 1 – CONSOLIDATED SHAREHOLDERS’ EQUITY

The consolidated shareholders’ equity represents the equity owned by the Group and is made up of all those elements which are not included in the definition of assets or liabilities according to the measurement and quantification methods defined by the international standards.

As regards the management of the economic capital, the average absorbed capital was assigned to the single Business Sectors (Banking, Savings and Assurance, Asset Management and International Private Banking, Central Functions) which form the organizational structure of the SANPAOLO IMI Group, on the basis of the current risks (credit, market and operative) measured according to the VaR approach; those risks are entirely confronted with the tier I capital. The only exception is Banca Fideuram, operating in the sector of Savings and Assurance, for which the exact end of period book value of the shareholders’ equity (excluding the profit of the period) was taken as reference as it is a listed company.

In particular, the Group's policy of capital management aims at prompt recapitalization of subsidiaries according to specific operative requirements, in compliance with the company's practice which requires that the maximum dividend possible be distributed by the Group's companies.

As regards the insurance companies, being part of the Group and operating in the life and/or casualty branches, in compliance with provisions set in the Insurance Code as per L.Dgs. no. 209 of 7 September 2005, such companies must check that the company has sufficient own equity to guarantee the solvency with respect to the commitments taken towards customers.

These requirements are audited through the calculation of the solvency margin (called “corrected” if calculated at consolidation level) which compares the equity at the company's disposal (capital, equity reserves, subordinated loans within the preset limits and characteristics, in addition to other integrative elements submitted to the approval of the Regulatory Authority), which contribute to quantifying the available margin, with the company's undertakings (required margin). The amount of such margin is determined on the basis of preset ratios between premiums collected or claims paid (flow data) and the size of technical reserves at year end (stock data).

Under the management profile, the company constantly monitors the presence of minimum requirements of capitalization set by regulations in force, by evaluating the trend of the required margin with respect to the development of the portfolio, in order to calibrate its insurance offer in the best way and manage its equity availability also considering its consistency with the regulatory requirements.

The composition and amount of the Group's and its components' equity is shown in Section 15 of the Liabilities – GROUP EQUITY.

SECTION 2 – REGULATORY CAPITAL AND SOLVENCY RATIOS

The concept of risk capital was introduced by the Basel Committee in 1988 and the European guidelines, aiming at limiting the insolvency risk of financial intermediaries, are indicated in the EU Directive 2000/12/EEC.

According to EU instructions, since 1992 Bank of Italy decided that the capital adequacy of a bank should be evaluated according to the ratio between regulatory capital and the total of the weighted risk assets. In particular, the regulatory capital, made of tier I capital and tier II capital, must not be lower, on a consolidated basis, than 8% of weighted risk assets.

Tier 1 capital

The paid-up capital, reserves and capital innovation instruments, such as preferred shares, are top-quality capital elements. The total of such elements, after deduction of own shares or quotas, of intangible assets, as well as of losses recorded in previous and current fiscal years, form the tier I capital. The innovative capital instruments can be included in tier I, up to 15% of the total of tier I capital. The possible surplus can be assigned to the tier II capital and can be classified among the hybrid capitalization instruments.

Tier II capital

The appreciation reserves, the hybrid instruments and subordinated liabilities usually form the tier II capital elements. Tier II capital must not be higher than tier I capital and certain elements included in tier II cannot be higher than a specified amount: subordinated liabilities, for example, cannot exceed 50% of tier I.

The solvency ratio must be calculated on the basis of the amount of tier I capital and tier II capital, net of shareholding investments in financial and insurance companies, hybrid instruments, and subordinated loans granted to the same entities.

In order to evaluate the capital adequacy, the bank capital must be calculated in relation to the amount of weighted assets for its own risk. Therefore, the various asset categories are weighted by granting one of the following risk percentages:
0%, 20%, 50%, 100% and 200%.

Furthermore, as of December 2005, the composition and amount of regulatory capital are being processed in compliance with the so-called "discipline of prudential filters" issued in November 2005 by the Regulatory Body in order to regulate the effects of the implementation of IAS/IFRS on the regulatory capital in banks. The calculation of such capital must take into account provisions set by the Directive 2002/87/EEC regarding financial conglomerates and include deduction of shareholding investments in insurance companies, as well as subordinated loans granted to them.

The approach recommended by the Basel Committee and by CEBS, included in instructions given by the Bank of Italy, broadly states that, for activities differing from trading, capital losses should be deduced line by line at fair value valuation from the tier I capital, and capital gains should be partially computed at fair value valuation in the tier II capital (i.e. asymmetric approach).

In particular, the regulatory capital calculation as of 31 December 2005, took into account the specific provisions given by the Regulatory Body, and according to such recommendations, the following guidelines were applied.
- Financial assets available for sale: for the "debt securities" and "equities" portfolios, the accumulated net capital losses were deduced line by line from tier I capital and the net capital gain was included at 50% in tier II capital. The evaluation effects of loans were not included in the computation of the regulatory capital, while depreciation deriving from impairment of the creditworthiness of the debtor/issuer were deduced from tier I.
- Real estate and works of art: capital gains deriving from the adjustment of the real estate costs, made during implementation of IAS, were computed totally in the tier II capital.
- Fair Value Option: capital losses and capital gains were computed totally in the tier I capital. Furthermore, potential capital losses or capital gains deriving from the adjustment of the creditworthiness of the issuer of securities placed with customers were excluded from the calculation of tier I capital.
- Commitments for forward purchase of own capital instruments or subsidiaries: the capital resources object of a subscription for forward buying which involve the Group's immediate assumption of its own company's risk were deduced from the regulatory capital. Conversely, if they do not involve an immediate risk assumption, they are included in the calculation of the regulatory capital in relation to the contractual duration of the operation.

Furthermore, according to instructions of the Bank of Italy, shareholdings in insurance companies, subordinated assets in portfolio issued by consolidated insurance companies as well as investments in Bank of Italy capital were deducted from the regulatory capital of the banking group according to the specific treatment required.

With regard to the perimeter and methods of consolidation, the following differences were found between the area of application of the rules for regulatory capital and the application of the norms governing financial statements:
- the companies making up the insurance business are consolidated line by line in order to calculate the net shareholders' equity but are consolidated using the equity method in calculating the regulatory capital;
- BanKa Koper D.D. is consolidated line by line in order to calculate the net shareholders' equity but is consolidated proportionally in calculating the regulatory capital;
- Cassa dei Risparmi di Forlì S.p.A. and All Funds Bank S.A. are consolidated using the equity method in order to calculate the net company capital but are consolidated proportionally in calculating the regulatory capital.

The regulatory capital and details of the prudential and capital requirements are given below. Their definitive results will be transmitted to the Regulatory Body after approval of these financial statements.

Break-down

	31/12/2005 (€/mil)
A. Tier 1 capital before application of prudential filters	**10,938**
Prudential filters for tier 1 capital:	-
- Positive IAS/IFRS prudential filters	-
- Negative IAS/IFRS prudential filters	-
B. Tier 1 capital after application of prudential filters	**10,938**
C. Tier 2 capital before application of prudential filters	**4,584**
Prudential filters for tier 2 capital:	138
- Positive IAS/IFRS prudential filters	138
- Negative IAS/IFRS prudential filters	-
D. Tier 2 capital after application of prudential filters	**4,722**
E. Tier 1 and tier 2 capital after application of prudential filters	**15,660**
Items to be deducted from tier 1 and tier 2 capital	(2,308)
F. Regulatory capital	**13,352**

Details as at 31 December 2005 of subordinated loans issued by the Group's banking compartment are given below. It should be noted that the amounts used to determine the consolidated regulatory capital are expressed in nominal values and net of infra-group transactions.

	Original currency	Amount in the financial statements as of 31/12/05 (€/mil)	Amount in the original currency (millions)	Interest rate	Issue date	Maturity date	Starting date of early redemption of the loan
Preferred Shares	EUR	1,000	1,000	up to 10/11/2010: 8.126% p.a. subsequently: 1 year Euribor + 3.5 % p.a.	10/11/2000	not redeemable	10/11/2010
Total innovative capital instruments (Tier 1)		*1,000*					
Debenture loan	EUR	132	150	5.75% p.a.	15/09/1999	15/09/2009	(*)
Debenture loan	EUR	200	200	6 months Euribor + 0.50% p.a.	1/10/1999	1/10/2009	(*)
Notes	EUR	500	500	6.375% p.a.	6/04/2000	6/04/2010	(*)
Debenture loan	EUR	6	20	1.00% p.a.	27/04/2001	27/04/2006	(*)
Debenture loan	EUR	299	300	5.55% p.a.	31/07/2001	31/07/2008	(*)
Debenture loan	EUR	1	1	ECB interest rate on repurchase agreement refinancing transactions	20/09/2001	20/09/2006	(*)
Debenture loan	EUR	199	200	5.16% p.a.	2/10/2001	2/10/2008	(*)
Notes	EUR	500	500	up to 28/6/2007 included: 3 months Euribor + 0.49% p.a. subsequently: 3 months Euribor + 1.09% p.a.	28/06/2002	28/06/2012	28/06/2007
Debenture loan	EUR	47	54	up to 15/7/2007: 4.90% p.a. subsequently: 6 months Euribor + 0.76% p.a.	15/07/2002	15/07/2012	15/07/2007
Debenture loan	EUR	127	147	up to 4/12/2007: 4.32% p.a. subsequently: 6 months Euribor + 0.85% p.a.	4/12/2002	4/12/2012	4/12/2007
Notes	EUR	299	300	5.375% p.a.	13/12/2002	13/12/2012	(*)
Notes	EUR	350	350	up to 9/6/2010 excluded: 3.75% p.a. subsequently: 3 months Euribor + 1.05% p.a.	9/06/2003	9/06/2015	9/06/2010
Notes	EUR	150	158	up to 1/7/2008 excluded: 6 months Euribor + 0.48% p.a. subsequently: 6 months Euribor + 1.08% p.a.	1/07/2003	1/07/2013	1/07/2008
Notes	EUR	62	75	up to 29/9/2008 excluded: 6 months Euribor + 0.46% p.a. subsequently: 6 months Euribor + 1.06% p.a.	29/09/2003	29/09/2013	29/09/2008
Notes	GBP	241	165	up to 18/3/2019 excluded: 5.625% p.a. subsequently: 3 months Sterling Libor + 1.125% p.a.	18/03/2004	18/03/2024	18/03/2019
Notes	EUR	700	700	up to 28/6/2011 excluded: 3 months Euribor + 0.30% p.a. subsequently: 3 months Euribor + 0.90% p.a.	28/06/2004	28/06/2016	28/06/2011
Debenture loan	EUR	127	134	up to 3/8/2009 excluded: 3.72% p.a. subsequently: 6 months Euribor + 0.60% p.a.	3/08/2004	3/08/2014	3/08/2009
Notes	EUR	500	500	up to 2/3/2015 excluded: 3.75% p.a. subsequently: 3 months Euribor + 0.89% p.a.	2/03/2005	2/03/2020	2/03/2015
Notes	EUR	25	21	up to 10/6/2005 included: 3 months Euribor + 0.40% p.a. subsequently: 3 months Euribor + 1.00% p.a.	10/06/2005	10/06/2015	10/06/2010
Debenture loan	EUR	16	20	up to 1/8/2010 excluded: 2.90% p.a. subsequently: 6 months Euribor + 0.74% p.a.	1/08/2005	1/08/2015	1/08/2010
Total subordinated liabilities (Tier 2)		4,481					
Notes	EUR	50	50	up to 14/11/2004: 1.44289% p.a. subsequently: 1.50% p.a.	26/06/2003	15/11/2007	(*)
Notes	EUR	550	550	3 months Euribor + 0.15% p.a.	20/12/2005	7/01/2008	(*)
Total tier 3 subordinated liabilities		*600*					
Total		**6,081**					

(*) Early redemption of the loan is not provided for.

Tier 2 subordinated loans to be computed in the regulatory capital at 31 December 2005 amounted to 4.224 million euro.

Preferred securities, to be computed in base capital, meet the following requirements:
- the securities are not redeemable, any right to reimbursement on the part of the issuer may not be exercised before 10 years from the issue; reimbursement must be authorized by the Regulatory Body;
- the contract includes the possibility to suspend, even partially, remuneration of the securities whenever in the preceding year the Parent Bank that directly controls the issuing companies has not deliberated on the payment of dividends on own shares;
- dividends may not be accumulated over subsequent years;
- in the case of the liquidation of SANPAOLO IMI, holders of securities will be reimbursed only after all other subordinated and non-subordinated creditors have been satisfied.

Tier 2 subordinated loans are not subject to provisions for early redemption nor to conditions permitting conversion into capital or other form of liability. In more detail, the contracts state:
- early redemption may occur when foreseen only on the initiative of the issuer and with the prior authorization of the Regulatory Body;
- the duration of relations is no less than five years and, whenever expiry is indeterminate, at least five years warning is giving for reimbursement;
- in the case of the liquidation of the issuer, the debt will be reimbursed only after all other not equally subordinated creditors have been satisfied.

Tier 3 subordinated loans, issued to meet market risks, satisfy the following conditions:
- original duration of no less than two years;
- payment of interests and capital is suspended should the capital requirement of SANPAOLO IMI fall below 7% on an individual basis or 8% on a consolidated basis;
- in the case of liquidation of the bank, the debt will be reimbursed only after all other not equally subordinated creditors have been satisfied.

Details of prudential requirements

Category/Value	31/12/2005 (€/mil)	
	Unweighted amounts	Weighted amounts/requirements
A. RISK ASSETS		
A.1 CREDIT RISK	**211,724**	**135,688**
STANDARD METHOD		
ON-BALANCE SHEET ASSETS		
1. Loans (other than equities and other subordinated assets) to (or secured by):	148,075	94,940
1.1 Governments and central banks	28,279	101
1.2 Public entities	10,162	2,050
1.3 Banks	20,779	4,461
1.4 Other entities (other than residential and non-residential mortgage loans)	88,855	88,328
2. Mortgage loans - residential property	24,603	12,302
3. Mortgage loans - non-residential property		
4. Shares, investments and subordinated assets	2,280	2,410
5. Other assets	5,823	3,634
OFF-BALANCE SHEET ASSETS		
1. Guarantees and commitments to (or secured by):	30,630	22,305
1.1 Governments and central banks	5,923	1
1.2 Public entities	1,670	334
1.3 Banks	1,395	328
1.4 Other entities (other than residential and non-residential mortgage loans)	21,642	21,642
2. Derivative contracts to (or secured by):	313	97
2.1 Governments and central banks		
2.2 Public entities		
2.3 Banks	198	39
2.4 Other entities (other than residential and non-residential mortgage loans)	115	58
B. REGULATORY CAPITAL REQUIREMENTS		
B.1 CREDIT RISK		**10,855**
B.2 MARKET RISK		**1,219**
1. STANDARD METHOD	X	1,219
of which:		
+ position risk on debt securities	X	744
+ position risk on equities	X	134
+ exchange rate risk	X	19
+ other risks	X	322
2. INTERNAL MODELS	X	-
of which:		
+ position risk on debt securities	X	X
+ position risk on equities	X	X
+ exchange rate risk	X	X
B.3 OTHER REGULATORY REQUIREMENTS	**X**	**23**
B.4 TOTAL REGULATORY REQUIREMENTS (B1+B2+B3)	**X**	**12,097**
C. RISK ASSETS AND REGULATORY RATIOS		
C.1 Risk-weighted assets	X	151,213
C.2 Tier 1 capital/Weighted risk assets (Tier 1 capital ratio)	X	7.2%
C.3 Regulatory capital/Weighted risk assets (Total capital ratio)	X	9.2%

As for the make-up of the regulatory capital and the details of the prudential requirements as at 31 December 2004, see part L – section 8 - Regulatory capital in these Explanatory Notes.

Part G – Business combinations concerning companies or business branches

No business combinations were carried out during 2005 or after the close of the year.

Part H – Transactions with related parties

Transparency procedures

SANPAOLO IMI has identified the Bank's related parties and has defined a Group procedure to decide on transactions with them, aimed at establishing specific competencies and responsibilities, as well as showing the information flows between the Bank structures and its direct and indirect subsidiaries.

Under the procedure, and in line with the Disciplinary Code, the transactions with related parties deemed significant on the basis of analytical levels according to types of transaction and counterparty, with reference to the Parent Bank, are to be decided by the Board of Directors, after examination by the Technical Audit Committee. The significant transactions undertaken by the subsidiaries with the Parent Bank's related parties are decided upon by the Board of Directors of the subsidiary company, which must submit the proposal in advance to ensure it is in conformity with the Parent Bank.

In addition to observing the specific decision-making procedure, the Parent Bank structures and the subsidiaries, which originate transactions with related parties, must submit a quarterly report so that the Bank may fulfill the obligations of clause 150 of D.Lgs. 58/1998 (on the subject of a report to the Board of Statutory Auditors) and must fulfill the immediate or periodic reporting requirements in relation to the market. In particular, the market is advised of transactions that are individually significant pursuant to clause 71 bis of Consob Decision 11971 of 14 May 1999.

The preliminary stage of the transactions to be undertaken with related parties follow the same process as granting loans reserved for other non-related parties with the same credit rating. Infra-group loans are subject to specific limits, to comply with the supervisory regulations of the Bank of Italy.

Further information can be found in the "Report on Corporate Governance".

With regard to transactions with entities that carry out functions of management, administration and control of the Bank, besides the application of clause 2391 of the Italian Civil Code, the special regulations on the obligations of banking representatives set down at clause 136 of D. Lgs 385/1993 and the Surveillance Instructions (Consolidated Banking Law) also apply; they require, in any case, the prior unanimous favourable decision of the Board of Directors, and the unanimous favourable vote of the Board of Statutory Auditors. Those who carry out administrative, management and control functions at Group banks or companies may not undertake obligations and acts of buying or selling, directly or indirectly, with the relevant company, or undertake financial transactions with another Group company or bank without a decision by the appropriate bodies of the contracting company or bank, taken in the way described above. In these cases, furthermore, the obligation or act must have the consent of the Parent Bank issued by the Board of Directors.

1. Information on remuneration of directors and executives

Given the current organizational structure, the Bank decided to include within "executives with strategic responsibilities" (hereafter "key managers"), pursuant to IAS 24, the Directors, the Statutory Auditors, the General Manager of the Parent Bank, the Managers of the Divisions and central structures of the Parent Bank reporting directly to the Managing Director or General Manager, as well as the Manager of the business sector Savings and Assurance because of its particular importance at the consolidated level.

Below are the principal benefits recognized by the group to the key managers under the various forms summarized in the table.

	2005 (€/mil)
Short term benefits (1)	23
Benefits following employee termination (2)	1
Other long term benefits (3)	-
Employee termination indemnity (4)	1
Stock option plans (5)	1
Other remuneration (6)	1
Total remuneration paid to executives with strategic responsibilities	**27**

(1) Includes fixed and variable fees of directors that may be assimilated with cost of work and social security charges paid by the company for its employees.
(2) Includes company contribution to pension funds and allocation to employee termination indemnity pursuant to legislation and company regulations.
(3) Includes estimate of allocations for length of service awards for employees.
(4) Includes fees paid for early retirement incentive.
(5) Includes cost for stock option plans determined on the basis of IFRS 2 criteria and charged to financial statements.
(6) Refers to compensation paid to members of the Board of Statutory Auditors.

The details of remuneration paid to Directors, Statutory Auditors and General Managers pursuant to clause 78 of CONSOB decision 11971 of 4 May 1999, and the stock options plans kept exclusively for them, are reported in Part H of the Explanatory Notes to the Parent Bank financial statements.

The shares in the Parent Bank and the subsidiaries held by the Directors, Statutory Auditors and General Manager of the Parent Bank as well as other entities pursuant to clause 79 of CONSOB decision 11971/99, are detailed in the table set out in Part H of the Explanatory Notes to the Parent Bank financial statements.

2. Information on transactions with related parties

2.1 Transactions of atypical and/or unusual nature

On 28 April 2005 a compromise agreement was completed between Sanpaolo Bank S.A. and Ente Holding S.r.l. (100% controlled by the Fondo Pensioni of the SANPAOLO IMI Group, one of the Bank's related parties) regarding a real estate transaction between the same Ente Holding S.r.l. and a third party, a defaulting seller on behalf of which Sanpaolo Bank operated on the basis of a fiduciary contract. In compliance with such agreement, Sanpaolo Bank acquired, on a nonrecourse basis, the amounts due (recuperation and compensation) by the defaulting seller to Ente Holding, in respect of a payment of 7.8 million euro made by Sanpaolo Bank in favor of Ente Holding (the amount was equal to the nominal value of the legally binding money deposit paid at the time by Ente Holding); in relation to this compromise agreement, Ente Holding waived its entitlement to interest, charges and main damages arising on the transaction. The compromise was considered adequate and overall fair also from the point of view of Sanpaolo Bank as, given the particularly complex context and the peculiarities of Ente Holding, it avoided a legal dispute and the risks associated with it as well as any additional costs which might have been incurred.

2.2 Transactions of ordinary or recurrent nature

Non-atypical or non-unusual transactions entered into with related parties fall within the scope of the Group's ordinary activities and are usually entered into at market conditions, based on valuations of mutual economic convenience, in line with the internal procedures mentioned above. Transactions with infra-Group related parties, since they are not part of the consolidated balance sheet, are not included in this report.
However, the report on transactions with related parties put in place by the Parent Bank is included in the Explanatory Notes to the company's financial statements..

Below are the principal terms of reference of the operations of each category of related party, on the basis of the entities indicated in IAS 24, net of infra-group operations; the paragraph above has information on payments to directors and management.

2.2.1 Transactions with shareholders

Having regard to the ownership structure of SANPAOLO IMI and thus to the shareholders' agreements entered into on 21 April 2004, while excluding a check, even joint, on the individual shareholders that were parties to those agreements, nonetheless, opting for maximum transparency, the parties to those agreements were included in the list of related parties, as it was not possible to exclude the reconstruction of a position of "significant influence" on the Bank involving those parties. This resulted in the inclusion of entities that exercise control on the important shareholders as well as, with reference to the investment relationships of the important shareholders, the parties controlled by the significant shareholders since they are subject to their direction, when they make significant transactions.

The transactions with those shareholders fall under the Group's ordinary activity and are entered into at the same market conditions applied to other non-related parties enjoying the same credit rating.

The following table summarizes the relationships with Shareholders at 31 December 2005 and the economic effects of the transactions undertaken during the year.

Shareholders	31/12/2005 (€/mil)
Total financial assets	132
Total other assets	-
Total financial liabilities	126
Total other liabilities	-
Total interest income	3
Total interest expense	(3)
Total commissions income	-
Total commissions expense	-
Total operating costs	-
Total adjustments to financial assets	-
Total other revenues	-
Total other costs	-

2.2.2 Transactions with executives with strategic responsibilities

The relations between the SANPAOLO IMI Group and key managers occur within the normal activities of the Group and are entered into by applying, where appropriate, the agreements made available to all employees, and maintaining complete transparency; or, in relation to independent representatives, with whom there is a fixed-term contract in place, applying the conditions available to consultants of the same standing, in full observance of the relevant laws.

The following table summarizes the relationships in place at 31 December 2005 with executives with strategic responsibilities, and the economic effects of the financial period, including what is set out in the previous chapter on the payments to directors and management.

Executives with strategic responsibilities	31/12/2005 (€/mil)
Total financial assets	1
Total other assets	-
Total financial liabilities	6
Total other liabilities	-
Total interest income	-
Total interest expense	-
Total commissions income	-
Total commissions expense	-
Total operating costs	(27)
Total adjustments to financial assets	-
Total other revenues	-
Total other costs	-

2.2.3 Transactions with subsidiaries not consolidated line by line

It should be noted that transactions with subsidiaries not consolidated line by line are attributable to the ordinary internal operations of a multifunctional banking company.

Subsidiaries not consolidated line by line	31/12/2005 (€/mil)
Total financial assets	40
Total other assets	5
Total financial liabilities	6
Total other liabilities	-
Total interest income	2
Total interest expense	-
Total commissions income	-
Total commissions expense	-
Total operating costs	-
Total adjustments to financial assets	-
Total other revenues	-
Total other costs	-

The list of Group companies and subsidiary companies subject to significant influence at 31 December 2005 is presented in detail in the Explanatory Notes to the Consolidated Financial Statements (Part B – Section 10).

2.2.4 Transactions with associated companies

It should be noted that transactions with associated companies are attributable to the ordinary internal operations of a multifunctional banking company. In this regard, please refer to Part H of the Parent Bank's Explanatory Notes.

Associated companies	31/12/2005 (€/mil)
Total financial assets	756
Total other assets	-
Total financial liabilities	117
Total other liabilities	-
Total interest income	20
Total interest expense	(4)
Total commissions income	1
Total commissions expense	-
Total operating costs	-
Total adjustments to financial assets	-
Total other revenues	-
Total other costs	-

2.2.5 Transactions with joint ventures

At 31 December 2004 there were no significant relations with joint venture companies nor were there significant economic effects relating to these entities.

2.2.6 Transactions with other related parties

The following table summarizes the relationships with other related parties.

Other related parties	31/12/2005 (€/mil)
Total financial assets	591
Total other assets	-
Total financial liabilities	626
Total other liabilities	2
Total interest income	5
Total interest expense	(4)
Total commissions income	-
Total commissions expense	-
Total operating costs	(17)
Total adjustments to financial assets	-
Total other revenues	-
Total other costs	-

2.3 Significant transactions

During the last year no significant transactions were entered into with related parties.

However, certain relevant transactions are highlighted below:

- on 16 February, some important shareholders and associated companies subscribed to some quotas of funds managed by Sanpaolo IMI Fondi Chiusi SGR, for a total amount of 62.5 million euro. The transactions were concluded on the same economic conditions as for other fund subscribers;
- on 25 February, quotas of the Fondo Cardine Impresa, managed by Sanpaolo IMI Fondi Chiusi SGR, were also sold by Sanpaolo IMI Private Equity (SPIPE), sponsor of the Fund, to Fondazione Cassa di Risparmio Padova e Rovigo (Shareholder) at the nominal value of 3.3 million euro, the same amount already paid by SPIPE into the Fund, the assignee being obliged to make subsequent payments. The transaction is in line with the strategies approved in SPIPE 2004-2005 industrial plan.

Part I – Payment agreements based on own financial instruments

A. QUALITATIVE INFORMATION

1. Description of payment agreements based on own financial instruments

Stock option

SANPAOLO IMI S.P.A.

At the Shareholders' Meeting of 31 July 1998, the shareholders authorized the Board of Directors to implement plans for a stock option program for Group executives, by raising increases in paid capital of up to a maximum amount subsequently defined as 40 million euro, corresponding to 14,285,714 shares.

By virtue of this authorization the Board of Directors:
- at the meeting of 27 June 2000 launched a second stock option plan, assigning the Managing Directors, acting as General Directors, and 122 other executives, 3,378,270 rights, exercisable from 2003 onwards and not after 31 March 2005, at a subscription price of 16.45573 euro per share. These rights expired in 2005 upon the final deadline for their exercise (31 March 2005);
- on 18 December 2001 approved a third stock option plan, assigning 171 Group executives, of which about 40 were employed by subsidiaries, 4,030,000 rights, exercisable after the dividend issue for the financial year 2003 and not after 31 March 2006, at a price of 12.7229 euro.

At the Shareholders' Meeting of 30 April 2002, the shareholders renewed the Board of Directors' authorization to implement plans for stock option programs for Group executives, by raising increases in paid capital of up to a maximum amount of 51,440,648 euro, corresponding to 18,371,660 shares.

By virtue of this authorization the Board of Directors:
- on 17 December 2002 launched a new stock option plan, assigning 291 Group executives, of which about 77 were employed by subsidiaries, according to the role they occupy, 8,280,000 rights, exercisable after the dividend issue for the financial year 2004 and not after 31 March 2007 (extended to 15 May 2007 by resolution of the Board of Directors on 25 January 2005), at a price of 7.1264 euro;
- on 14 November 2005 launched a new stock option plan with the goal of sustaining the Group's Industrial Plan and of encouraging management activities aimed at reaching three-year objectives and a further increase in the share value. The rights were assigned to 48 executives who occupy key positions within the Group and have a strong influence on strategic decisions aimed at achieving the objectives in the Industrial Plan and at increasing the value of the Group. The 2006-2008 plan includes the assignment of 9,650,000 rights exercisable after the dividend issue for the financial year 2008 and not after 30 April 2012, at an exercise price of 12.3074 euro.

In addition, on 14 May 2002 the Board of Directors launched a stock option program for the President and the Managing Directors, for the three-year period 2001-2003. Based on this plan, Dott. Rainer Stefano MASERA, Dott. Alfonso IOZZO and Rag. Luigi MARANZANA were each assigned a total of 450,000 fixed rights for the three-year period 2001-2003. Rag. Pio BUSSOLOTTO was assigned a total of 300,000 rights for the three-year period 2001-2003. The rights assigned became exercisable – at a price of 12.6244 euro – from the date of the dividend issue for the financial year 2003 and in any case not after 15 May 2006. The latter deadline was extended by a resolution of the Board of Directors on 25 January 2005 (the previous deadline was 31 March 2006). This plan is detailed in Part H of the company explanatory note.

BANCA FIDEURAM S.P.A.

Regarding the subsidiary Banca Fideuram, the following is of note.

On 16 December 2003, the Board of Directors approved a stock option program that assigns, to Banca Fideuram Group's Private Bankers, options to buy Banca Fideuram shares, at the ratio of one option per share, at a unit price, reestablished following the split with Fideuram Vita, of 4.43 euro. This program closed in December 2005 and involved the assigning of 2,341,727 Banca Fideuram shares to Private Bankers of that bank and of the subsidiary Sanpaolo Invest.

On 16 March 2005, the Board of Directors approved a new stock option program for the three-year period 2005-2007 in favor of the Private Bankers of Banca Fideuram Group, the main elements of which are given below:
- the plan involves the assigning of options to buy, at the ratio of one share per option, the Bank's own shares which were bought by virtue of the authorizations approved by the Ordinary Shareholders' Meetings. On the basis of calculated estimates, the number of own shares which are destined for the 2005-2007 program has been fixed at around 5-6 million;

- the exercise price of the options for the 2005-2007 program has been established, for all recipients, at 4.074 euro;
- each recipient of the program will be able to exercise the options in the period between 1 June 2008 and 23 December 2008, on condition that the recipient is working for the company and subject to the achievement of set three-year objectives.

B. QUANTITATIVE INFORMATION

1. Annual changes

In compliance with the provisions of IFRS 2, the following table gives information on the evolution and details of the stock option programs of SANPAOLO IMI Group.

SANPAOLO IMI S.P.A.

Evolution of stock option plans in 2005

	Number of shares	Average exercise price (€)	Market price (€)
Rights existing as at 1/1/2005	16,523,270	10.6955	10.600 (a)
Rights exercised in 2005	-7,694,500	7.3373	-
Rights expired (b)	-3,093,270	16.4557	-
Rights expired in 2005 (c)	-80,000	10.6242	-
Rights assigned in 2005	9,650,000	12.3074	-
Rights existing as at 31/12/2005	15,305,500	12.2362	13.201 (d)
Of which: exercisable as at 31/12/05	-	-	-

(a) Reference price as at 30/12/2004.
(b) Concerning rights no longer exercisable following expiry of exercising deadline.
(c) Concerning rights no longer exercisable following expiry of employee termination indemnity.
(d) Reference price as at 30/12/2005.

Break-down of rights by exercise price and residual maturity

Exercise prices (€)	Minimum contractual residual maturity				Total	of which: exercisable as at 31/12/2005	
	May 2004 - March 2006	May 2004 - May 2006 (a)	May 2005 - May 2007 (b)	May 2009 - April 2012		Total	Average residual contractual maturity
12.7229	3,420,000	-	-	-	3,420,000	-	-
12.6244	-	1,650,000	-	-	1,650,000	-	-
7.1264	-	-	585,500	-	585,500	-	-
12.3074	-	-	-	9,650,000	9,650,000 (c)	-	-
Total	**3,420,000**	**1,650,000**	**585,500**	**9,650,000**	**15,305,500**	-	-

(a) Original expiry March 2006, deferred to May 2006 by resolution of the Board of Directors on 25 January 2005.
(b) Original expiry March 2007, deferred to May 2007 by resolution of the Board of Directors on 25 January 2005.
(c) Of which 4,700,000 rights assigned to executives with strategic responsibilities.

BANCA FIDEURAM S.P.A.

The table below gives the evolution of the stock option programs of Banca Fideuram in the financial year 2005.

Evolution of stock option plans in 2005

	31/12/2005		
	Number of options	Average prices	Average expiry
A. Opening balance	**3,557,695**	**4.43**	**June-December 2005**
B. Increases	**5,626,203**	**4.074**	**X**
B.1. New issues	5,626,203	4.074	June-December 2008
B.2. Other changes	-	-	X
C. Decreases	**-3,557,695**	**4.43**	**X**
C1. Annuled	-		X
C2. Exercised	-2,341,727	4.43	X
C3. Expired	-		X
C4. Other changes	-1,215,968	4.43	X
D. Closing balance	**5,626,203**	**4.074**	**June-December 2008**
E. Options exercisable at the end of the year	**-**	**-**	**X**

Part L – Information on comparison with financial year 2004

As is better described in part A – Accounting principles of this explanatory note, SANPAOLO IMI Group has used the facility, provided for by IFRS 1, of deferring the date of first application of IAS 32 and 39 and IFRS 4 until 1 January 2005. Consequently, for the comparative information for the financial year 2004 relating to financial instruments and insurance contracts, the national accounting principles (D.Lgs. 87/92 and related instructions issued by Banca d'Italia) have been applied.

Therefore, the sections of the 2004 consolidated explanatory notes relating to the abovementioned captions are given, suitably modified to take account of the changes to the area of consolidation.

More precisely, the original numbering of the sections given by the above-cited instructions from Banca d'Italia has been maintained.

Information on the balance sheet - Assets

SECTION 1 – LOANS

	31/12/2004 (€/mil)
Loans to banks (caption 30)	23,942
Loans to customers (caption 40) (*)	123,201
Total	**147,143**

(*) The amount includes 841 million euro of loans to Società per la gestione di Attività S.p.A. (Sga), of which 814 million euro is granted within the intervention provided for by Italian Law 588/96.

Break-down of caption 30 "Loans to banks" (table 1.1 B.1)

	31/12/2004 (€/mil)
a) Due from central banks	477
b) Bills eligible for refinancing with central banks	-
c) Loans for finance lease contracts	-
d) Repurchase agreement transactions	12,383
e) Securities lending	193

Break-down of caption 40 "loans to customers" (table 1.2 B.1)

	31/12/2004 (€/mil)
a) Bills eligible for refinancing with central banks	-
b) Loans for finance lease contracts	5,370
c) Repurchase agreement transactions	2,306
d) Securities lending	502

Secured loans to customers (table 1.3 B.1.)

	31/12/2004 (€/mil)
a) Mortgages	34,099
b) Pledged assets:	
1. cash deposits	347
2. securities	4,782
3. other instruments	413
c) Guarantees given by:	
1. governments	4,407
2. other public entities	592
3. banks	628
4. other entities	18,812
Total	**64,080**

Cash loans to customers (Provision B.I. 17.12.98) *(€/mil)*

	31/12/2004		
	Gross exposure	Total adjustments	Net exposure
A. Doubtful loans	**6,611**	**4,083**	**2,528**
A.1 Non-performing loans	4,610	3,462	1,147
A.2 Problem loans	1,642	527	1,115
A.3 Loans in course of restructuring	131	39	92
A.4 Restructured loans	193	45	149
A.5 Unsecured loans exposed to country risk	36	10	25
B. Performing loans	**121,770**	**1,097**	**120,673**
Total loans to customers	**128,381**	**5,180**	**123,201**

Cash loans to banks (Provision B.I. 17.12.98) *(€/mil)*

	31/12/2004		
	Gross exposure	Total adjustments	Net exposure
A. Doubtful loans	**30**	**11**	**20**
A.1 Non-performing loans	3	3	-
A.2 Problem loans	1	1	-
A.3 Loans in course of restructuring	-	-	-
A.4 Restructured loans	-	-	-
A.5 Unsecured loans exposed to country risk	26	7	20
B. Performing loans	**23,938**	**16**	**23,922**
Total loans to banks	**23,968**	**27**	**23,942**

Movements in gross doubtful loans to customers - non-performing loans (table 1.4 B.1.)

	31/12/2004 (€/mil)
Non-performing loans (net amount in the financial statement including default interest)	1,147

Movements in gross doubtful loans to customers (Provision B.I. 17.12.98) *(€/mil)*

Type/Category	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk
A. Gross exposure as at 1/1/04	**4,360**	**1,818**	**24**	**193**	**31**
A.1 of which: for default interest	*791*	*93*	*1*	*1*	-
B. Increases	**1,086**	**1,681**	**323**	**254**	**8**
B.1 from performing loans	175	1,238	123	35	-
B.2 default interest	123	29	1	1	-
B.3 transfer from other categories of doubtful loans	618	153	175	156	-
B.4 other increases	170	261	24	62	8
C. Decreases	**(837)**	**(1,857)**	**(217)**	**(254)**	**(3)**
C.1 to performing loans	(12)	(144)	-	(39)	-
C.2 write-offs	(305)	(162)	-	(1)	-
C.3 collections	(414)	(727)	(25)	(96)	(2)
C.4 disposals	(15)	(9)	-	-	-
C.5 transfer to other categories of doubtful loans	(61)	(782)	(178)	(80)	-
C.6 other decreases	(30)	(33)	(14)	(38)	(1)
D. Gross exposure as at 31/12/04	**4,609**	**1,642**	**131**	**193**	**36**
D.1 of which: for default interest	*844*	*78*	*1*	-	-

Movements in gross doubtful amounts due from banks (Provision B.I. 17.12.98) *(€/mil)*

Type/Category	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk
A. Opening gross exposure as at 1/1/04	**6**	**1**	-	-	**39**
A.1 of which: for default interest	-	-	-	-	*1*
B. Increases	**1**	-	-	-	**1**
B.1 from performing loans	-	-	-	-	-
B.2 default interest	-	-	-	-	-
B.3 transfer from other categories of doubtful loans	-	-	-	-	-
B.4 other increases	1	-	-	-	1
C. Decreases	**(4)**	-	-	-	**(14)**
C.1 to performing loans	-	-	-	-	-
C.2 write-offs	(3)	-	-	-	(2)
C.3 collections	(1)	-	-	-	(12)
C.4 disposals	-	-	-	-	-
C.5 transfer to other categories of doubtful loans	-	-	-	-	-
C.6 other decreases	-	-	-	-	-
D. Closing gross exposure as at 31/12/04	**3**	**1**	-	-	**26**
D.1 of which: for default interest	-	-	-	-	-

Movements in adjustments to loans to customers (Provision B.I. 17.12.98) *(€/mil)*

Type/Category	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Total adjustments as at 1/1/04	**3,198**	**646**	**3**	**43**	**9**	**1,015**
A.1 of which: for default interest	*789*	*93*	*1*	*1*	-	*19*
B. Increases	**789**	**381**	**71**	**49**	**6**	**220**
B.1 adjustments	521	246	43	20	4	211
B.1.1 of which: for default interest	*123*	*29*	*1*	*1*	-	*14*
B.2 use of reserves for probable loan losses	21	3	-	-	-	-
B.3 transfer from other categories of doubtful loans	197	116	23	17	-	9
B.4 other increases	50	16	5	12	3	-
C. Decreases	**(525)**	**(500)**	**(35)**	**(47)**	**(5)**	**(138)**
C.1 write-backs from valuation	(38)	(28)	-	(4)	(1)	(13)
C.1.1 of which: for default interest	-	-	-	-	-	-
C.2 write-backs of collection	(114)	(93)	(1)	(16)	-	(37)
C.2.1 of which: for default interest	*(29)*	*(8)*	*(1)*	-	-	*(5)*
C.3 write-offs	(305)	(162)	-	(1)	-	(14)
C.4 transfer to other categories of doubtful loans	(45)	(205)	(29)	(15)	-	(69)
C.5 other decreases	(23)	(12)	(5)	(12)	(4)	(5)
D. Total adjustments as at 31/12/04	**3,462**	**527**	**39**	**45**	**10**	**1,097**
D.1 of which: for default interest	*844*	*78*	*1*	-	-	*13*

Movements in adjustments to loans to banks (Provision B.I. 17.12.98) *(€/mil)*

Type/Category	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Total adjustments as at 1/1/04	**6**	**1**	-	-	**9**	**11**
A.1 of which: for default interest	-	-	-	-	*1*	-
B. Increases	**1**	-	-	-	**2**	**5**
B.1 value adjustments	1	-	-	-	-	1
B.1.1 of which: for default interest	-	-	-	-	-	-
B.2 use of reserves for probable loan losses	-	-	-	-	-	4
B.3 transfer from other categories of doubtful loans	-	-	-	-	-	-
B.4 other increases	-	-	-	-	1	-
C. Decreases	**(4)**	-	-	-	**(4)**	-
C.1 write-backs from valuation	-	-	-	-	-	-
C.1.1 of which: for default interest	-	-	-	-	-	-
C.2 write-backs due of collection	--	-	-	-	-	-
C.2.1 of which: for default interest	-	-	-	-	-	-
C.3 write-offs	(4)	-	-	-	(2)	-
C.4 transfer from other categories of doubtful loans	-	-	-	-	-	-
C.5 other decreases	-	-	-	-	(2)	-
D. Total adjustments as at 31/12/2004	**3**	**1**	-	-	**7**	**16**
D.1 of which: for default interest	-	-	-	-	-	-

Loans to customers and banks resident in nations exposed to country risk (€/mil)

Country	Gross exposure		
	Total	*of which: unsecured*	
		book value	*weighted value*
Brazil	51	30	29
Azerbaijan	37	12	12
Venezuela	13	8	8
Trinidad and Tobago	4	4	4
Argentina	51	3	3
Serbia and Montenegro	3	2	2
Costa Rica	1	1	-
Cayman Islands	18	-	-
Lebanon	11	-	-
Dominican Republic	9	-	-
Pakistan	6	-	-
Philippines	4	-	-
Other	3	2	2
Total gross exposure	**211**	**62**	**60**
Total value adjustments	17	17	
Net exposure as at 31/12/04	**194**	**45**	

SECTION 2 - SECURITIES

	31/12/2004 (€/mil)
Treasury bills and similar bills eligible for refinancing with central banks (caption 20)	2,612
Bonds and other debt securities (caption 50)	23,702
Shares, quotas and other equities (caption 60)	3,026
Total	**29,340**

Investment securities (table 2.1 B.1.) *(€/mil)*

	31/12/2004	
	Book value	Market value
1. Debt securities		
1.1 Government securities		
– quoted	2,088	2,155
– unquoted	46	58
1.2 other securities		
– quoted	540	546
– unquoted	453	496
2. Equities		
– quoted	7	7
– unquoted	63	63
Total	**3,197**	**3,325**

Dealing securities (table 2.3 B.1.) *(€/mil)*

	31/12/2004	
	Book value	Market value
1. Debt securities		
1.1 Government securities		
– quoted	7,827	7,827
– unquoted	24	24
1.2 other securities		
– quoted	6,130	6,130
– unquoted	9,206	9,440
2. Equities		
– quoted	2,623	2,623
– unquoted	333	333
Total	**26,143**	**26,377**

SECTION 3 - EQUITY INVESTMENTS

	31/12/2004 (€/mil)
Equity investments (caption 70)	3,652
Investments in Group companies (caption 80)	1,082
Total	**4,734**
– significant investments carried at equity	*1,824*
– other equity investments carried at cost	*2,910*

Break-down of caption 80 "investments in group companies" (table 3.5 B.1)

	31/12/2004 (€/mil)
a) in banks	
1. quoted	-
2. unquoted	-
b) in financial institutions	
1. quoted	-
2. unquoted	8
c) other	
1. quoted	-
2. unquoted	1,074
Total	**1,082**

Break-down of caption 70 "investments" (table 3.4 B.1)

	31/12/2004 (€/mil)
a) in banks	
1. quoted	1,505
2. unquoted	797
b) in financial institutions	
1. quoted	-
2. unquoted	381
c) other	
1. quoted	203
2. unquoted	766
Total	**3,652**

Investments in Group companies (table 3.6.1 B.I.)

	31/12/2004 (€/mil)
A. Opening balance	**1,130**
B. Increases	
B1. purchases	1
B2. write-backs	-
B3. revaluation	-
B4. other changes	214
C. Decreases	
C1. sales	226
C2. adjustments	18
of which: *- long-term write-downs*	-
C3. other changes	19
D. Closing balance	**1,082**
E. Total revaluations	**69**
F. Total adjustments	**871**

Other equity investments (table 3.6.2 B.I.)

	31/12/2004 (€/mil)
A. Opening balance	**3,654**
B. Increases	
B1. purchases	31
B2. write-backs	123
B3. revaluation	-
B4. other changes	421
C. Decreases	
C1. sales	165
C2. adjustments	60
of which: *- long-term write-downs*	*10*
C3. other changes	352
D. Closing balance	**3,652**
E. Total revaluations	**245**
F. Total adjustments	**1,046**

Amounts due to and from Group companies (table 3.2 B.I.)

	31/12/2004 (€/mil)
a) Assets	
1. due from banks	-
of which: *– subordinated*	-
2. due from financial institutions	18
of which: *– subordinated*	-
3. due from other customers	250
of which: *– subordinated*	*150*
4. bonds and other debt securities	139
of which: *– subordinated*	*2*
Total assets	**407**
b) Liabilities	
1. due to banks	59
2. due to financial institutions	10
3. due to other customers	230
4. securities issued	1,036
5. subordinated liabilities	-
Total liabilities	**1,335**
c) Guarantees and commitments	
1. guarantees issued	4
2. commitments	-
Total guarantees and commitments	**4**

Assets and liabilities with investee companies (other than Group companies) (table 3.3 B.I.)

	31/12/2004 (€/mil)
a) Assets	
1. due from banks	1,371
of which: *– subordinated*	*10*
2. due from financial institutions	1,659
of which: *– subordinated*	*1*
3. due from other customers	797
of which: *– subordinated*	-
4. bonds and other debt securities	307
of which: *– subordinated*	*9*
Total assets	**4,134**
b) Liabilities	
1. due to banks	1,150
2. due to financial institutions	367
3. due to other customers	213
4. securities issued	-
5. subordinated liabilities	-
Total liabilities	**1,730**
c) Guarantees and commitments	
1. guarantees issued	788
2. commitments	434
Total guarantees and commitments	**1,222**

Amounts due to and from affiliated companies

	31/12/2004 (€/mil)
a) Assets	
1. due from banks	817
of which: *– subordinated*	-
2. due from financial institutions	457
of which: *– subordinated*	-
3. due from other customers	49
of which: *– subordinated*	-
4. bonds and other debt securities	18
of which: *– subordinated*	9
Total assets	**1,341**
b) Liabilities	
1. due to banks	80
2. due to financial institutions	12
3. due to other customers	5
4. securities issued	-
5. subordinated liabilities	-
Total liabilities	**97**
c) Guarantees and commitments	
1. guarantees issued	182
2. commitments	10
Total guarantees and commitments	**192**

SECTION 5 - OTHER ASSETS

	31/12/2004 (€/mil)
Other assets (caption 150)	20,174
Accrued income and prepaid expenses (caption 160)	3,827
Total	24,001

Break-down of caption 150 "other assets" (break-down 5.1 B.1)

	31/12/2004 (€/mil)
Derivative contracts and currency transactions:	12,785
- valuation of derivatives on interest rates and stockmarket indices	*9,886*
- premiums paid on purchased options	*1,465*
- other derivative contracts	*897*
- effect of currency hedges, forex swap and cross-currency swap	*537*
Unprocessed transactions	2,497
Due from tax authorities	845
- advanced taxes on Employee termination indemnity - Law 662/96	*53*
- advanced taxes pursuant to L.D. 10 December 2003 no. 341	*562*
- other loans	*230*
Amounts receivable for uncollected tax dues	1,253
Amounts in transit with branches and subsidiaries	925
Reimbursement of the incentive pursuant to the Ciampi Law suspended	200
Loans to Carlyle Group	155
Deposit with the Bank of Italy relating to Isveimer liquidation	58
Deposit with the Bank of Italy in connection with coverage of Sga's losses	7
Other items	1,449
Total	20,174

Break-down of caption 160 "accrued income and prepaid expenses" (break-down 5.2 B.1)

	31/12/2004 (€/mil)
Accrued income	
- income from derivative contracts	1,636
- interest from loans to customers	517
- interest on securities	277
- interest on loans to banks	89
- other	220
Prepaid expenses	
- commissions on placement of securities and mortgage loans	75
- up front fees and other charges on derivative contracts	355
- discounts on bond issues	245
- other expenses	413
Total	**3,827**

Break-down of subordinated assets (table 5.4 B.1.)

	31/12/2004 (€/mil)
a) Due from banks	10
b) Loans to customers	151
c) Bonds and other debt securities	255
Total	**416**

Information on the balance sheet - Liabilities

SECTION 6 - PAYABLES

	31/12/2004 (€/mil)
Due to banks (caption 10)	28,277
Due to customers (caption 20)	88,510
Securities issued (caption 30)	47,986
Public funds administered (caption 40)	150
Total	**164,923**

Due to banks (caption 10)

	31/12/2004 (€/mil)
Due to central banks	
- repurchase agreements and securities loaned	551
- other deposits from the Italian Exchange Office	193
- other deposits from central banks	2,334
Due to other banks	
- deposits	7,155
- repurchase agreements and securities loaned	7,960
- medium-/long-term loans from International Organizations	7,565
- current accounts	848
- other	1,671
Total	**28,277**

Detail of caption "due to banks" (table 6.1 B.1)

	31/12/2004 (€/mil)
a) Repurchase agreements	8,154
b) Securities loaned	357

Due to customers and securities issued (captions 20 and 30)

	31/12/2004 (€/mil)
Due to customers	
- current accounts	58,826
- repurchase agreements and securities loaned	11,664
- deposits	14,410
- short-term payables relating to special management services carried out for the Government	37
- other	3,573
Securities issued	
- bonds	41,076
- certificates of deposit	2,904
- banker’s drafts	646
- other securities	3,360
Total	**136,496**

Detail of caption "due to customers" (table 6.2 B.1)

	31/12/2004 (€/mil)
a) Repurchase agreements	11,356
b) Securities loaned	308

Public funds administered (caption 40)

	31/12/2004 (€/mil)
Funds provided by the State	43
Funds provided by regional public authorities	107
Total	**150**
of which:	
funds with risk borne by the Government pursuant to Law 6/2/87 no.19	*9*

SECTION 8 - CAPITAL, EQUITY RESERVES, RESERVE FOR GENERAL BANKING RISKS AND SUBORDINATED LIABILITIES

Capital, equity reserves and the reserve for general banking risks

Comparative data to compare for the financial year 2004 is given in Part B of Information on the consolidated balance sheet – section 15.

Regulatory capital

The following table gives the break-down of the regulatory capital and the details of the prudential requirements the results of which are not affected by the application of international accounting principles since they are regulated by the Bank of Italy regulations in force.

Category/Value	31/12/2004 (€/mil)
A. Regulatory capital	
A.1 Tier 1 capital	10,860
A.2 Tier 2 capital	5,356
A.3 Items to be deducted	(840)
A.4 Regulatory capital	15,376
B. Regulatory prudential requirements	
B.1 Credit risk	9,568
B.2 Market risk	1,045
of which:	
- risks of the dealing portfolio	*1,039*
- exchange risks	*6*
- concentration risks	*-*
B.2.1 Tier 3 subordinated loans	594
B.3 Other minimum requirements	63
B.4 Total minimum requirements	10,676
C. Risk assets and capital adequacy ratios	
C.1 Risk weighted assets (*)	133,450
C.2 Tier 1 capital/Risk weighted assets	8.1%
C.3 Tier 1 capital/Risk weighted assets (**)	12.0%

(*) Total mimimum requirements multiplied by the minimum compulsory ratio for credit risks.
(**) On the basis of Bank of Italy letter no.10155 dated 3 August 2001, in order to compute the Total Risk ratios, Tier 3 subordinated loans are considered a component of total capital.

Subordinated liabilities

	Original currency	Amount in the financial statements as at 31/12/04 (€/mil)	Amount in the original currency (millions)	Interest rate	Issue date	Maturity date	Starting date of early redemption of loan
Preferred Shares	EUR	1,000	1,000	up to 10/11/2010: 8.126% p.a. subsequently: 1 year Euribor + 3.5 % p.a.	10/11/2000	not redeemable	10/11/2010
Total innovative capital instruments (Tier 1)		*1,000*					
Notes	USD	69	94	6 months LIBOR - 0.25% p.a. (a)	30/11/1993	30/11/2005	(*)
Debenture loan	EUR	136	150	5.75%	15/09/1999	15/09/2009	(*)
Debenture loan	EUR	200	200	6 months Euribor + 0.50% p.a.	01/10/1999	01/10/2009	(*)
Notes	EUR	500	500	6.375% p.a.	06/04/2000	06/04/2010	(*)
Notes	EUR	347	350	up to 6/4/2005 excluded: 3 months Euribor + 0.50% p.a. subsequently: 3 months Euribor + 1.25% p.a.	06/04/2000	06/04/2010	06/04/2005
Notes	EUR	1,000	1,000	up to 27/9/2005 excluded: 3 months Euribor + 0.65% p.a. subsequently: 3 months Euribor + 1.25% p.a.	27/09/2000	27/09/2010	27/09/2005
Debenture loan	EUR	6	20	1.00% p.a.	27/04/2001	27/04/2006	(*)
Debenture loan	EUR	299	300	5.55% p.a.	31/07/2001	31/07/2008	(*)
Debenture loan	EUR	1	1	ECB interest rate on repurchase agreement refinancing transactions	20/09/2001	20/09/2006	(*)
Debenture loan	EUR	199	200	5.16% p.a.	02/10/2001	02/10/2008	(*)
Notes	EUR	499	500	up to 28/6/2007 included: 3 months Euribor + 0.49% p.a. subsequently: 3 months Euribor + 1.09% p.a.	28/06/2002	28/06/2012	28/06/2007
Debenture loan	EUR	48	54	up to 15/7/2007: 4.90% subsequently: 6 months Euribor + 0.76% p.a.	15/07/2002	15/07/2012	15/07/2007
Debenture loan	EUR	133	147	up to 4/12/2007: 4.32% p.a. subsequently: 6 months Euribor + 0.85% p.a.	04/12/2002	04/12/2012	04/12/2007
Notes	EUR	300	300	5.375% p.a.	13/12/2002	13/12/2012	(*)
Notes	EUR	346	350	up to 9/6/2010 excluded: 3.75% p.a. subsequently: 3 months Euribor + 1.50% p.a.	09/06/2003	09/06/2015	09/06/2010
Notes	EUR	150	158	up to 1/7/2008 excluded: 6 months Euribor + 0.48% p.a. subsequently: 6 months Euribor + 1.08% p.a.	01/07/2003	01/07/2013	01/07/2008
Notes	EUR	62	75	up to 29/9/2008 excluded: 6 months Euribor + 0.46% p.a. subsequently: 6 months Euribor + 1.06% p.a.	29/09/2003	29/09/2013	29/09/2008
Notes	GBP	234	165	up to 18/3/2019 excluded: 5.625% p.a. subsequently: 3 months Sterling Libor + 1.125% p.a.	18/03/2004	18/03/2024	18/03/2019
Notes	EUR	700	700	up to 28/6/2011 excluded: 3 months Euribor + 0.30% p.a. subsequently: 3 months Euribor + 0.90% p.a.	28/06/2004	28/06/2016	28/06/2011
Notes	EUR	132	134	up to 3/8/2009 excluded: 3.72% p.a. subsequently: 6 months Euribor + 0.60% p.a.	03/08/2004	03/08/2014	03/08/2009
Total subordinated liabilities (Tier 2)		5,361					
Debenture loan	EUR	345	350	2.98% p.a.	15/05/2003	15/11/2005	(*)
Notes	EUR	50	50	up to 14/11/2004: 1.44% p.a. subsequently: 1.50% p.a.	26/06/2003	15/11/2007	(*)
Bond	EUR	199	200	2.42%	30/06/2003	30/12/2005	(*)
Total tier 3 subordinated liabilities		*594*					
Total		**6,955**					

(*) Early redemption of the loan is not provided for.

(a) With a minimum of 5.375% and a maximum of 8.250%

SECTION 9 - OTHER LIABILITIES

	31/12/2004 (€/mil)
Other liabilities (caption 50)	22,755
Accrued expenses and deferred income (caption 60)	2,651
Total	**25,406**

Break-down of caption 50 "other liabilities" (table 9.1 B.1)

	31/12/2004 (€/mil)
Items relating to derivative contracts and currency transactions:	13,389
- Valuation of derivatives on interest rates and stockmarket indices	*10,438*
- Valuations of foreign currency derivative contracts	*1,204*
- Premiums collected on options sold	*875*
- Other derivative contracts	*872*
Amounts available for third parties	2,180
Unprocessed transactions	1,923
Amounts in transit with branches and subsidiaries	733
Illiquid items for portfolio transactions	602
Tax payment accounts	599
Amounts due to personnel	486
Amounts due to the Inland Revenue	688
Caution money for land and property assets	145
Securities transactions	130
Amounts receivable for settlement	72
Other items	1,808
Total	**22,755**

Break-down of caption 60 "accrued expenses and deferred income" (table 9.2 B.1)

	31/12/2004 (€/mil)
Accrued expenses	
- interest on securities issued	543
- charges on derivative contracts	1,373
- interest on amounts due to banks	105
- payroll and other operating costs	5
- interest on amounts due to customers	85
- other expenses	142
Deferred income	
- up front and other income on derivative contracts	81
- interest on discounted portfolio	29
- other revenues	288
Total	**2,651**

Other information

SECTION 10 - GUARANTEES AND COMMITMENTS

	31/12/2004 (€/mil)
Guarantees (caption 10)	17,299
Commitments (caption 20)	29,815
Total	**47,114**

Break-down of caption 10 "guarantees granted" (table 10.1 B.I.)

	31/12/2004 (€/mil)
a) Commercial guarantees	10,097
b) Financial guarantees	7,086
c) Assets lodged in guarantee	116
Total	**17,299**

Break-down of caption 20 "commitments" (table 10.2 B.1)

	31/12/2004 (€/mil)
a) Commitments to grant finance (certain to be called on)	9,079
b) Commitments to grant finance (not certain to be called on)	20,736
Total	**29,815**

Detail of caption 20 "commitments"

	31/12/2004 (€/mil)
Purchase of securities not yet settled	2,783
Commitments for derivatives on loans	1,397
Other commitments certain to be called on	700
Undrawn lines of credit granted	12,556
Put options issued	1,613
Mortgage loans and leasing contracts to be disbursed	6,279
Deposits and loans to be made	4,074
Membership of Interbank Deposit Guarantee Fund	159
Other commitments not certain to be called on	254
Total	**29,815**

Assets lodged in guarantee of own liabilites (table 10.3 B.I.)

	31/12/2004 (€/mil)
Portfolio securities lodged with third parties to guarantee repurchase agreements	9,679
Securities lodged with clearing houses for derivative market transactions	9
Securities lodged with Central Banks to guarantee advances	839
Securities lodged with the Bank of Italy to guarantee banker's drafts	165
Other tied bonds	2,375
Total	**13,067**

Active margins to be used for credit lines (table 10.4 B.I.)

	31/12/2004 (€/mil)
a) Central banks	99
b) Other banks	305
Total	**404**

Forward transactions (table 10.5 B.1.) *(€/mil)*

31/12/2004	Hedged transactions.	Dealing transactions (*)	Other transactions	Total
1. Purchase/sale of				
1.1 Securities				
– purchases	-	2,780	-	2,780
– sales	-	2,352	-	2,352
1.2 Currencies				
– currency against currency	2,525	970	-	3,495
– purchases against euro	6,785	1,996	-	8,781
– sales against euro	5,201	2,049	-	7,250
2. Deposits and loans				
– to be disbursed	-	-	4,235	4,235
– to be received	-	-	5,356	5,356
3. Derivative contracts				
3.1 With underlying asset exchange				
a) securities				
– purchases	2	4,881	384	5,267
– sales	1,109	2,421	681	4,211
b) currencies				
– currency against currency	21	4,850	-	4,871
– purchases against euro	2,442	8,107	-	10,549
– sales against euro	225	7,882	-	8,107
c) other values				
– purchases	-	-	-	-
– sales	-	-	-	-
3.2 Without underlying asset exchange				
a) currencies				
– currency against currency	-	69	-	69
– purchases against euro	-	24	-	24
– sales against euro	-	44	-	44
b) other instruments (**)				
– purchases	24,725	369,557	257	394,539
– sales	16,155	390,412	4,122	410,689
Total	**59,190**	**798,394**	**15,035**	**872,619**

(*) Also include the derivative contracts hedging items belonging to the dealing portfolio for 5,846 million euro.
(**) Includes basis swap contracts for 19,938 million euro both in purchases and sales.

Notional amounts *(€/mil)*

31/12/2004	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
OTC trading contracts					
- Forward (a)	25,435	3,513	-	-	28,948
- Swap (b)	554,026	456	-	-	554,482
- Options purchased	26,292	10,475	4,655	-	41,422
- Options sold	41,060	9,925	6,548	-	57,533
- Other	978	40	113	-	1,131
Exchange traded contracts					
- Futures purchased	37,986	12	24	-	38,022
- Futures sold	45,390	19	56	-	45,465
- Currency against currency futures	-	49	-	-	49
- Options purchased	736	-	2,624	-	3,360
- Options sold	453	-	2,236	-	2,689
- Other	-	-	-	-	-
Total trading contracts	732,356	24,489	16,256	-	773,101
Total non-trading	36,827	15,043	9,329	-	61,199
Grand total (c)	769,183	39,532	25,585	-	834,300
- of which unquoted contracts	*684,617*	*39,453*	*20,646*	-	*744,716*

(a) The entry includes the F.R.A. contracts and the forward currency buying and selling transactions.
(b) The entry mainly includes the I.R.S., C.I.R.S. and basis swap contracts.
(c) Includes basis swap contracts for the amount of 19,938 million euro and does not include forward currency transactions with original duration less than 2 days and amounting overall to 3,658 million euro.

Residual maturity of notional amounts of OTC derivative contracts *(€/mil)*

31/12/2004	Up to 12 months	Between 1 and 5 years	Beyond 5 years	Total
Interest rate related	286,031	252,035	146,551	684,617
Exchange rate related	33,899	4,971	583	39,453
Stockmarket index related	7,706	10,039	2,901	20,646
Other contracts	-	-	-	-

Notional amounts, market value and similar add on of OTC derivative contracts *(€/mil)*

31/12/2004	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
Notional amounts	**684,617**	**39,453**	**20,646**	-	**744,716**
A. Market value of OTC trading contracts					
A.1 positive market value	10,934	460	471	-	11,865
A.2 negative market value	(11,023)	(454)	(406)	-	(11,883)
B. Add on	3,118	210	374	-	3,702
C. Market value of OTC non-trading contracts					
C.1 positive market value	509	270	544	-	1,323
C.2 negative market value	(1,043)	(988)	(191)	-	(2,222)
D. Add on	108	270	283	-	661
Equivalent credit risk (A.1+B+C.1+D)	**14,669**	**1,210**	**1,672**	-	**17,551**

Notional amounts and market values of quoted contracts *(€/mil)*

31/12/2004	Interest rates	Foreign exchange	Share prices	Other	Total
Notional amounts	**84,566**	**79**	**4,939**	**-**	**89,584**
A. Market value of OTC trading contracts					
A.1 positive market value	7	2	3	-	12
A.2 negative market value	(18)	(1)	(2)	-	(21)
B. Market value of OTC non-trading contracts					
B.1 positive market value	-	-	-	-	-
B.2 negative market value	-	-	-	-	-

Credit quality of OTC derivative contracts, by counterparty *(€/mil)*

	Positive market value	Add on	Equivalent credit risk (a) (current value)
Governments and central banks	-	7	7
Banks	11,849	3,964	15,813
Other operators	1,339	392	1,731
Total	**13,188**	**4,363**	**17,551**

(a) Includes the equivalent credit risk for contracts with original duration not longer than 14 days. The presence of agreements of Master Netting Agreement allows reduction of the equivalent credit risk shown above for 12,523 million euro with regard to credit bodies and for 137 million euro with regard to other operators.

Credit derivative contracts (table 10.6 B.1.) *(€/mil)*

Type of transaction	Dealing	Other transactions	Total
1. Hedging purchases			
1.1 With underlying asset exchange			
– credit default swap	833	233	1,066
– credit linked note	-	202	202
1.2 Without underlying asset exchange			
– credit default swap	250	-	250
2. Hedging sales			-
2.1 With underlying asset exchange			
– credit default swap	798	372	1,170
– credit linked note	-	40	40
2.2 Without underlying asset exchange			
– credit default swap	150	-	150
– credit linked note	6	30	36
Total	**2,037**	**877**	**2,914**

Contribution of the insurance business to the consolidated balance sheet

SECTION 13 – INSURANCE BUSINESS – BALANCE SHEET DATA

ASSETS

The contributions of the insurance business are made up as follows:

Insurance business contributions

	31/12/2004 (€/mil)
Insurance business assets (Captions A, C, D, E, F, G)	39,429
Insurance reserves attributable to reassures (Caption D-bis)	25
Total	**39,454**

The contributions shown on the consolidated financial statements of SANPAOLO IMI Group from the operations of the insurance business are shown in the format given in the ISVAP specifications. These contributions take account of the changes in the area of consolidation of the insurance business determined by the introduction of international accounting principles – reconcilable with the line by line consolidation of Egida and the collective investment organisms in which Assicurazioni Internazionali di Previdenza (A.I.P.) holds the majority of risks/benefits – the netting of existing infra-group links between the insurance business and the banking group and refer only to items affected by the application of IAS 32 and 39 dealing with financial instruments and IFRS 4 on insurance contracts.

Insurance business contributions - balance sheet - assets (*) (€/mil)

A.	LOANS TO SHAREHOLDERS FOR SHARE CAPITAL SUBSCRIBED NOT PAID IN						1	**0**
	of which called up share capital		2	0				
B.	INTANGIBLE ASSETS							
	1. Acquisition commissions to be amoritized		3	X				
	2. Other acquisition costs		4	X				
	3. Goodwill		5	X				
	4. Other intangible assets		6	X				
	5. Consolidation difference		7	X			8	**X**
C.	INVESTMENTS							
I.	- Land and buildings				9	X		
II.	- Investments in group companies and in other investee companies							
	1. Shareholdings:							
	a) Parent company	10						
	b) subsidiaries	11						
	c) affiliates	12						
	d) associates	13						
	e) other	14	15	0				
	2. Bonds issued by companies		16	258				
	3. Financing to companies		17		18	258		
III.	- Other financial investments							
	1. Shares and quotas		19	83				
	2. Quotas of mutual funds		20	551				
	3. Bonds and other fixed-income securities		21	14.686				
	4. Loans		22	7				
	5. Quotas in mutual investments		23					
	6. Deposits with credit institutions		24					
	7. Other financial investments		25	18	26	15.345		
IV.	- Deposits with ceding companies				27		28	**15.603**
D.	INVESTMENTS IN FAVOR OF THE INSURED OF THE LIFE BRANCHES, WHO BEAR THE RISK AND ARISING ON PENSION FUND MANAGEMENT						29	**22.912**
D bis.	TECHNICAL RESERVES REASSURED WITH THIRD PARTIES							
I.	- CASUALTY BRANCH							
	1. Premiums fund		30	11				
	2. Claims fund		31	11				
	3. Other		32		33	22		
II.	- LIFE BRANCHES							
	1. Technical reserves		34	3				
	2. Funds for amounts to be disbursed		35					
	3. Other reserves		36					
	4. Technical reserves for investment risks to be borne by the insured and funds from pension fund management		37		38	3	39	**25**
E.	LOANS							
I.	- Receivables arising on direct insurance transactions				40	19		
II.	- Receivables arising on reinsurance transactions				41			
III.	- Other loans				42	537	43	**556**
F.	OTHER ASSET CAPTIONS							
I.	- Tangible assets and inventories				44	1		
II.	- Cash and cash equivalents				45	321		
III.	- Own shares or quotas				46			
IV.	- Other assets				47	9	48	**331**
G.	ACCRUALS AND DEFERRALS						49	**27**
	TOTAL ASSETS						50	**X**

(*) The captions reporting an "X" are not impacted by the introduction of IAS 32/39 and IFRS 4; therefore such data are disclosed in the relative sections of the consolidated explanatory notes in the 2004 column of 2005 financial statements.

Loans: break-down (Caption E)

	31/12/2004 (€/mil)
Receivables arising on direct insurance transactions	19
Other loans	537
Total	556

Other loans: break-down (Caption E III)

	31/12/2004 (€/mil)
Amounts receivable from the inland revenue	450
Other loans	87
Total	537

LIABILITIES

The contributions of the insurance business are made up as follows:

Insurance business contributions

	31/12/2004 (€/mil)
Insurance business liabilities (Captions B, F, G, H)	638
Technical reserves (Captions C, D)	38,849
Total	39,487

The contributions reported in the consolidated financial statements of SANPAOLO IMI Group from the operations of the insurance business are shown in the format given in the ISVAP specifications. These contributions take account of the changes in the area of consolidation of the insurance business determined by the introduction of international accounting principles – reconcilable with the line by line consolidation of Egida and the collective investment organisms in which Assicurazioni Internazionali di Previdenza (A.I.P.) holds the majority of risks/benefits – the netting of existing infra-group links between the insurance business and the banking group and refer only to items affected by the application of IAS 32 and 39 dealing with financial instruments and IFRS 4 on insurance contracts.

Insurance business contributions - balance sheet - liabilities and shareholders' equity (*) *(€/mil)*

A. SHAREHOLDERS' EQUITY						
I. Group shareholders' equity						
1 - Share capital suscribed or similar provision	51	X				
2 - Capital reserves	52	X				
3 - Consolidation reserves	53	X				
4 - Valuation reserves for non consolidated equity investments	54	X				
5 - Translation reserve	55	X				
6 - Reserves for own shares and parent bank shares	56	X				
7 - Profit (loss) for the period	57	X	58	X		
II. Minority interest						
1 - Third party capital and reserves	59	X				
2 - Profit (loss) attributable to minority interests	60	X	61	X	62	**X**
B. SUBORDINATED LIABILITIES					63	**155**
C. TECHNICAL RESERVES						
I. - CASUALTY BRANCH						
1. Premiums fund	64	39				
2. Claims fund	65	21				
3. Equalisation reserve	66	0				
4. Other reserves	67	1	68	61		
II. - LIFE BRANCHES						
1. Technical reserves	69	15.964				
3. Funds for amounts to be disbursed	70	14				
5. Other reserves	71	35	72	16.013	73	**16.074**
D. TECHNICAL RESERVES FOR INVESTMENT RISKS TO BE BORNE BY THE INSURED AND FUNDS FROM PENSION FUND MANAGEMENT					74	**22.775**
E. PROVISIONS FOR RISKS AND CHARGES						
1. Provisions for pensions and similar obligations			75	X		
2. Tax provisions			76	X		
3. Consolidation provision for future risks and charges			77	X		
4. Other provisions			78	X	79	**X**
F. DEPOSITS RECEIVED BY REINSURERS					80	**3**
G PAYABLES AND OTHER LIABILITIES						
I. - Payables arising on direct insurance transactions			81	64		
II. - Payables arising on reinsurance transactions			82	3		
III - Bond loans			83			
IV - Due to banks and financial institutions			84			
V - Payables with collateral			85			
VI - Other loans and financial payables			86	4		
VII - Provisions for employee termination indemnities			87			
VIII - Other amounts due			88	67		
IX - Other liabilities			89	341	90	**479**
H. ACCRUALS AND DEFERRALS					91	**1**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY					92	**X**

(*) The captions reporting an "X" are not impacted by the introduction of IAS 32/39 and IFRS 4; therefore such data are disclosed in the relative sections of the consolidated explanatory notes in the 2004 column of 2005 financial statements.

Other information

The contributions reported on the consolidated financial statements of SANPAOLO IMI Group from the operations of the insurance business are shown in the format given in the ISVAP specifications.

Insurance business contributions - balance sheet - guarantees, commitments and other memorandum accounts *(€/mil)*

GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS				
I	- Guarantees given		93	10
II	- Guarantees received		94	0
III	- Guarantees given to third parties in the Parent Bank's interest		95	0
IV	- Commitments		96	4.460
V	- Third-party commodities		97	0
VI	- Assets in pension funds managed in the name or on behalf of third parties		98	0
VII	- Securities deposited with third parties		99	30.677
VIII	- Other memorandum accounts		100	0

Information on the statement of income

SECTION 1 - INTERESTS

	31/12/2004 (€/mil)
Interest income and similar revenues (caption 10)	7,197
Interest expenses and similar charges (caption 20)	(3,534)

Break-down of caption 10 "Interest income and similar revenues" (table 1.1 B.I)

	31/12/2004 (€/mil)
a) Loans to banks	445
of which: *– due from Central Banks*	*40*
b) Loans to customers	5,796
of which: *– loans using public funds*	-
c) On debt securities	931
d) Other interest income	25
Total	**7,197**

Break-down of caption 10 "Interest income and similar revenues" (table 1.3 B.I)

	31/12/2004 (€/mil)
a) On assets denominated in foreign currency	248

Break-down of caption 20 "Interest expense and similar charges" (table 1.2 B.I)

	31/12/2004 (€/mil)
a) On amounts due to banks	(694)
b) On amounts due to customers	(957)
c) On securities issued (*)	(1,369)
of which: *– on certificates of deposit*	*(60)*
d) On loans using public funds	-
e) Subordinated liabilities	(294)
f) Negative balance of differentials on hedging transactions (**)	(220)
Total	**(3,534)**

(*) Excluding interests on subordinated securities included in item e)
(**) Represent the net effect of differentials on hedging derivative contracts

Break-down of caption 20 "Interest expense and similar charges" (table 1.4 B.I)

	31/12/2004 (€/mil)
a) On liabilities denominated in foreign currency	(261)

SECTION 2 - COMMISSIONS

	31/12/2004 (€/mil)
Commission income (caption 40)	3,980
Commission expense (caption 50)	(764)

Break-down of caption 40 "commission income" (table 2.1 B.I)

	31/12/2004 (€/mil)
a) Guarantees granted	96
b) Credit derivatives	4
c) Management, dealing and advisory services	
1. securities dealing	106
2. currency trading	29
3. portfolio management:	
3.1 individual	218
3.2 collective	1,319
4. custody and administration of securities	59
5. depositary bank	136
6. placement of securities	34
7. order collection	89
8. advisory services	19
9. distribution of third party services:	
9.1 portfolio management:	
a) individual	28
b) collective	27
9.2 insurance products	350
9.3 other products	2
d) Collection and payment services	345
e) Servicing for securitization transactions	-
f) Tax collection services	169
g) Other services	950
Total	**3,980**

Break-down of sub-caption "g) Other services"

	31/12/2004 (€/mil)
Loans granted	314
Deposits and current account overdrafts	352
Current accounts	177
Other services	107
Total	**950**

Break-down of caption 40 "commission income": "products and services distribution channels" (table 2.2 B.I)

	31/12/2004 (€/mil)
a) with own operating points:	
1. portfolio management	1,123
2. placement of securities	30
3. third party services and products	213
b) outside supply:	
1. portfolio management	414
2. placement of securities	4
3. third party services and products	194

Break-down of caption 50 "commission expense" (table 2.3 B.I)

	31/12/2004 (€/mil)
a) Guarantees received	(4)
b) Credit derivatives	(4)
c) Management and dealing services:	
1. securities dealing	(57)
2. currency trading	(1)
3. portfolio management:	
3.1 own portfolio	-
3.2 third party portfolio	(86)
4. custody and administration of securities	(26)
5. placement of securities	(8)
6. door-to-door sales of securities, products and services	(352)
d) Collection and payment services	(97)
e) Other services	(129)
Total	**(764)**

Break-down of sub-caption "e) Other services"

	31/12/2004 (€/mil)
Dealing activities on loan transactions	(71)
Loans obtained	(1)
Dealing activities on financial transactions	(4)
Other services	(53)
Total	**(129)**

SECTION 3 - PROFITS AND LOSSES FROM FINANCIAL TRANSACTIONS

Analysis of caption 60 "profits (losses) from financial transactions" (Table 3.1 B.I.) *(€/mil)*

31/12/2004	Security transactions	Currency transactions	Other transactions	Total
A1. Revaluations	324	-	7,079	7,403
A2. Writedowns	(216)	-	(7,083)	(7,299)
B. Other profits and losses	106	65	(48)	123
Total	**214**	**65**	**(52)**	**227**
of which:				
1. on Government securities	*59*			
2. on other debt securities	*160*			
3. on equities	*217*			
4. on security derivatives	*(222)*			

SECTION 5 - ADJUSTMENTS, WRITE-BACKS AND PROVISIONS

	31/12/2004 (€/mil)
Adjustments to loans and provisions for guarantees and commitments (caption 120)	(914)
Writebacks of adjustments to loans and provisions for guarantees and commitments (caption 130)	410
Provisions to reserves for probable loan losses (caption 140)	(17)
Adjustments to financial fixed assets (caption 150)	(106)
Writebacks of adjustments to financial fixed assets (caption 160)	124

Analysis of caption 120 "adjustments to loans and provisions for guarantees and commitments" (Table 5.1 B.I.)

	31/12/2004 (€/mil)
a) Adjustments to loans	(879)
of which:	
– general adjustments for country risk	*(3)*
– other general adjustments	*(80)*
b) Provisions for guarantees and commitments	(35)
of which:	
– general provisions for country risk	-
– other general provisions	*(17)*
Total	**(914)**

Break-down of caption 130 "writebacks on provisions for guarantees and commitments"

	31/12/2004 (€/mil)
Revaluation of loans previously written down	84
Revaluation of loans previously written off	4
Revaluation of provisions for guarantees and commitments	21
Collection of loan principal previously written down	219
Collection of loan principal and interest previously written off	40
Collection of default interest previously written down	42
Total	**410**

Analysis of caption 150 "adjustments to financial fixed assets"

	31/12/2004 (€/mil)
Adjustments to equity investments	(78)
Adjustments to other investment securities	(28)
Total	**(106)**

Detail of adjustments to equity investments

	31/12/2004 (€/mil)
Hutchison 3G Italia S.p.A.	(61)
Fiat S.p.A.	(5)
Compagnia Assicuratrice Unipol S.p.A.	(3)
Kiwi II Ventura - Serviços de Consultoria S.A.	(3)
Praxis Calcolo S.p.A.	(1)
Euromedia Venture Belgique S.A.	(1)
Fin. Ser. S.p.A.	(1)
Volare Group S.p.A.	(1)
Other adjustments	(2)
Total	**(78)**

SECTION 6 - OTHER STATEMENT OF INCOME CAPTIONS

	31/12/2004 (€/mil)
Dividends and other revenues (caption 30)	152
Extraordinary income (caption 190)	286
Extraordinary charges (caption 200)	(138)
Income taxes for the period (caption 240)	(754)

Break-down of caption 30 "dividends and other revenues"

	31/12/2004 (€/mil)
On shares, quotas and other equities	79
On equity investments not consolidated line by line or valuated using the equity method	73
Santander Central Hispano S.A.	*39*
CDC Ixis S.A.	*8*
Banca d'Italia	*4*
Borsa Italiana S.p.A.	*3*
Banco del Desarrollo S.A.	*2*
Compagnia Assicuratrice Unipol S.p.A.	*2*
Banca delle Marche S.p.A.	*2*
Serene S.p.A.	*2*
Autostrada BS-VR-VI-PD S.p.A.	*1*
Biat S.A.	*1*
Centro Leasing S.p.A.	*1*
Banksiel S.p.A.	*1*
SI Holding S.p.A.	*1*
AEM Torino S.p.A.	*1*
Other minority interests	*5*
Total	152

Break-down of caption 190 "Extraordinary income"

	31/12/2004 (€/mil)
Extraordinary income	73
Non-existent liabilities	7
Appropriation of securities prescribed	2
Disposal of own shares	50
Adjustment of collection accounts	-
Capital gains on:	
- equity investments	124
- interests in consolidated companies	3
- investment securities	3
- other financial fixed assets	2
- tangible and intangible fixed assets	22
Total	286

Break-down of caption 200 "Extraordinary charges"

	31/12/2004 (€/mil)
Amnesty and facilitated conditions	(3)
Non-existent assets	(5)
Transactions for legal disputes	0
Restructured	(3)
Staff leaving incentives	(18)
Extraordinary expenditure towards customers of private bankers	(5)
Adjustment of collection accounts	0
Extraordinary charges for supplementary pension funds	(15)
Charges for robberies	(6)
Capital losses on:	
- investment securities	-
- equity investments (disposal)	(1)
- equity investments (assignment)	(50)
- other financial fixed assets	-
- tangible and intangible fixed assets	(13)
Other extraordinary expenditure	(19)
Total	**(138)**

Break-down of caption 240 "Income taxes for the period" (Provision B.I 03.08.99)

	31/12/2004 (€/mil)
1. Current taxes	(626)
2. Changes in deferred tax assets	(82)
3. Changes in deferred tax liabilities	(46)
4. Income taxes for the period	**(754)**

Contribution of the insurance business to the consolidated statement of income

SECTION 8 – INSURANCE BUSINESS – STATEMENT OF INCOME DATA

The contributions of the insurance business are made up as follows:

Contribution from the insurance compartment

	31/12/2004 (€/mil)
Casualty branch technical income gross of administrative costs	10
Life branch technical income gross of administrative costs	(1,478)
Total	**(1,468)**

The contributions shown on the consolidated financial statements of SANPAOLO IMI Group from the operations of the insurance business, are shown in the format given in the ISVAP specifications. These contributions take account of the changes in the area of consolidation of the insurance business determined by the introduction of international accounting principles – reconcilable with the line by line consolidation of Egida and the collective investment organisms in which Assicurazioni Internazionali di Previdenza (A.I.P.) holds the majority of risks/benefits – the netting of existing infra-group links between the insurance business and the banking group and refer only to items affected by the application of IAS 32 and 39 dealing with financial instruments and IFRS 4 on insurance contracts.

Insurance business contributions - statement of income 2004 - technical statements of casualty branches (*) *(€/mil)*

	I. TECHNICAL STATEMENTS OF CASUALTY BRANCHES				
1.	**RELEVANT PREMIUMS, NET OF DISPOSALS IN REINSURANCE**				
	a) Gross accountable premiums			1 46	
	b) (-) Premiums disposed of in reinsurance			2 18	
	c) Change in gross total of premiums fund			3 (12)	
	d) Change in premiums fund borne by reinsurers			4 4	5 **20**
3.	**OTHER TECHNICAL INCOME, NET OF DISPOSALS IN REINSURANCE**				7 **0**
4.	**CHARGES FOR CLAIMS, NET OF RECOVERIES AND DISPOSALS IN REINSURANCE**				
	a) Amounts paid				
	aa) Gross amount		8 (15)		
	bb) (-) Quotas borne by reinsurers		9 5		
	cc) Change in recoveries net of quotas borne by reinsurers		10	11 (10)	
	c) Change in claims fund				
	aa) Gross amount		12 (2)		
	bb) (-) Quotas borne by reinsurers		13 2	14 0	15 **(10)**
5.	**CHANGE IN OTHER TECHNICAL RESERVES, NET OF DISPOSALS IN REINSURANCE**				16 **0**
6.	**MONEY REFUND OFFERS AND INVESTMENTS IN EARNINGS, NET OF DISPOSALS IN REINSURANCE**				17 **0**
7.	**COSTS:**				
	a) Acquisition commissions			18 (8)	
	b) Other acquisition costs			19 0	
	c) Change in commissions and other acquisition costs to be amortized			20 0	
	d) Collection commissions			21 0	
	e) Other administrative costs			22 X	
	f) (-) Commissions and investments in earnings received from reinsurers			23 8	24 **X**
8.	**OTHER TECHNICAL CHARGES, NET OF DISPOSALS IN REINSURANCE**				25 **0**
9.	**CHANGE IN EQUALIZATION RESERVES**				26 **0**
10.	**INCOME OF THE TECHNICAL STATEMENTS OF CASUALTY BRANCHES (CAPTION III. 1)**				27 **X**

(*) The captions reporting an "X" are not impacted by the introduction of IAS 32/39 and IFRS 4; therefore such data are disclosed in the relative sections of the consolidated explanatory notes in the 31 December 2004 column of the 2005 financial statements.

Insurance business contributions - statement of income 2004 - technical statements of life branches (*) *(€/mil)*

	II. TECHNICAL STATMENTS OF LIFE BRANCHES				
1.	**ANNUAL PREMIUMS, NET OF DISPOSALS IN REINSURANCE**				
	a) Gross accountable premiums			28 8.542	
	b) (-) Premiums disposed of in reinsurance			29 3	30 **8.539**
2.	**(+) QUOTAS OF INVESTMENTS TRANSFERRED FROM THE NON-TECHNICAL STATEMENTS (Caption III.5)**				40 **X**
3.	**INCOME AND UNREALIZED CAPITAL GAINS RELATED TO INVESTMENTS IN FAVOR OF THE INSURED WHO BEAR THE RISK AND ARISING ON PENSION FUND MANAGEMENT**				41 **1.611**
4.	**OTHER TECHNICAL INCOME, NET OF DISPOSALS IN REINSURANCE**				42 **202**
5.	**CHARGES FOR CLAIMS, NET OF DISPOSALS IN REINSURANCE**				
	a) Amounts paid				
	aa) Gross amount		43 (2.702)		
	bb) (-) Quotas borne by reinsurers		44 0	45 (2.702)	
	b) Change in reserve for amounts to be paid				
	aa) Gross amount		46 (14)		
	bb) (-) Quotas borne by reinsurers		47 0	48 (14)	49 **(2.716)**
6.	**CHANGE IN MATHEMATICAL RESERVES AND OTHER TECHNICAL RESERVES, NET OF DIPOSALS IN REINSURANCE**				
	a) Mathematical reserves:				
	aa) Gross amount		50 (3.048)		
	bb) (-) Quotas borne by reinsurers		51 1	52 (3.047)	
	b) Other				
	aa) Gross amount		56 (38)		
	bb) (-) Quotas borne by reinsurers		57 0	58 (38)	
	c) Tehcnical reserves for investment risks to be borne by the insured and deriving from pension funds				
	aa) Gross amount		59 (4.186)		
	bb) (-) Quotas borne by reinsurers		60 0	61 (4.186)	62 **(7.271)**
7.	**MONEY REFUND OFFERS AND INVESTMENTS IN EARNINGS, NET OF DISPOSALS IN REINSURANCE**				63
8.	**COSTS:**				
	a) Acquisition commissions			64 (219)	
	b) Other acquisition costs			65 0	
	c) Change in commissions and other acquisition costs to be amortized			66 0	
	d) Collection commissions			67 (94)	
	e) Other administrative costs			68 X	
	f) (-) Commissions and investments in earnings received from reinsurers			69 1	70 **X**
9.	**EQUITY AND FINANCIAL CHARGES AND UNREALIZED CAPITAL LOSSES RELATED TO INVESTMENTS IN FAVOR OF THE INSURED WHO BEAR THE RISK AND ARISING ON PENSION FUND MANAGEMENT**				75 **(385)**
10.	**OTHER TECHNICAL CHARGES, NET OF DISPOSALS IN REINSURANCE**				76 **(3)**
11.	**INCOME OF THE TECHNICAL STATEMENTS OF LIFE BRANCHES (CAPTION III. 2)**				78 **X**

(*) The captions reporting an "X" are not impacted by the introduction of IAS 32/39 and IFRS 4; therefore such data are disclosed in the relative sections of the consolidated explanatory notes in the 31 December 2004 column of the 2005 financial statements.

Insurance business contributions - statement of income 2004 - non-technical statements (*) *(€/mil)*

	III. NON-TECHNICAL STATEMENTS								
1.	**INCOME OF THE TECHNICAL STATEMENTS FOR CASUALTY BRANCHES (CAPTION I. 10)**							79	**X**
2.	**INCOME OF THE TECHNICAL STATEMENTS FOR LIFE BRANCHES (CAPTION II. 13)**							80	**X**
3.	**INCOME FROM INVESTMENTS:**								
	a) Income from shares and quotas								
	aa) Quotas of annual income on equity investments evaluated using the equity method	81							
	bb) Other	82	4		83	4			
	b) Income from other investments:								
	aa) Land and buildings	84	3						
	bb) Other investments	85	596		86	599			
	c) Recoveries of adjustments to investments				87	21			
	d) Profits from realization of investments				88	133		89	**757**
4.	**EQUITY AND FINANCIAL CHARGES:**								
	a) Investment management charges and passive interest				90	(56)			
	b) Adjustments to investments				91	(8)			
	c) Losses on realization of investments				92	(17)		93	**(81)**
5.	**(-) QUOTA OF PROFIT FROM INVESTMENTS TRANSFERRED TO THE TECHNICAL STATEMENTS OF CASUALTY BRANCHES (CAPTION I. 2)**							94	**X**
6.	**OTHER INCOME**							95	**23**
7.	**OTHER CHARGES**							98	**(20)**
8.	**INCOME FROM ORDINARY ASSETS**							99	**X**
9.	**EXTRAORDINARY INCOME**							100	**17**
10.	**EXTRAORDINARY CHARGES**							101	**0**
11.	**INCOME FROM EXTRAORDINARY ASSETS**							102	**X**
12.	**PRE-TAX PROFIT**							103	**X**
13.	**INCOME TAX FOR THE YEAR**							104	**X**
14.	**CONSOLIDATED INCOME**							105	**X**
15.	**PROFIT (LOSS) ATTRIBUTABLE TO MINORITY INTERESTS**							106	**X**
16.	**GROUP PROFIT (LOSS)**							107	**X**

(*) The captions reporting an "X" are not impacted by the introduction of IAS 32/39 and IFRS 4; therefore such data are disclosed in the relative sections of the consolidated explanatory notes in the 31 December 2004 column of the 2005 financial statements.

Yearly premiums, net of reinsurance transfers - Casualty Branch (Caption 1)

Casualty Branch	31/12/2004 (€/mil)
Injury, Sickness	27
Land vehicles	-
Fire and other property damage	2
General responsibility	1
Credit and security	-
Pecuniary losses	3
Legal protection	-
Assistence	1
	34
Premiums transferred in reinsurance, net of premium fund	(14)
Total	**20**

Yearly premiums, net of reinsurance transfers – Life Branch (Caption 1)

Life Branches	31/12/2004 (€/mil)
Branch I	3,342
Branch III	4,222
Branch V	978
Total	**8,542**

Expenses related to losses, net of recoveries and reinsurance transfers - Casualty Branch (Caption 4)

Casualty Branch	31/12/2004 (€/mil)
Injury, Sickness	(11)
Land vehicles	-
Fire and other property damage	(1)
General responsibility	(1)
Pecuniary losses	-
Legal protection	-
Assistance	-
	(13)
Losses and reinsurers reserve	3
Total	**(10)**

Expenses related to losses, net of reinsurance transfers – Life Branch (Caption 5)

Direct labor	31/12/2004 (€/mil)
Amounts paid	**(2,702)**
- branch I	(1,176)
- branch III	(1,424)
- branch V	(102)
Commission amounts to be paid	**(14)**
- branch I	(13)
- branch III	-
- branch V	(1)
Indirect labor	-
Total	**(2,716)**

Proceeds from investments (Caption 3)

	31/12/2004 (€/mil)
Proceeds from shares and quotas	4
Proceeds from other investments	599
Adjustments to equity investments	21
Proceeds from profits from realization of investments	133
Total	**757**

Capital and financial expenses (Caption 4)

	31/12/2004 (€/mil)
Management expenses for investment and interest liabilities	(56)
Adjustments to investments	(8)
Losses on realization of investments	(17)
Total	**(81)**

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PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW DECREE N° 58 DATED 24 FEBRUARY 1998

To the Shareholders of
Sanpaolo IMI SpA

1 We have audited the consolidated financial statements of Sanpaolo IMI SpA and its subsidiaries (the "Sanpaolo IMI Group"), which comprise the consolidated balance sheet, consolidated statement of income, statement of changes in consolidated shareholders' equity, statement of consolidated cash flow and the related consolidated explanatory notes as of 31 December 2005. These consolidated financial statements are the responsibility of Sanpaolo IMI's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The aforementioned consolidated financial statements have been prepared for the first time in accordance with the International Financial Reporting Standards as adopted by the European Union.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. In accordance with those standards and criteria, the audit has been planned and performed to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are reliable. An audit includes examining, on a sample basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles used and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

The responsibility for the audit of the financial statements of certain subsidiaries, representing 7 per cent of the consolidated assets, 2 per cent of the consolidated net interest income and 19 per cent of the consolidated net interest and other banking income, is that of other auditors.

3 The consolidated financial statements present, for comparative purpose, the prior year corresponding figures prepared in accordance with the same accounting principles, except for the effect of the application of IAS 32, IAS 39 and IFRS 4 which, as permitted by IFRS 1, have been applied starting from 1 January 2005. Furthermore, note "Information on transition to the international accounting standards", attachment to the explanatory notes to

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the consolidated financial statements, explains the effects of the transition to International Financial Reporting Standards as adopted by the European Union. As shown in that note the Directors have modified the information related to the IFRS transition information required by IFRS 1, which have been formerly approved and published in appendix on the mandatory half year report at 30 June 2005, to take advantage of the “Fair Value Option” amendment to IAS 39, endorsed by the European Union on 15 November 2005. This IFRS transition information has been previously audited by us and reference is made to our report dated 25 October 2005. The information presented in note “Information on transition to the international accounting standards” have been audited by us to provide a reasonable basis for our opinion on the consolidated financial statements at 31 December 2005.

4 In our opinion, the consolidated financial statements of Sanpaolo IMI Group as of 31 December 2005 comply with International Financial Rerporting Standards as adopted by the European Union; accordingly, they give a true and fair view of the financial position, the results of operations, the changes in shareholders’ equity and cash flows of Sanpaolo IMI Group for the year then ended.

Turin, 11 April 2006

PricewaterhouseCoopers SpA

Signed by
Sergio Duca
(Partner)

(This report has been translated from the original which was issued in accordance with Italian legislation. References in this report to the Financial Statements refer to the Financial Statements in original Italian and not to their translation)

Attachments

PRO FORMA RECONSTRUCTION OF THE CONSOLIDATED STATEMENT OF INCOME FOR 2004 (FULL IAS)

The following tables show the reconciliation between the 2004 Statement of Income prepared according to the Italian accounting principles (Italian GAAP) and the full IAS-compliant 2004 Statement of Income given in the Board of Directors' Report.

In particular:
- Table 1 (Reconciliation of Statements of Income reclassified according to Italian GAAP and IAS) sets out again in a conventional manner the Italian GAAP results of the items of the reclassified IAS Statement of Income;
- Table 2 (Break-down of reclassifications and changes in Statements of Income reclassified according to Italian GAAP and IAS) gives the main disclosure reclassifications introduced by the new IAS principles and the main reconciliations of the two Statements of Income by updating the situation which was published in the quarterly report at 30 September 2005;
- lastly, Table 3 (Break-down of further reclassifications and adjustments to reclassified (full IAS) 2004 Statement of income), shows the further disclosure changes introduced by Banca d'Italia circular no. 262 of 22 December 2005 and the effects of the application of IFRS 5 on the regrouping of Fideuram/Wargny.

Reconciliation of Statements of Income reclassified according to Italian GAAP and IAS - Tab. 1

(€/mil)

Statement of Income IT GAAP	2004 financial year	IT GAAP Statement of income disclosed on IAS schemes	2004 financial year
Net interest income	3,569	Net interest income	3,569
Net commissions and other net income from dealing	3,240	Net commissions	3,240
Profits and losses from financial transactions and dividends on shares	432	Income from credit disposals, assets held to maturity and repurchase of financial liabilities	-
		Dividends and income from other financial assets and liabilities	432
Profits from subsidiaries carried at equity and dividends from investments	351	Profits (losses) on equity investments	351
		Income from insurance business	-
Total operating income	**7,592**	**Total operating income**	**7,592**
Net adjustments on loans	(525)	Net adjustments due to deterioration of loans	(525)
Net adjustments to financial fixed assets	18	Net adjustments to other financial assets	18
Net operating income	**7,085**	**Net operating income**	**7,085**
Personnel costs	(2,803)	Personnel costs	(2,803)
Other administrative costs (including duties and taxes)	(1,762)	Other administrative costs	(1,762)
Adjustments to tangible and intangible fixed assets	(457)	Net adjustments to tangible and intangible assets	(457)
	(5,022)	Operating costs	(5,022)
Other net income	320	Other net income/expenses	320
Impairment of goodwill, merger and consolidation differences	(199)	Impairment of goodwill	(199)
Net extraordinary income	148	Profits (losses) from disposals of investments	148
Provisions for risks and charges	(231)	Net accruals to provisions for risks and charges	(231)
Net operating income	**2,101**	**Pre-tax operating profit**	**2,101**
Income taxes for the period	(658)	Income taxes on current operations	(658)
		Profits (losses) on discontinued operations after taxes	-
Profit attributable to minority interests and changes in reserve for general banking risks	(50)	Profit attributable to minority interests	(50)
Net profit	**1,393**	**Net profit**	**1,393**

Break-down of reclassifications and changes in Statements of Income reclassified according to Italian GAAP and IAS - Tab. 2

(€/mil)

IT GAAP Statement of income disclosed on IAS schemes	2004 financial year IT GAAP reclassified	Disclosure reclassifi-cation	AIP Contrib	Reversal reval SCH	Reversal amortiz. deprec. goodwill	Other impact IAS 32 and 39	Other impact IAS	2004 financial year full IAS from quarterly report as at 30/09/2005
Net interest income	3,569	151	-	-	-	(10)	(1)	3,709
Net commissions	3,240	5	-	-	-	(18)	12	3,239
Income from credit disposals, assets held to maturity and repurchase of financial liabilities	-	(18)	-	-	-	(29)	-	(47)
Dividends and income from other financial assets and liabilities	432	(104)	-	-	-	(22)	(16)	290
Profits (losses) on equity investments	351	(65)	(212)	-	-	-	-	74
Income from insurance business	-	-	309	-	-	20	-	329
Total operating income	**7,592**	**(31)**	**97**	**-**	**-**	**(59)**	**(5)**	**7,594**
Net adjustments due to deterioration of loans	(525)	(9)	-	-	-	-	(5)	(539)
Net adjustments to other financial assets	18	28	-	(122)	-	10	4	(62)
Net operating income	**7,085**	**(12)**	**97**	**(122)**	**-**	**(49)**	**(6)**	**6,993**
Personnel costs	(2,803)	(41)	(21)	-	-	-	28	(2,837)
Other administrative costs	(1,762)	255	(52)	-	-	-	(7)	(1,566)
Net adjustments to tangible and intangible assets	(457)	6	(1)	-	-	-	(7)	(459)
Operating costs	(5,022)	220	(74)	-	-	-	14	(4,862)
Other net income/expenses	320	(267)	13	-	-	-	(17)	49
Impairment of goodwill	(199)	-	-	-	122	-	-	(77)
Profits (losses) from disposals of investments	148	(88)	-	-	-	(50)	(1)	9
Net accruals to provisions for risks and charges	(231)	28	-	-	-	-	24	(179)
Pre-tax operating profit	**2,101**	**(119)**	**36**	**(122)**	**122**	**(99)**	**14**	**1,933**
Income taxes on current operations	(658)	3	(69)	-	(32)	20	(9)	(745)
Profits (losses) on discontinued operations after taxes	-	116	-	-	-	-	-	116
Profit attributable to minority interests	(50)	-	(1)	-	-	-	3	(48)
Net profit	**1,393**	**-**	**(34)**	**(122)**	**90**	**(79)**	**8**	**1,256**

Break-down of further reclassifications and adjustments to reclassified (full IAS) 2004 Statement of income - Tab. 3

(€/mil)

	2004 financial year full IAS from quarterly report as at 30/09/2005	Adoption IFRS 5 Fideuram / Wargny	Changes to disclosure as per circular 262 of Banca d'Italia	2004 financial year 2004 full IAS
Interest income	3,709	-	(26)	3,683
Net commissions	3,239	(16)	31	3,254
Income from credit disposals, assets held to maturity and repurchase of financial liabilities	(47)	-	34	(13)
Dividends and income from other financial assets and liabilities	290	(8)	(18)	264
Profits (losses) on equity investments	74	-	8	82
Income from insurance business	329	-	-	329
Total operating income	**7,594**	**(24)**	**29**	**7,599**
Net adjustments due to deterioration of loans	(539)	-	-	(539)
Net adjustments to other financial assets	(62)	-	-	(62)
Net operating income	**6,993**	**(24)**	**29**	**6,998**
Personnel costs	(2,837)	24	(28)	(2,841)
Other administrative costs	(1,566)	16	25	(1,525)
Net adjustments to tangible and intangible assets	(459)	-	9	(450)
Operating costs	(4,862)	40	6	(4,816)
Other net income/expenses	49	-	(8)	41
Impairment of goodwill	(77)	19	-	(58)
Profits (losses) on disposal of investments	9	-	(6)	3
Net accruals to provisions for risks and charges	(179)	-	(18)	(197)
Operating profit (loss) before taxation	**1,933**	**35**	**3**	**1,971**
Income taxes on current operations	(745)	-	2	(743)
Profits (losses) on discontinued operations being disposed after taxes	116	(35)	(5)	76
Profit (loss) attributable to minority interests	(48)	-	-	(48)
Net profit	**1,256**	**-**	**-**	**1,256**

INFORMATION ON TRANSITION TO THE INTERNATIONAL ACCOUNTING STANDARDS

Introduction

The SANPAOLO IMI Group implemented first-time adoption of the international accounting standards in preparing its consolidated half year report as of 30 June 2005, in accordance with the optional provisions of art. 81 of the Issuers Regulations adopted by Consob Decision no. 11971 of 14 May 1999 and subsequent modifications and integrations.

In addition, on 15/11/2005, the European Commission approved, with Regulation no. 1864, the updates to "IAS 39 – Financial instruments: recognition and measurement", "IAS 32 – Financial instruments: disclosure in the financial statements and in the additional information" and "IFRS 1 – First-time adoption of the International Financial Reporting Standards", issued by the IASB in June and related to use of the so-called fair value option. The regulation expressly outlined the circumstances under which the subject valuation option may be used, specifying the circumstances and reasons that justify application.

Following the aforementioned amendments to the accounting standards in force, it became necessary to review the consolidated IAS/IFRS accounting balances as of 1.1.2005 and, consequently, adjust the amounts regarding the reconciliation, at that date, from the Italian accounting standards to the international accounting standards. These data have already been published together with the 2005 half year report, in which the possibility of carrying out such a change was specifically mentioned.

Very briefly, these adjustments resulted in the following:
- reclassification of a part of financial assets designated as at fair value, with subsequent rearrangement of the securities portfolio in favor of those available-for-sale (839 million euro) and minimum impact (1 million euro), purely for redistribution purposes, in the offsetting entry to shareholders' equity reserves;
- recognition, in accordance with the fair value option, of amounts previously subjected to a different accounting treatment. In particular, the effect of the said adjustments resulted in the partial reallocation of bond issues and amounts due to customers in favor of financial liabilities recorded as at fair value (2,136 million euro) and financial dealing liabilities (2,318 million euro), in addition to recognition, once again under a separate caption, of items otherwise calculated to offset liabilities (27 million euro).

This attachment to the annual report provides information regarding the transition to the IAS/IFRS as required by IFRS 1 "First-time adoption of the International Financial Reporting Standards", integrating the contents of the reconciliation statements following the abovementioned regulatory update.

The information on the transition is provided according to the scheme set out below:

Accounting principles for transition to the IAS/IFRS. Describes the accounting policies applied for adoption of the new accounting standards, as well as any exemptions and exceptions to the general transition rule used by the Group for first-time adoption of the IAS/IFRS.

Reconciliation statements and notes. Provides the relative reconciliation statements of shareholders' equity as of 1.1.2004, 31.12.2004 and 1.1.2005, as well as of the statement of income for the 2004 financial year (so-called summary reconciliations). The reconciliations of the financial position as of 31.12.2004 and 1.1.2005 and of the economic results for 2004 are also provided on a line-by-line basis, following the financial statement layouts (so-called analytical reconciliation), for a better understanding of the comparatives included in the 2005 financial statements. Finally, the reconciliation statements are accompanied by explanatory notes.

Transition to the IAS/IFRS accounting standards

The general accounting principle set out in IFRS 1 for first-time adoption of IAS/IFRS provides for the restatement of all balance sheet balances at the date of transition, such date being 1 January 2004, by applying international accounting standards used for the preparation of the first IAS-compliant financial statements retrospectively, as if they had always been in force.

The adjustments deriving from the retrospective application of international accounting standards at the date of transition are charged directly to shareholders' equity.

As an exception to the above, IFRS 1 allows the date of transition for first-time adoption of IAS 32 and 39 (financial instruments) and of IFRS 4 (insurance contracts) to be set at 1 January 2005. The Group has chosen this option: therefore, in the prior year financial statements, the captions relating to financial instruments and insurance contracts reflect the accounting principles in force before the new rules, taking into account however, the effect of extending the line by line consolidation to include subsidiaries which were previously excluded (the so-called mix model).

IFRS 1 also provides some exemptions to the retrospective application of international accounting principles. The following is a list of exemptions that the SANPAOLO IMI Group availed itself of in the first time adoption of IAS/IFRS.

- Business combinations: the SANPAOLO IMI Group did not apply IFRS 3 retrospectively to business combinations that occurred before 1 January 2004. Therefore, on transition to IAS/IFRS, the goodwill included in the financial statements is based on amounts recorded on the basis of the accounting rules previously in force.

- Restatement of the book value of tangible assets to fair value instead of cost: the SANPAOLO IMI Group has opted to state, at the transition date of 1 January 2004, tangible assets at historical cost as adjusted by past revaluations made on the basis of special laws. Land and works of art, on the other hand, have been recorded at fair value as their deemed cost, based on an appraisal made by an independent expert.

- Employee benefits: for the purpose of valuing termination indemnities and other defined-benefit funds, the Group has chosen not to apply the so-called "corridor method" retrospectively, as provided by IAS 19 "Employee benefits", since, under certain conditions (see Explanatory Notes – Part A "Accounting policies" – section 11) it is not necessary to recognize part of the actuarial gains and losses. Therefore the actuarial gains and losses for periods prior to 1 January 2004
have been wholly recognized on transition.

- Allocation of financial instruments booked in prior years: for the purposes of classification, the date of purchase of financial instruments designated at fair value or available for sale is deemed to be the date of transition to IAS 39 (1 January 2005)

- Share based payments: the Group has elected not to apply IFRS 2 "Share based payment" to stock options assigned before 7 November 2002 and to assignments after that date if they had already matured at 1 January 2005.

Reconciliation statements and notes

The explanatory notes are provided with the reconciliation statements, at the relevant dates, between the consolidated results prepared on the basis of Italian accounting principles (known as Italian GAAP) and those restated applying international accounting standards, with the exception of IAS 32 and 39 and IFRS 4 for dates prior to 1 January 2005. Additional reconciliation statements provided are those relating to shareholders' equity as of 1 January 2004, 31 December 2004 and 1 January 2005, together with the statement of income for 2004 fiscal year.

In order to allow a better understanding of the method of restating comparative results included in the financial statements, reconciliation statements are also provided for the individual captions of the balance sheet as of 31 December 2004 and 1 January 2005 and of the statement of income for 2004.

Following the introduction of the new international accounting standards or in the event of modifications to or different interpretation of the principles already applied, the values carried in the reconciliation statements may change before the 2005 consolidated financial statements are published.

The reconciliation of shareholders' equity as of 1 January 2004, 31 December 2004 and 1 January 2005 and of the statement of income as of 31 December 2004 are subject to audit by an independent auditors in accordance with the provisions of Consob Communication n. 5025723 dated 15.4.2005.

Table 1 Summary reconciliation of consolidated shareholders' equity according to IFRS 1

(€/mil)

		1/1/2004 (*)	31/12/2004 (*)	1/1/2005 (**)	Effect of adopting the Fair Value Option (***)	1/1/2005 (****)
Consolidated shareholders' equity according to Italian GAAP		11,266	11,980	11,980		11,980
- Group		*10,995*	*11,804*	*11,804*		*11,804*
- minority interests		*271*	*176*	*176*		*176*
20.	Investments held for trading	n.a.	n.a.	317		317
30.	Financial assets evaluated at fair value	n.a.	n.a.	76	(1)	75
40.	Available for sale investments	n.a.	n.a.	932	1	933
60.	Loans to banks	n.a.	n.a.	2		2
70.	Loans to customers	n.a.	n.a.	794		794
80.	Hedging derivatives (positive value)	n.a.	n.a.	747		747
100.	Equity investments	-	19	19		19
120.	Tangible assets	475	471	471		471
130.	Intangible assets	10	111	111		111
140./ 80.	Tax assets/liabilities	(227)	(248)	(86)		(86)
160./100.	Other assets/liabilities	31	56	(607)		(607)
10.	Due from banks	n.a.	n.a.	(3)		(3)
30.	Securities issued	n.a.	n.a.	(1,035)		(1,035)
40.	Financial liabilities held for trading	n.a.	n.a.	(406)		(406)
60.	Hedging derivatives (negative value)	n.a.	n.a.	(783)		(783)
70.	Value adjustment of financial liabilities subject to macrohedging	n.a.	n.a.	(18)		(18)
110.	Provisions for employee termination indemnities	17	4	4		4
120.	Provisions for risks and charges	180	135	51		51
130.	Technical reserves	n.a.	n.a.	(389)		(389)
210.	Changes in the area of consolidation - Minority interest	59	62	62		62
Total adjustments for IAS/IFRS		545	610	259	-	259
Consolidated shareholders' equity according to IAS/IFRS		11,811	12,590	12,239		12,239
- Group		*11,435*	*12,308*	*12,035*		*12,035*
- minority interests		*376*	*282*	*204*		*204*

(*) Excluding IAS 32 and 39 and IFRS 4.
(**) Including IAS 32 and 39 and IFRS 4.
(***) Regulation 1864/2005 implemented prevailing IASB guidelines on Fair Value Options in the EU area.
(****) After adoption of Reg. 1864/2005 "Fair Value Option".

Table 2.1 Analytical reconciliation of the consolidated balance sheet (mix model) as of 31 December 2004 - Assets

(€/mil)

ASSETS		Balances according to Italian GAAP 31/12/04 (A)	Reclassifi-cations (B)	Changes in the scope of consoli-dation (C)	Adjustments (D)	Balances according to IAS/IFRS 31/12/2004 (*) (E=A+B+C+D)
10.	Cash and cash equivalents		1,348	17	-	1,365
10. It	Cash and deposits with central banks and post offices	1,348	(1,348)			
20.	Investments held for trading		26,125	39,653	-	65,778
30.	Investments designated at fair value		-	-	-	-
40.	Available for sale investments		2,824	7	-	2,831
50.	Held-to-maturity investments		3,219	(22)	-	3,197
20. It	Treasury bills and similar bills eligible for refinancing with central banks	2,553	(2,553)			
50. It	Bonds and other debt securities	23,716	(23,716)			
60. It	Shares, quotas and other equities	3,021	(3,021)			
60.	Loans to banks		23,777	461	-	24,238
30. It	Loans to banks	23,777	(23,777)			
70.	Loans to customers		121,907	1,297	-	123,204
40. It	Loans to customers	121,907	(121,907)			
80.	Hedging derivatives		-	-	-	-
90.	Value adjustment of financial assets subject to macrohedging		-	-	-	-
100.	Equity investments		1,736	(916)	19	839
70. It	Equity investments					
	a) carried at equity	597	(597)			
	b) other	2,824	(2,824)			
80. It	Investments in Group companies					
	a) carried at equity	1,082	(1,082)			
110.	Insurance reserves attributable to reassures		-	25	-	25
120.	Tangible assets		1,815	42	471	2,328
120. It	Tangible assets	1,804	(1,804)			
130.	Intangible assets		1,001	(57)	111	1,055
	of which:					
	- goodwill		*718*	*(61)*	*109*	*766*
100. It	Goodwill arising on the application of the equity method	57	(57)			
90. It	Positive consolidation differences	712	(712)			
110. It	Intangible assets	289	(289)			
140.	Tax assets		3,199	21	84	3,304
	a) current		*1,804*	*(6)*	*-*	*1,798*
	b) advanced		*1,395*	*27*	*84*	*1,506*
150.	Non-current assets and groups of assets being disposed of		-	-	-	-
160.	Other assets		24,099	589	(92)	24,596
140. It	Own shares or quotas	54	(54)			
150. It	Other assets	23,597	(23,597)			
160. It	Accrued income and prepaid expenses	3,819	(3,819)			
	Total assets	**211,157**	**(107)**	**41,117**	**593**	**252,760**

(*) Excluding IAS 32 and 39 and IFRS 4.

Table 2.2 Analytical reconciliation of the consolidated balance sheet (mix model) as of 31 December 2004 - Liabilities

(€/mil)

LIABILITIES		Balances according to Italian GAAP 31/12/04 (A)	Reclassifi-cations (B)	Changes in the scope of consoli-dation (C)	Adjustments (D)	Balances according to IAS/IFRS 31/12/2004 (*) (E=A+B+C+D)
10.	Due to banks		28,198	79	-	28,277
10. It	Due to banks	28,198	(28,198)			
20.	Due to customers		88,638	179	-	88,817
20. It	Due to customers	88,488	(88,488)			
30.	Securities issued		53,519	1,422	-	54,941
40.	Financial liabilities held for trading		-	-	-	-
50.	Financial liabilities evaluated at fair value		-	-	-	-
30. It	Securities issued	46,564	(46,564)			
60.	Hedging derivatives		-	-	-	-
70.	Value adjustment of financial liabilities subject to macrohedging		-	-	-	-
110. It	Subordinated liabilities	6,955	(6,955)			
80.	Tax liabilities		422	29	332	783
	a) current		*281*	*23*	-	*304*
	b) deferred		*141*	*6*	*332*	*479*
90.	Liabilities on groups of assets being disposed of		-	-	-	-
100.	Other liabilities		25,555	480	(148)	25,887
50. It	Other liabilities	22,162	(22,162)			
60. It	Accrued expenses and deferred income	2,647	(2,647)			
40. It	Public funds administered	150	(150)			
110.	Provisions for employee termination indemnities		886	-	(4)	882
70. It	Provisions for employee termination indemnities	886	(886)			
120.	Provisions for risks and charges:		1,852	17	(135)	1,734
	a) pensions and similar commitments		*212*	*(6)*	*3*	*209*
	b) other provisions		*1,640*	*23*	*(138)*	*1,525*
80. It	Provisions for risks and charges	3,046	(3,046)			
90. It	Provisions for probable loan losses	81	(81)			
130.	Technical reserves		-	38,849	-	38,849
140.	Valuation reserves		69	-	274	343
150.	Redeemable shares		-	-	-	-
160.	Capital instruments		-	-	-	-
170.	Reserves		4,399	-	176	4,575
170. It	Reserves	3,963	(3,963)			
180. It	Revaluation reserves	69	(69)			
180.	Additional paid-in capital		725	-	-	725
160. It	Additional paid-in capital	725	(725)			
190.	Capital		5,218	-	-	5,218
150. It	Capital	5,218	(5,218)			
100. It	Reserve for general banking risks	6	(6)			
130. It	Negative goodwill arising on application of the equity method	430	(430)			
200.	Own shares		-	-	-	-
210.	Minority interest		176	62	44	282
140. It	Minority interest	176	(176)			
220.	Net profit		1,393	-	54	1,447
200. It	Profit for the period	1,393	(1,393)			
	Total liabilities and shareholders' equity	**211,157**	**(107)**	**41,117**	**593**	**252,760**

(*) Excluding IAS 32 and 39 and IFRS 4.

Table 3.1 Analytical reconciliation of the consolidated balance sheet (full IAS) as of 1 January 2005 - Assets

(€/mil)

ASSETS		Balances according to IAS/IFRS 31/12/2004 (*) (A)	Reclassifi-cations (B)	Adjustments (C)	Balances according to IAS/IFRS 31/12/2005 (**) (D=A+B+C)	Effect of adopting the Fair Value Option (***) (E)	IAS balances after adoption of the Fair Value Option (F=D+E)
10.	Cash and cash equivalents	1,365	(1)	-	1,364		1,364
20.	Investments held for trading	65,778	(37,838)	317	28,257		28,257
30.	Investments designated at fair value	-	23,575	76	23,651	(839)	22,812
40.	Available for sale investments	2,831	22,559	932	26,322	839	27,161
50.	Held-to-maturity investments	3,197	(1,379)	-	1,818		1,818
60.	Loans to banks	24,238	668	2	24,908		24,908
70.	Loans to customers	123,204	2,282	794	126,280		126,280
80.	Hedging derivatives	-	822	747	1,569		1,569
90.	Value adjustment of financial assets subject to macrohedging	-	-	-	-		-
100.	Equity investments	839	-	-	839		839
110.	Insurance reserves attributable to reassures	25	-	-	25		25
120.	Tangible assets	2,328	-	-	2,328		2,328
130.	Intangible assets	1,055	-	-	1,055		1,055
	of which:						
	- goodwill	*766*	-	-	*766*		*766*
140.	Tax assets	3,304	-	485	3,789		3,789
	a) current	*1,798*	-	-	*1,798*		*1,798*
	b) advanced	*1,506*	-	*485*	*1,991*		*1,991*
150.	Non-current assets and groups of assets being disposed of	-	-	-	-		-
160.	Other assets	24,596	(18,456)	46	6,186	27	6,213
	Total assets	**252,760**	**(7,768)**	**3,399**	**248,391**	**27**	**248,418**

(*) Excluding IAS 32 and 39 and IFRS 4.
(**) Including IAS 32 and 39 and IFRS 4.
(***) Regulation 1864/2005 implemented IASB guidelines on Fair Value Options in the EU area.

Table 3.2 Analytical reconciliation of the consolidated balance sheet (full Ias) as of 1 January 2005 - Liabilities

(€/mil)

LIABILITIES		Balances according to IAS/IFRS 31/12/2004 (*) (A)	Reclassifi-cations (B)	Adjustments (C)	Balances according to IAS/IFRS 1/1/2005 (**) (D=A+B+C)	Effect of adopting the Fair Value Option (***) (E)	IAS balances after adoption of the Fair Value Option (F=D+E)
10.	Due to banks	28,277	13	3	28,293		28,293
20.	Due to customers	88,817	(82)	-	88,735	(2,355)	86,380
30.	Securities issued	54,941	(2,915)	1,035	53,061	(2,073)	50,988
40.	Financial liabilities held for trading	-	10,864	406	11,270	2,318	13,588
50.	Financial liabilities designated as at fair value	-	19,255	-	19,255	2,136	21,391
60.	Hedging derivatives	-	1,158	783	1,941		1,941
70.	Changes in fair value of liabilities in hedged portfolios	-	-	18	18		18
80.	Tax liabilities	783	-	323	1,106		1,106
	a) current	*304*	-	-	*304*		*304*
	b) deferred	*479*	-	*323*	*802*		*802*
90.	Liabilities included in disposal groups classified as held for sale	-	-	-	-		-
100.	Other liabilities	25,887	(16,806)	709	9,790		9,790
110.	Provisions for employee termination indemnities	882	-	-	882		882
120.	Provisions for risks and charges:	1,734	-	84	1,818		1,818
	a) post retirement benefit obligations	*209*	-	-	*209*		*209*
	b) other provisions	*1,525*	-	*84*	*1,609*		*1,609*
130.	Technical reserves	38,849	(19,255)	389	19,983		19,983
140.	Valuation reserves	343	-	691	1,034	1	1,035
150.	Redeemable shares	-	-	-	-		-
160.	Capital instruments	-	-	-	-		-
170.	Reserves	4,575	-	(903)	3,672	(1)	3,671
180.	Share premium reserve	725	-	-	725		725
190.	Capital	5,218	-	-	5,218		5,218
200.	Own shares	-	-	(61)	(61)		(61)
210.	Minority interests	282	-	(78)	204		204
220.	Net profit	1,447	-	-	1,447		1,447
	Total liabilities and shareholders' equity	**252,760**	**(7,768)**	**3,399**	**248,391**	**27**	**248,418**

(*) Excluding IAS 32 and 39 and IFRS 4.
(**) Including IAS 32 and 39 and IFRS 4.
(***) Regulation 1864/2005 implemented IASB guidelines on Fair Value Options in the EU area.

Table 4 Summary reconciliation of the consolidated net income according to IFRS 1 (*)

(€/mil)

		2004 (**)
Net income applying Italian GAAP		1,441
- pertaining to the Group		*1,393*
- minority interests		*48*
30.	Net interest income	(27)
60.	Net commissions	(3)
180 a)	Personnel costs	(15)
180 b)	Other administrative costs	(7)
190.	Net provisions for risk and charges	(1)
200.	Net adjustments to tangible assets	(4)
210.	Net adjustments to intangible assets	104
220.	Other operating charge/income	1
240.	Profits (losses) on investments in associates and companies subject to joint control	25
270.	Profits (losses) on disposal of investments	(1)
290.	Income taxes for the period	(18)
330.	Profits (loss) for the period attributable to minority interests	7
	Total adjustments for IAS/IFRS	**61**
Net income applying IAS/IFRS		1502
- pertaining to the Group		*1447*
- minority interests		*55*

(*) The amounts shown in the table do not reflect the overall effect on single income captions affected by the reconciliation since they do not take into account the reclassifications between captions through the application of new accounting standards and the extension of the area of consolidation.
(**) Excluding IAS 32 and 39 and IFRS 4.

Table 5 Analytical reconciliation of the consolidated statement of income (mix model) for 2004

(€/mil)

STATEMENT OF INCOME		Balances according to Italian GAAP for 2004 (A)	Reclassifi-cations (B)	Changes in the scope of consoli-dation (C)	Adjust-ments (D)	Balances according to IAS/IFRS for 2004 (*) (E=A+B+C+D)
10.	Interest income and similar revenues		7,195	582		7,777
10. It	Interest income and similar revenues	7,195	(7,195)			
20.	Interest expense and similar charges		(3,508)	(59)	(27)	(3,594)
20. It	Interest expense and similar charges	(3,508)	3,508			
30.	**Net interest income**	**3,687**	-	-	-	**4,183**
40.	Commission income		3,998	3	-	4,001
40. It	Commission income	3,998	(3,998)			
50.	Commission expense		(761)	(71)	(3)	(835)
50. It	Commission expense	(761)	761			
60.	**Net commissions**	**3,237**	-	-	-	**3,166**
70.	Dividends and other revenues		152	52	-	204
30. It	Dividends and other revenues	152	(152)			
80.	Profit (losses) on financial trading activities		235	1,379	-	1,614
90.	Fair value adjustments from hedge income		-	-	-	-
100.	Profit (loss) from sale or repurchase of:					
	a) loans		-	-	-	-
	b) available-for-sale financial assets		-	-	-	-
	c) held-to-maturity investments		-	-	-	-
	d) financial liabilities		-	-	-	-
110.	Profit (losses) on financial assets and liabilities designated at fair value		-	-	-	-
60. It	Profits (losses) on financial transactions	235	(235)			
120.	**Net interest and other banking income**	**7,311**	-	-	-	**9,167**
130.	Impairment losses/write-backs to:					(469)
	a) loans		(525)	38	-	(487)
	b) available-for-sale financial assets		18	-	-	18
	c) held-to-maturity investments		-	-	-	-
	d) other financial transactions			-	-	-
140. It	Provisions to the reserve for probable loan losses	(17)	17			
120. It	Adjustments to loans and provisions for guarantees and commitments	(894)	894			
130. It	Writebacks of adjustments to loans and provisions for guarantees and commitments	386	(386)			
150. It	Adjustments to financial fixed assets	(106)	106			
160. It	Writebacks of adjustments to financial fixed assets	124	(124)			
140.	**Net result of financial activities**	**6,804**	-	-	-	**8,698**
150.	Net insurance premiums		-	8,558	-	8,558
160.	Balance of other income/charges arising on insurance management activities		-	(10,176)	-	(10,176)
170.	**Net result of financial and insurance activities**	**6,804**	-	-	-	**7,080**
180	Administrative costs:					(4,632)
	a) personnel		(2,803)	(15)	(15)	(2,834)
	b) other		(1,762)	(29)	(7)	(1,798)
80. It	Administrative costs	(4,565)	4,565			
190.	Net provisions for risks and charges		(231)	-	(1)	(232)
100. It	Provisions for risks and charges	(231)	231			
200.	Net adjustments to tangible assets		(240)	-	(4)	(244)
210	Net adjustments to intangible assets		(220)	(1)	-	(221)
90. It	Adjustments to tangible and intangible fixed assets	(656)	656			
220	Other operating (expense) income		471	36	1	508
110. It	Other operating expenses	(76)	76			
70. It	Other operating income	399	(399)			
230	**Operating costs**	**(5,129)**	-	-	-	**(4,821)**
240	Profits (losses) on investments in associates and companies subject to joint control		259	(211)	25	73
250	Net fair value adjustment to tangible and intangible assets		-	-	-	-
260	Impairment of goodwill		(179)	-	104	(75)
170. It	Profits (losses) from investments carried at equity	278	(278)			
270	Profits (losses) on disposal of investments		-	-	(1)	(1)
280	Operating profit (loss) before tax from continuing operations	1,953	-	-	-	2,256
230. It	Change in reserve for general banking risks	(2)	-			
180. It	Profit from ordinary operations	1,951	-			
190. It	Extraordinary income	323	(323)			
200. It	Extraordinary expense	(175)	175			
210. It	Extrordinary profit	148	-			
290	Income taxes for the period		(658)	(78)	(18)	(754)
240. It	Income taxes	(658)	658			
300	**Net profits (loss) after tax from continuing operations**	**1,441**	-	-	-	**1,502**
310	Profits (losses) from discontinued operations		-	-	-	
320	**Profit (loss) for the period**		-	-	-	**1,502**
250. It	Profit (loss) attributable to minority interests	(48)	48			
330	Profit (loss) for the period attributable to minority interests		(48)	(8)	1	(55)
260. It	Profit for the period	1,393	-			
340	**Parent Bank net profit (loss)**		-	-	**55**	**1,447**

(*) Excluding IAS 32 and 39 and IFRS 4.

Notes on the methods used to draft the reconciliation statements

The "summary reconciliation statements" (Tables 1 and 4) show, for each caption of the new financial statements, the effects of the change before taxation, which are shown altogether under a separate caption. The amounts shown, except for some "net" values which are specifically highlighted, correspond to those carried in the "adjustments" column in the "analytical reconciliation statements".

The "analytical reconciliation statements" for the financial statements as of 31 December 2004 (Table 2) and for the statement of income for 2004 (Table 5) are both based on the mix model and show both the captions used in the old layout of the financial statements and the new ones according to the IAS layout. In particular they are preceded by Arabic numerals which are typical of their respective layouts, with the suffix "It" for those captions previously used according to Italian accounting principles.

The columns in the analytical statements are described below:

Balances according to Italian GAAP (column "A"). This column is valued according to the captions using the old style layout of the financial statements and carries the values published in the past.

Reclassifications (column "B"). This shows the reclassifications required to write back all the balances of the Italian GAAP captions in order to restore them to the new IAS layout. For this purpose, captions referring to financial instruments were reclassified on the basis of the conventional policies indicated in the following paragraph.

Changes in the scope of consolidation (column "C"). Within the IAS layout, this shows the effect of the changes in the scope of consolidation mainly attributable to the inclusion of the Group's insurance sector. The amounts carried have been calculated according to the accounting principles previously in force.

Adjustments (column "D"). This column shows the effects of applying IAS/IFRS principles for measurement and evaluation. Therefore it shows the amounts which will have an effect on net equity and net income. The amounts highlighted here correspond to those shown in the "summary reconciliation statements".

The "analytical reconciliation statement" for the balance sheet as of 1 January 2005 (Table 3) has been prepared using as a starting point the mix model balance sheet as of 31 December 2004 (column "A"), as defined in the specific reconciliation statements and highlighting the reclassifications (column "B") and adjustments (column "C") made as a result of the application of IAS 32 and 39 (financial instruments) and IFRS 4 (insurance products).

Conventional reclassification principles for financial instruments in the 2004 reconciliation statements

As already mentioned, the balance sheet as of 31 December 2004 and the statement of income as of 31 December 2004 were prepared applying international accounting standards, with the exception of IAS 32, 39 and IFRS 4. Therefore, the valuation and classification of financial instruments in compliance with IAS has been applied from 1 January 2005. In the 2004 accounts, financial instruments were valued according to Italian accounting principles and reclassified to the IAS/IFRS captions in compliance with the principles indicated below.

"Cash and cash equivalents" and "loans and due to banks and customers" have been reclassified to the corresponding captions in the IAS/IFRS layout. "Treasury bills and similar bills eligible for refinancing with central banks", "bonds and other debt securities" and "shares, quotas and other equities" have been recorded to "financial assets held for trading" and "held-to-maturity investments" respectively, according to whether they were classified to the "dealing" or "investment" portfolios in the financial statements prepared according to Italian accounting principles. Investments not valued using the equity method have been recorded under "available for sale financial assets". "Securities issued" and "subordinated liabilities" have been reclassified to "securities issued". "Accruals, prepayments and deferrals", "other assets" and "other liabilities" have been recorded under "other assets" and "other liabilities" in the IAS/IFRS layout.

In the statement of income, interest, commissions and dividends have been recorded under the corresponding captions in the new layout. The caption "net dealing income" includes the balance of what was formerly classified as "profits (losses) from financial transactions" in the layout used for Italian accounting principles. "Provisions to the reserve for probable loan losses", "adjustments" and "write-backs of adjustments to loans and provisions for guarantees and commitments" have been classified under "impairment losses/write-backs to a) loans". "Adjustments" and "write-backs of financial fixed assets" have been included under the IAS/IFRS caption "impairment losses" in the value of financial assets.

Notes to the reconciliations

"Financial assets held for trading". The securities portfolio, separately identified according to Italian GAAP as "dealing" and "investment", has been reclassified as of 1 January 2005 by the Parent Bank and its subsidiaries, to the categories provided by IASB in line with prevailing management and operating guidelines and, in any case, with the objectives of the Group. The Group has classified under 'Dealing transactions' those securities held in its trading desk portfolios which are generally traded very frequently or expected to be disposed of in the short term as well as derivatives held for dealing. Furthermore, IAS 39 rules governing hedging transactions have led to the derecognition of a significant portion of hedging transactions previously carried out in the portfolio. The inclusion under "financial assets held for trading" of derivatives which, at 1 January 2005, could not be classified as hedging transactions and their consequent valuation at fair value, gave rise to a write-up adjustment to assets of 455 million euro, of which 206 million euro refer to options that already hedged optional components of structured deposits. To partially compensate the aforementioned adjustments to derivatives, the total adjustment shown in the reconciliation statements includes the elimination of own shares of the Parent Bank (61 million euro) and of individual subsidiaries (57 million euro), as well as lower amounts for: (i) the adjustment to fair value of securities previously valued at cost; (ii) the effect of recalculating the fair value of dealing derivatives in order to reflect the valuation models, taking into account the credit worthiness of the counterparties and other specifications provided for by international accounting standards.

Financial assets designated as at fair value. The Banking Group has made limited use of the designation at fair value (known as fair value option) for financial instruments, restricting it mainly to account for its portfolio of structured securities, whereas it has been used extensively by its insurance subsidiaries in respect of securities to cover policies where the investment risk is borne by the insured. Ideally, the exposure of the Group to such securities is compensated by offsetting the policies against the relevant liabilities designated at fair value.

Available for sale financial assets. Upon first-time adoption of international accounting standards, those debt securities which could not be classified under any other portfolio have been included under available for sale financial assets, together with all equity investments that do not fall under the subsidiary, affiliated or joint-control category. Only where valuations were not reliable – taking into account, among other things, the specific characteristics of the issuer, that is, the significant spread in the ranges of value resulting from the application of the valuation models, or rather, the lack of information useful to applying valuation models given the scarse importance of the shareholding – were securities still carried at cost. The most significant investments still carried at cost are investments in Banca d'Italia, Borsa Italiana, Hutchison 3G Italia and Credito Sportivo. The positive adjustment refers to the fair value of securities already valued at cost, offset against a specific valuation reserve included under shareholders' equity. The valuation reserve relating to available for sale investments, included under shareholders' equity, was not adjusted for taxation since, according to IAS, investments maintain current tax exemptions (participation exemption regime).
The balance sheet adjustment of 583 million euro refers in particular to the fair value adjustment made to debt securities of the insurance sector, against high risk insurance policies. The relevant valuation reserve relating to available for sale investments, included under shareholders' equity, is partially compensated by recording a valuation reserve but with opposite sign, calculated on the insurance liabilities (mathematical reserves) according to the option given by IFRS 4, to take advantage of "shadow accounting" for the portion of income due to policy underwriters.

Held-to-maturity investments. The investment portfolio has been recalculated due to stricter constraints being imposed by the international accounting standards on "held-to-maturity investments", by reclassifying those securities that had been previously classified as "available for sale investments". No adjustments were made to those values already booked according to Italian accounting principles.

Loans to banks. Only inter-bank placements are classified in this caption, with the exclusion therefore of debt securities. The adjustment of two million euro refers to an adjustment to the value of hedged transactions.

Loans to customers. In addition to non-securitized loans to customers, the IAS/IFRS loan portfolio (loans and receivables) also comprises unquoted securities arising from the restructuring of exposures or purchased upon subscription or assignment of corporate customers. As regards the discounting of doubtful loans, the SANPAOLO IMI Group has adopted the net present value criteria set by IAS/IFRS for doubtful loans since 1998, the year in which its shares were quoted on the US market. Therefore, the value of equity at transition has been changed only in respect of the adjustment of hedged loans (+640 million euro) and the improvement of the application of "amortized cost" in accordance with IAS. More specifically, as regards this last point, equity was reduced by 34 million euro (21 million net of its tax effect) due to an adjustment to the value of non-interest bearing loans granted by GEST Line, the tax collection subsidiary company, to the various entities on behalf of which it carries out its collection activity. The adjustment was made to take into account the discounting at effective interest rates, compared to the expected average collection period. This adjustment reflects also the 167 million euro increase in loans due to the separate accounting of the commitment incorporated in the FIAT convertible facility under derivative liabilities (dealing).

Hedging derivatives. This caption comprises derivatives which were already classified as hedging instruments in the financial statements prepared in accordance with Italian accounting principles and which, at 1 January 2005 could be considered as such according to IFRS 1 transition rules. The adjustment to shareholders' equity (+747 million euro) reflects the adjustment to fair value of such derivatives and is substantially compensated by the adjustment to fair value of the underlying hedged items.

Investments carried at net equity. This caption includes both the valuation to net equity of investments in affiliated companies and the positive differences in shareholders' equity which are carried under a separate caption in the financial statements prepared according to Italian accounting principles. The 2004 adjustments relate to the write-back of the 2004 amortization charge on such differences since IFRS 3 does not provide for the systematic amortization of goodwill with effect from 1 January 2004. The write-back of 2004 amortization has a positive effect on the economic result for 2004, due to the increase in profit of companies carried at equity.

Tangible assets. Tangible assets included in the financial statements prepared in accordance with Italian accounting principles have been reclassified to this caption which, for the first time, includes also leasehold property where the related entry is included under financial liabilities. The increase in shareholders' equity relates mainly to the fair value adjustment (+366 million euro) of land in the real estate portfolio, made on the basis of appraisals carried out by independent experts. This fair value represents the new book value that replaces cost. Works of art are also subject to adjustment to fair value (+42 million euro) as a replacement of cost, again based on appraisals carried out by independent experts. Since they are considered to be assets not subject to amortization, previous amortization charges (made on the basis of Italian accounting principles) have been reversed (+19 million euro). In the statement of income, the higher "adjustments to the value of tangible fixed assets" refer mainly to amortization of leasehold property, which previously had not been included.

Intangible assets. This caption reflects the reversal of long-term charges and other intangible assets which, according to IAS/IFRS, can no longer be capitalized. Furthermore, amortization of internally-developed software has been recalculated according to criteria approved under the IAS principles.
In particular, this caption includes goodwill arising on the line by line consolidation and on the purchase of business branches. Following the adoption of IAS/IFRS, goodwill is considered as an asset with an indefinite economic life and as such it can no longer be systematically amortized (as required, on the contrary, by Italian accounting principles). Goodwill must be reviewed annually for impairment (impairment test) and, if necessary, written down to reflect any "permanent loss in value". The SANPAOLO IMI Group carried out an impairment test on goodwill recorded as of 1 January 2004 and 31 December 2004 which revealed no losses in value compared to the amounts reported in the financial statements. As already noted, no other adjustments were made to goodwill given that the Group decided not to adopt IFRS 3 to business combinations retrospectively. The write-up adjustment made to the caption refers to the reversal of 2004 amortization charges and reflects positively on the result for 2004, under the caption "adjustments to intangible assets".

Tax assets and liabilities. The amounts shown relate to deferred taxation on taxable and deductible temporary differences arisen by applying the international accounting standards to other balance sheet items.

Other assets and liabilities. This caption covers Group assets and liabilities not reported in other captions of the financial statement. The more important adjustments refer to the reporting in assets of the deferrals of placement commission expenses paid to companies outside the Group (129 million) for the placement of policies issued by the insurance business, and in liabilities of the corresponding deferrals of positive commissions collected by the underwriters on the issue of those policies (380 million). These amounts will be reported in the statement of income on a straight line basis for the life of the underlying products. Moreover, purchase commitments were subscribed for controlled investments to the sum of 83 million, liabilities were eliminated for dividends attributable to the minority interests of subsidiaries (42 million euro at 1 January 2004 and at 31 December 2004/1 January 2005) and already recorded in other liabilities in accordance with national accounting standards, and deferred assets and liabilities were eliminated in relation to hedged derivatives closed in previous years.

Due to banks. This caption comprises all amounts due to banks at their "amortized cost". The adjustment of three million euro refers to an adjustment to the value of hedge accounting positions.

Securities issued. On the basis of Italian accounting principles, own securities issued and then repurchased on the market for trading are considered as assets to be included in the financial statements. On the other hand, IAS/IFRS require such securities to be cancelled on repurchase. In accordance with IAS 39, own debt securities have been cancelled against the corresponding liability caption "Debt securities issued"; the excess value of the amount already recorded under assets over the corresponding liability resulted in a negative adjustment to opening shareholders' equity, due to the higher carrying value of the securities portfolio compared to the amortized value of the relevant collected amount.
Upon transition to IAS, deposits of structured securities were recorded by retrospectively applying "split accounting" whereby both the embedded derivative and the host contract are initially recorded separately at fair value, and at a later stage, the derivative is recorded at fair value and the host contract at amortized cost as adjusted to take into account any relevant hedges. The fair values (of embedded derivatives and of the host contracts) that are initially recorded, unless significantly different from their related market value, must be equal to the amounts collected. This accounting method, provided for in the international accounting standards, resulted in allocating total issue costs and income over the life of the product by recording the host contract at amortized cost and writing off any day-one profit recorded in the previous financial statements prepared according to Italian accounting principles. The adjustment includes 234 million euro relating to the recording of the host contracts at amortized cost after deducting the relevant derivatives and 525 million euro relating to the recording of hedges on deposits represented by securities.

Financial liabilities held for trading: This caption comprises those dealing derivatives with a negative fair value. The adjustment refers to the negative value of 766 million euro of derivatives previously classified as hedges and reclassified as dealing at the date of transition as well as to the positive value of 359 million euro for options sold which were embedded in the structured deposits and accounted for separately from the host contract (split accounting).

Hedging derivatives - liabilities. This caption comprises only derivatives with a negative fair value which were already qualified as hedges in the financial statements prepared in accordance with Italian accounting principles and which, at 1 January 2005 could be considered as hedges according to IFRS 1 transition rules. The adjustment to equity (-783 million euro) is basically compensated by the adjustment to fair value of the underlying hedged items.

Changes in fair value of liabilities in hedged portfolios. The adjustment refers to an adjustment to the value of portfolios of financial liabilities exposed to interest rate risk to take into account the related hedges.

Provisions for employee termination indemnities. IAS/IFRS provide for a different accrual principle for liabilities matured in respect of obligations to employees. Accruals are calculated on the basis of the existing workforce taking into account the expected length of service, and the total liability matured must be subject to actuarial calculations. For IAS/IFRS purposes the specific accounting treatment of the accruals in accordance with Art. 2120 of the Civil Code is still subject to discussion by the accounting profession. In line with prevailing doctrine, the Group has chosen to evaluate the above liability towards its workforce according to the provisions of IAS 19 “Employee benefits” as regards defined benefit pension funds. As a result of the above decision, the commitment has been subject to valuation by an independent actuary. The accrual at 1 January 2004 was made taking into account also all prior year actuarial losses and gains as permitted by the transition provisions.
The Group has chosen to accrue all such losses and gains by adopting the so-called ‘corridor accounting’. The 2004 statement of income benefited from the positive effect of lower accruals recorded in personnel costs.

Provisions and reserves: provisions and reserves include provisions for employees specifically required by IAS 19 “Employee benefits” and, especially, accruals for commitments to make good the technical deficit in the defined benefit pension funds.
As regards the latter, estimates already made by an independent actuary for the purposes of the financial statements prepared in accordance with Italian accounting principles, have been adjusted to take into consideration the “projected unit credit method” and other requirements set out in the aforementioned international accounting principle. With regard to potential liabilities other than those linked to a working relationship, the IAS provide that they be recorded at the present value payable when due; this differs from Italian accounting principles which provide for the full accrual of the potential liability. Therefore the relevant accruals have been reduced to take into account the cost of money by discounting the expected future cash outflows. Lastly, those provisions which did not satisfy the stricter requirements of IAS 37 in respect of accruals have been wholly eliminated. In accordance with international accounting standards, the statement of income for the 2004 financial year has been adjusted by a charge for interest payable calculated on the amounts accrued.

Technical reserves. In brief, Italian accounting principles for insurance products provide that:

the amounts collected for the issue of insurance products must be recorded directly in the statement of income as “insurance premiums”;

in respect of these premiums, insurance companies accrue the expected amounts payable to the insured in appropriate “technical reserves”;

in the statement of income, the difference between the premiums recorded under income and the accruals to reserves recorded under costs represent the margin earned by insurance companies in the statement of income.

On the other hand, IAS/IFRS distinguish products mostly on the basis of their economic content, which can be financial or insurance related.
In this way, products issued by insurance companies must be entered either as financial or insurance instruments, depending on the type of risks associated with them.

The products characterized mostly by insurance risks follow IFRS 4 rules, which basically refer to the accounting principles; on the other hand, products of a financial nature are accounted for in accordance with IAS 39 “financial instruments”.

Therefore, technical reserves relating to products which also under IAS provisions are classified as insurance products, have been accounted for in accordance with Italian accounting principles and, in accordance with IAS 39, adjusted to take into account the different valuation of the relevant investments made. In particular, the Group has chosen to avail itself of “shadow accounting”, whereby insurance liabilities are adjusted by way of an entry to a valuation reserve under shareholders’ equity which mirrors the recording of the related available for sale investments. It should be noted that the reserves for policies with a significant financial content have been reclassified as financial liabilities.

Changes in the area of consolidation – minority interests. Under international accounting standards, all subsidiaries are consolidated on a line by line basis, and therefore, in the specific case of the SANPAOLO IMI Group, also the entire insurance sector, which was previously included in the consolidated accounts using the equity method. This change has not affected the Group shareholders' equity in any way; however, the inclusion of investments consolidated on a proportional basis or carried at equity in the consolidation area of the consolidated financial statements prepared on a line by line basis, in accordance with Italian accounting principles, has affected minority interest. The greater amount shown refers mainly to the line by line consolidation of Banka Koper which was previously consolidated using the proportional method.

RECONCILIATION STATEMENT OF INDIVIDUAL SHAREHOLDERS' EQUITY AND NET PROFIT FOR THE YEAR AND CONSOLIDATED SHAREHOLDERS' EQUITY AND NET PROFIT FOR THE YEAR

(€/mil)

	Net profit	Capital and reserves	Total
PARENT COMPANY FINANCIAL STATEMENTS	**1,165**	**9,730**	**10,895**
Balance from subsidiaries consolidated by the line-by-line method	2,048	17,005	19,053
Consolidation adjustments:			
- book value of investments consolidated by the line-by-line method	-	(15,390)	(15,390)
- dividends of consolidated companies	(1,113)	1,113	-
- elimination of goodwill arising on consolidation	-	(914)	(914)
- reversal of profits from disposal of available for sale equities	(55)	55	-
- evaluation of investments carried at equity	56	(39)	17
- minority interests	(57)	(176)	(233)
- elimination of write-downs of investments evaluated at equity	-	108	108
- reversal of disposals of infra-group branches	(32)	-	(32)
- tax benefits arising on the merger of Banco Napoli	-	226	226
- debts to minority interests	-	(151)	(151)
- securities placement and infra-group policy	(26)	(98)	(124)
- other adjustments	(3)	31	28
CONSOLIDATED FINANCIAL STATEMENTS	**1,983**	**11,500**	**13,483**

PROSPECTUS OF SHARES OWNED AS AT 31 DECEMBER 2005 GREATER THAN 10% OF CAPITAL REPRESENTED BY SHARES WITH VOTING RIGHTS IN UNLISTED COMPANIES OR FROM SHARES IN LIMITED LIABILITY COMPANIES (PURSUANT TO ART. 126 OF CONSOB DECISION NO. 11971 OF 14 MAY 1999) (1)

Name	Investor	Share %
Agricola del Varano S.r.l.	Cassa di Risparmio Padova e Rovigo	26.58
Alilaguna S.r.l.	Cassa di Risparmio Venezia	80.00
Ama International S.p.A.	FIN. OPI	14.97
Associazione Nazionale per l'Enciclopedia della Banca e della Borsa	Sanpaolo IMI	12.11
	Banca Fideuram	0.35
		12.46
Banca d'Italia	Sanpaolo IMI	8.33
	Cassa di Risparmio Bologna	6.20
	Cassa di Risparmio Padova e Rovigo	1.20
	Cassa di Risparmio Venezia	0.88
	Friulcassa	0.62
		17.23
Banco del Desarrollo S.A.	Sanpaolo IMI	15.71
Banque Espirito Santo et de la Venetie S.A.	Sanpaolo IMI	18.00
Banque Galliere S.A. (in liq.)	Cassa di Risparmio Bologna	17.50
Beato Edoardo Materiali Ferrosi S.r.l.	Cassa di Risparmio Padova e Rovigo	50.00
	Cassa di Risparmio Venezia	50.00
		100.00
Biessefin S.p.A. (in liq.)	Sanpaolo IMI	36.10
Bipielle Riscossioni S.p.A.	Sanpaolo IMI	11.20
Borsa Italiana S.p.A.	Banca IMI	7.94
	Sanpaolo IMI	5.37
	Sanpaolo Bank	0.43
		13.74
Calitri Denim Industries S.p.A. (bankrupt)	Isveimer (in liq.)	14.29
Celeasing S.r.l.	Sanpaolo IMI	100.00
Cen.Ser. Centro Servizi S.p.A.	Cassa di Risparmio Padova e Rovigo	11.60
Centradia Limited (in liq.)	Centradia Goup (in liq.)	100.00
Centradia Services Ltd (in liq.)	Centradia Goup (in liq.)	100.00
Centrale dei Bilanci S.r.l.	Sanpaolo IMI	12.60
Centro Agroalimentare di Napoli Scpa	Sanpaolo IMI	12.56
Centro Factoring S.p.A.	Sanpaolo IMI	10.81
Centro Leasing S.p.A.	Sanpaolo IMI	12.33
Cimos International d.d.	Banka Koper	13.55
Dorado - Cigs S.r.l.	Cassa di Risparmio Bologna	25.00
Dulevo S.p.A. (bankrupt)	Sanpaolo IMI	16.29
Elvetia Edile S.r.l.	Sanpaolo IMI	100.00
Emporium S.r.l.	Cassa di Risparmio Padova e Rovigo	51.27
Equipe Investments S.p.A.	Cassa di Risparmio Padova e Rovigo	100.00
Esatto S.p.A.	GEST Line	16.33

Name	Investor	Share %
Esped Spedizioni S.r.l.	Cassa di Risparmio Padova e Rovigo	29.80
Evoluzione 94 S.p.A.	Sanpaolo IMI	5.99
	Cassa di Risparmio Bologna	2.55
	Friulcassa	1.97
		10.51
Fides S.p.A. (bankrupt)	Isveimer (in liq.)	20.00
Fin.Ser. S.p.A.	Cassa di Risparmio Padova e Rovigo	15.00
Fin. Tess. S.p.A.	Cassa di Risparmio Padova e Rovigo	98.00
Fonti di Gaverina	Sanpaolo IMI	60.64
Gerard H Polderman S.r.l.	Cassa di Risparmio Padova e Rovigo	100.00
Giraglia Immobiliare S.p.A.	Sanpaolo IMI	17.15
Guiness Peat Aviation ATR Ltd	Sanpaolo IMI Bank Ireland	12.50
I Guardi S.r.l.	Cassa di Risparmio Venezia	56.00
IAM Piaggio S.p.A. (in liq.)	Sanpaolo IMI	9.68
	Banca Fideuram	3.74
		13.42
Idra Partecipazioni S.p.A. (in liq.)	Ldv Holding	11.56
Immobiliare dell'Isola Cattaneo S.p.A.	Sanpaolo IMI	48.57
Immobiliare Femar S.p.A.	Cassa di Risparmio Padova e Rovigo	38.57
Immobiliare Peonia Rosa S.r.l.	Sanpaolo IMI	57.00
Immobiliare Santa Caterina S.r.l.	Sanpaolo Banco di Napoli	100.00
Impianti S.r.l. (in liq.)	Sanpaolo IMI	14.16
Inkuitalia S.p.A.	Friulcassa	65.00
Integrated Shipping Company	Sanpaolo IMI	100.00
Istituto per il Credito Sportivo	Sanpaolo IMI	10.81
Isveimer S.p.A. (in liq.)	Sanpaolo IMI	65.22
	Banca Popolare dell'Adriatico	0.17
		65.39
Ittica Ugento S.p.A.	Sanpaolo Banco di Napoli	26.96
IXIS Asset Management Group S.A.	Sanpaolo IMI	12.00
Kall Kwik Italia S.p.A. (in liq.)	Sanpaolo Leasint	15.00
Kish Receivables Co.	Tobuk	20.83
La Compagnia Finanziaria S.p.A.	Sanpaolo IMI	12.09
Leiballi Carni S.p.A.	Cassa di Risparmio Padova e Rovigo	33.33
Marche Capital S.p.A.	Banca Popolare dell'Adriatico	11.99
Mirano Costruzioni S.r.l.	Cassa di Risparmio Venezia	100.00
Pdp Box Doccia S.p.A.	Cassa di Risparmio Padova e Rovigo	80.00
Pila 2000 S.p.A.	Cassa di Risparmio Padova e Rovigo	37.19
Praxis Calcolo S.p.A.	Ldv Holding	14.52
	Sanpaolo IMI Private Equity	0.29
		14.81
Primorske Novice d.o.o.	Banka Koper	17.12
Print S.r.l.	Banca Popolare dell'Adriatico	100.00
Razvojni Center Mal. Gospod. D.o.o.	Banka Koper	19.53

Name	Investor	Share %
Sago S.p.A. (2)	Sanpaolo IMI	26.67
SI Holding S.p.A.	Sanpaolo IMI	11.16
Siteba S.p.A.	Sanpaolo IMI	10.45
Soa Nordest S.p.A.	Cassa di Risparmio Padova e Rovigo	15.00
Società Capua Group Imbottigliamento Bevande Gassate S.p.A.	Sanpaolo Banco di Napoli	80.19
SSB - Società per i Servizi Bancari S.p.A.	Sanpaolo IMI	15.54
	Banca Fideuram	0.02
		15.56
Stoà S.c.p.a.	Sanpaolo IMI	10.20
Tecnoalimenti S.c.p.a. (2)	Sanpaolo IMI	20.00
Tecnobiomedica S.p.A. (2)	Sanpaolo IMI	26.32
Tecnocittà S.r.l. (in liq.)	Sanpaolo IMI	12.00
Tecnofarmaci S.p.A. (2)	Sanpaolo IMI	20.50
Tecnogen S.c.p.a. (2)	Sanpaolo IMI	29.96
Tecnotessile S.r.l. (2)	Sanpaolo IMI	40.00
Trieste Terminal Cereali S.r.l.	Cassa di Risparmio Padova e Rovigo	31.25
Zampieri S.r.l.	Cassa di Risparmio Venezia	25.00

(1) The list does not include equity investments already shown in "Part B – Section 10" of the consolidated Explanatory Note.
(2) Equity investments deriving from transactions pursuant to Italian Law no. 1089 of 25 October 1968 (Applied Research Fund).